UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File number 1-12254

SAUL CENTERS, INC.
(Exact name of registrant as specified in its charter)

Maryland	**52-1833074**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7501 Wisconsin Avenue, Suite 1500E, Bethesda, Maryland 20814-6522
(Address of principal executive offices) (Zip Code)
Registrant’s telephone number, including area code: (301) 986-6200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	*Trading symbol:*	*Name of each exchange on which registered*
Common Stock, Par Value $0.01 Per Share	BFS	New York Stock Exchange
Depositary Shares each representing 1/100th of a share of 6.125% Series D Cumulative Redeemable Preferred Stock, Par Value $0.01 Per Share	BFS/PRD	New York Stock Exchange
Depositary Shares each representing 1/100th of a share of 6.000% Series E Cumulative Redeemable Preferred Stock, Par Value $0.01 Per Share	BFS/PRE	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: N/A

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes ☐ No ☒.

Indicate by check mark whether 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 requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the
Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒.

The number of shares of Common Stock, $0.01 par value, issued and outstanding as of February 17, 2022 was 23.8 million.

At June 30, 2021, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $591.9 million based upon the closing price of the registrant's Common Stock on the New York Stock Exchange on June 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter. The determination of affiliate status is solely for the purposes of this report and shall not be construed as an admission for the purposes of determining affiliate status.

DOCUMENTS INCORPORATED BY REFERENCE:

Registrant incorporates by reference into Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K portions of registrant's definitive Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the Securities Exchange Commission pursuant to Regulation 14A. The definitive Proxy Statement will be filed with the Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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PART I

Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "plans," "intends," "estimates," "anticipates," "expects," "believes" or similar expressions in this Form 10-K. Although management believes that the expectations reflected in such forward-looking statements are based upon present expectations and reasonable assumptions, our actual results could differ materially from those set forth in the forward-looking statements. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law. Certain factors that could cause actual results or events to differ materially from those we anticipate are described in "Item 1A. Risk Factors" of this Annual Report on Form 10-K. The following are some of the risks and uncertainties, although not all risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- *challenging domestic and global credit markets and their effect on discretionary spending;*
- *the ability of our tenants to pay rent;*
- *our reliance on shopping center "anchor" tenants and other significant tenants;*
- *our substantial relationships with members of The Saul Organization;*
- *risks of financing, such as increases in interest rates, restrictions imposed by our debt, our ability to meet existing financial covenants and our ability to consummate planned and additional financings on acceptable terms;*
- *our development activities;*
- *our access to additional capital;*
- *our ability to successfully complete additional acquisitions or redevelopments, or if they are consummated, whether such acquisitions or developments perform as expected;*
- *risks generally incident to the ownership of real property, including adverse changes in economic conditions, changes in the investment climate for real estate, changes in real estate taxes and other operating expenses, adverse changes in governmental rules and fiscal policies, the relative illiquidity of real estate and environmental risks; and*
- *risks related to our status as a REIT for federal income tax purposes, such as the existence of complex regulations relating to our status as a REIT, the effect of future changes to REIT requirements as a result of new legislation and the adverse consequences of the failure to qualify as a REIT.*

In addition, we describe risks and uncertainties that could cause actual results and events to differ materially in "Risk Factors" (Part I, Item 1A of this Annual Report on Form 10-K), "Quantitative and Qualitative Disclosures about Market Risk" (Part II, Item 7A), and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" (Part II, Item 7).

Item 1. Business

General

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”). The Company is required to annually distribute at least 90% of its REIT taxable income (excluding net capital gains) to its stockholders and meet 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.

The Company’s primary strategy is to continue to focus on diversification of its assets through development of transit-centric, residential mixed-use projects in the Washington, D.C. metropolitan area. The Company’s operating strategy also includes improvement of the operating performance and internal growth of its Shopping Centers and will supplement its development of residential mixed-used projects with selective redevelopment and renovations of its core Shopping 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 "Saul Trust"), the B. F. Saul Company and certain other affiliated entities, each of which is controlled by B. Francis Saul II and his family members (collectively, the "Saul Organization”). On August 26, 1993, members of 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 mixed-use properties, and the management functions related to the transferred properties. Since its formation, the Company has developed and purchased additional properties. The Company conducts its business through the Operating Partnership and/or directly or indirectly owned subsidiaries.

As of December 31, 2021, the Company’s properties (the “Current Portfolio Properties”) consisted of 50 shopping center properties (the “Shopping Centers”), seven mixed-use properties, which are comprised of office, retail and multi-family residential uses (the “Mixed-Use Properties”) and four (non-operating) development properties.

Management of the Current Portfolio Properties

The Operating Partnership manages the Current Portfolio Properties and will manage any subsequently acquired or developed properties. The management of the properties includes performing property management, leasing, design, renovation, development and accounting duties for each property. The Operating Partnership provides each property with a fully integrated property management capability, with approximately 65 full-time equivalent employees at its headquarters office and 48 full-time employees and nine part-time employees at its properties and with an extensive and mature network of relationships with tenants and potential tenants as well as with members of the brokerage and property owners’ communities. The Company currently does not, and does not intend to, retain third party managers or provide management services to third parties.

The Company augments its property management capabilities by sharing with the Saul Organization certain ancillary functions, at cost, such as information technology and payroll services, benefits administration and in-house legal services. The Company also shares insurance administration expenses on a pro rata basis with the Saul Organization. Management believes that these arrangements result in lower costs than could be obtained by contracting with third parties. These arrangements permit the Company to capture greater economies of scale in purchasing from third party vendors than would otherwise be available to the Company alone and to capture internal economies of scale by avoiding payments representing profits with respect to functions provided internally. The terms of all sharing arrangements with the Saul Organization, including payments related thereto, are specified in a written agreement and are reviewed annually by the Audit Committee of the Company’s Board of Directors.

The Company subleases its corporate headquarters space from the Saul Organization at the Company's share of the cost. A discussion of the lease terms is provided in Note 7, Long Term Lease Obligations, of the Notes to Consolidated Financial Statements.

Principal Offices

The principal offices of the Company are located at 7501 Wisconsin Avenue, Suite 1500E, Bethesda, Maryland 20814-6522, and the Company's telephone number is (301) 986-6200. The Company's internet web address is www.saulcenters.com. Information contained on the Company's website is not part of this report. The Company makes available free of charge on its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after the reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). We intend to comply with the requirements of Item 5.05 of Form 8-K regarding amendments to and waivers under the code of business conduct and ethics applicable to our Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer by providing such information on our website within four days after effecting any amendment to, or granting any waiver under, that code, and we will maintain such information on our website for at least twelve months. Alternatively, you may access these reports at the SEC's website: www.sec.gov.

Policies with Respect to Certain Activities

The following is a discussion of the Company's operating strategy and certain of its investment, financing and other policies. These strategies and policies have been determined by the Board of Directors and, in general, may be amended or revised from time to time by the Board of Directors without a vote of the Company's stockholders.

Operating Strategy

The Company's primary strategy is to continue to focus on diversification of its assets through development of transit-centric, residential mixed-use projects in the Washington, D.C. metropolitan area. The Company's operating strategy also includes improvement of the operating performance and internal growth of its Shopping Centers and it will supplement its development of residential mixed-used projects with selective redevelopment and renovations of its core Shopping Centers.

The Company's primary operating strategy is to focus on the management and development of (i) transit-centric, primarily residential mixed-use properties to achieve both cash flow growth and capital appreciation and (ii) community and neighborhood shopping center business. Community and neighborhood shopping centers typically provide reliable cash flow and steady long-term growth potential. Management actively manages its property portfolio by engaging in strategic leasing activities, tenant selection, lease negotiation and shopping center expansion and reconfiguration. The Company seeks to optimize its retail tenant mix by selecting tenants for its Shopping Centers and Mixed-Use Properties that provide a broad spectrum of goods and services, consistent with the role of community and neighborhood shopping centers as the source for day-to-day necessities. Management believes that such a synergistic tenanting approach results in increased cash flow from existing tenants by providing the Shopping Centers with consistent traffic and a desirable mix of shoppers, resulting in increased sales and, therefore, increased cash flows.

Management believes there is potential for long term growth in cash flow as existing leases for space in the Shopping Centers and Mixed-Use Properties expire and are renewed, or newly available or vacant space is leased. The Company intends to renegotiate leases where possible and seek new tenants for available space in order to optimize the mix of uses to improve foot traffic through the Shopping Centers. As leases expire, management expects to revise rental rates, lease terms and conditions, relocate existing tenants, reconfigure tenant spaces and introduce new tenants with the goals of increasing occupancy, improving overall retail sales, and ultimately increasing cash flow as economic conditions improve. In those circumstances in which leases are not otherwise expiring, management selectively attempts to increase cash flow through a variety of means, or in connection with renovations or relocations, recapturing leases with below market rents and re-leasing at market rates, as well as

replacing financially troubled tenants. When possible, management also will seek to include scheduled increases in base rent, as well as percentage rental provisions, in its leases.

It is management's intention to hold properties for long-term investment and to place strong emphasis on regular maintenance, periodic renovation and capital improvement. Management believes that characteristics such as cleanliness, lighting and security are particularly important in community and neighborhood shopping centers, which are frequently visited by shoppers during hours outside of the normal work-day. Management believes that the Shopping Centers and Mixed-Use Properties generally are attractive and well maintained. The Shopping Centers and Mixed-Use Properties will undergo expansion, renovation, reconfiguration and modernization from time to time when management believes that such action is warranted by opportunities or changes in the competitive environment of a property. The Company will continue its practice of expanding existing properties by undertaking new construction on outparcels suitable for development as free standing retail or office facilities.

Investment in Real Estate

The Company's primary strategy is diversification of its assets through development of transit-oriented, residential mixed-use projects in the Washington, D.C. metropolitan area. The Company's operating strategy also includes improvement of the operating performance of its assets, internal growth of its Shopping Centers through the addition of pad sites, and supplementing its development pipeline with selective redevelopment and renovations of its core Shopping Centers. The Company has a pipeline of entitled sites in its portfolio, some of which are currently shopping center operating properties. Including both Hampden House and the residential and retail portions of the Twinbrook Quarter Phase I development, the development pipeline includes up to 3,700 apartment units and 975,000 square feet of retail and office space. All such sites are located adjacent to red line Metro stations in Montgomery County, Maryland.

The Company intends to selectively add free-standing pad site buildings within its Shopping Center portfolio, and replace underperforming tenants with tenants that generate strong traffic, including anchor stores such as supermarkets and drug stores. The Company has executed leases or leases are under negotiation for ten more pad sites.

In recent years, there has been a limited amount of quality properties for sale and pricing of those properties has escalated. Accordingly, management believes acquisition opportunities for investment in existing and new shopping center and mixed-use properties in the near future is uncertain. Nevertheless, because of the Company's conservative capital structure, including its cash and capacity under its revolving credit facility, management believes that the Company is positioned to take advantage of additional investment opportunities as attractive properties are identified and market conditions improve. (See "Item 1. Business - Capital Policies".) It is management's view that several of the sub-markets in which the Company operates have, or are expected to have in the future, attractive supply/demand characteristics. The Company will continue to evaluate acquisition, development and redevelopment as integral parts of its overall business plan.

In evaluating a particular redevelopment, renovation, acquisition, or development, management will consider a variety of factors, including: (i) the location, size and accessibility of the property, with an emphasis on the Washington, D.C./Baltimore metropolitan area; (ii) the demographic characteristics of the community, as well as the local real estate market, including potential for growth and potential regulatory impediments to development; (iii) the purchase price; (iv) the non-financial terms of the transaction; (v) the "fit" of the property with the Company's existing portfolio; (vi) the potential for, and current extent of, any environmental problems; (vii) the current and historical occupancy rates of the property or any comparable or competing properties in the same market; (viii) the quality of construction and design and the current physical condition of the property; (ix) the financial and other characteristics of existing tenants and the terms of existing leases; and (x) the potential for capital appreciation.

Although it is management's present intention to concentrate future acquisition and development activities on transit-centric, primarily residential mixed-use properties in the Washington, D.C./Baltimore metropolitan area, the Company may, in the future, also acquire other types of real estate in other areas of the country as opportunities present themselves. The Company plans to continue to diversify in terms of property types,

locations, size and market, and it does not set any limit on the amount or percentage of assets that may be invested in any one property or any one geographic area.

The Company intends to engage in such future investment and development activities in a manner that enables the Company to qualify and maintain its status as a REIT for federal income tax purposes and that will not cause the Company to be regulated as an investment company under the Investment Company Act of 1940, as amended. Equity investments in acquired properties may be subject to existing mortgage financings and other indebtedness or to new indebtedness which may be incurred in connection with acquiring or refinancing these investments.

Investments in Real Estate Mortgages

While the Company's current portfolio and business objectives emphasize equity investments in transit-centric, residential mixed-use properties, neighborhood shopping centers, and other mixed-use properties, the Company may, at the discretion of the Board of Directors, invest in mortgages, participating or convertible mortgages, deeds of trust and other types of real estate interests consistent with its qualification as a REIT. The Company does not presently invest, nor does it intend to invest, in real estate mortgages.

Investments in Securities of or Interests in Persons Engaged in Real Estate Activities and Other Issues

Subject to the requirements to maintain REIT qualification, the Company may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities. The Company does not presently invest, nor does it intend to invest, in any securities of other REITs.

Dispositions

The Company may elect to dispose of properties if, based upon management's periodic review of the Company's portfolio, the Board of Directors determines that such action would be in the best interest of the Company's stockholders.

Capital Policies

The Company has established a debt capitalization policy relative to asset value, which is computed by reference to the aggregate annualized cash flow from the properties in the Company's portfolio rather than relative to book value. The Company has used a measure tied to cash flow because it believes that the book value of its portfolio properties, which is the depreciated historical cost of the properties, does not accurately reflect the Company's ability to incur indebtedness. Asset value, however, is somewhat more variable than book value, and may not at all times reflect the fair market value of the underlying properties. As a general policy, the Company intends to maintain a ratio of its total debt to total asset value of 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. Given the Company's current debt level, it is management's belief that the ratio of the Company's debt to total asset value is below 50% as of December 31, 2021.

The organizational documents of the Company do not limit the absolute amount or percentage of indebtedness that it may incur. The Board of Directors may, from time to time, reevaluate the Company's debt capitalization policy in light of current economic conditions, relative costs of capital, market values of the Company property portfolio, opportunities for acquisition, development or expansion, and such other factors as the Board of Directors then deems relevant. The Board of Directors may modify the Company's debt capitalization policy based on such a reevaluation, without shareholder approval, and may increase or decrease the Company's debt to total asset ratio above or below 50% or may waive the policy for certain periods of time, subject to maintaining compliance with financial covenants contained within existing debt agreements. The Company selectively refinances or renegotiates the terms of its outstanding debt in order to extend maturities and obtain generally more favorable loan terms, whenever management determines the financing environment is favorable.

The Company intends to finance future acquisitions and developments and to make debt repayments by utilizing the sources of capital then deemed to be most advantageous. Such sources may include undistributed operating cash flow, secured or unsecured bank and institutional borrowings, proceeds from the Company's Dividend Reinvestment and Stock Purchase Plan, proceeds from the sale of properties and private and public offerings of debt or equity securities. Borrowings may be at the Operating Partnership or Subsidiary Partnerships' level and securities offerings may include (subject to certain limitations) the issuance of Operating Partnership interests convertible into common stock or other equity securities.

Other Policies

The Company has the authority to offer equity or debt securities in exchange for property and to repurchase or otherwise acquire its common stock or other securities in the open market or otherwise, and may engage in such activities in the future. The Company expects, but is not obligated, to issue common stock to holders of units of the Operating Partnership upon exercise of their redemption rights. The Company has not engaged in trading, underwriting or agency distribution or sale of securities of other issuers other than the Operating Partnership and does not intend to do so. The Company has not made any loans to third parties, although the Company may in the future make loans to third parties. In addition, the Company has policies relating to related party transactions discussed in "Item 1A. Risk Factors."

Competition

As an owner of, or investor in, transit-centric residential mixed-use properties, community and neighborhood shopping centers, and other mixed-use properties, the Company is subject to competition from an indeterminate number of companies in connection with the acquisition, development, ownership and leasing of similar properties. These investors include investors with access to significant capital, such as domestic and foreign corporations and financial institutions, publicly traded and privately held REITs, private institutional investment funds, investment banking firms, life insurance companies and pension funds.

Competition may reduce the number of properties available for acquisition or development or increase the price for raw land or developed properties of the type in which the Company invests. The Company faces competition in providing leases to prospective tenants and in re-letting space to current tenants upon expiration of their respective leases. If tenants decide not to renew or extend their leases upon expiration, the Company may not be able to re-let the space. Even if the tenants do renew or the Company can re-let the space, the terms of renewal or re-letting, including the cost of required renovations, may be less favorable than current lease terms or than expectations for the space. This risk may be magnified if the properties owned by our competitors have lower occupancy rates than the Company's properties. As a result, these competitors may be willing to make space available at lower prices than the space in the Current Portfolio Properties.

Management believes that success in the competition for ownership and leasing property is dependent in part upon the geographic location of the property, the tenant mix, the performance of property managers, the amount of new construction in the area and the maintenance and appearance of the property. Additional competitive factors impacting the Company's properties include the ease of access to the properties, the adequacy of related facilities such as parking, and the demographic characteristics in the markets in which the properties compete. Overall economic circumstances and trends and new properties in the vicinity of each of the Current Portfolio Properties are also competitive factors.

Finally, retailers at our Shopping Centers face increasing competition from outlet stores, online retailers, discount shopping clubs and other forms of marketing goods, such as direct mail, internet marketing and telemarketing. This competition may reduce percentage rents payable to us and may contribute to lease defaults or insolvency of tenants.

Human Capital

As of December 31, 2021, the Company had approximately 65 full-time equivalent corporate employees and 48 full-time employees and nine part-time employees at its properties. None of our employees are represented by a collective bargaining unit.

The Company is committed to equal employment opportunities and does not discriminate against any person based on race, color, religion, gender, national origin, age, disability, sexual orientation or gender preference. Employee compensation is competitive, and the Company provides insurance benefits, retirement savings plans, paid time off and childcare benefits for all of its full-time employees. The Company encourages employee wellness in every aspect of life, including physical fitness, mental well-being and social connectedness. We annually hold several in-house training programs that focus on communication, self-awareness, delegation, feedback, accountability, team dynamics and other skills that provide our employees with personal growth opportunities.

We support the continuing education of our employees through (a) reimbursement of the cost of seeking undergraduate and graduate degrees at colleges and universities and (b) reimbursement of costs related to seminars, conferences and workshops. We previously launched a program that we call LEAD that enhances our other training and education programs by providing our talented employees with the tools necessary to effectively lead and manage. We manage an internship program to support the development of future real estate professionals. As a result of the COVID-19 pandemic, some of the above programs have been temporarily suspended.

Government Regulation Affecting Our Properties

The Current Portfolio Properties are subject to various laws and regulations relating to environmental and pollution controls. The impact upon the Company from the application of such laws and regulations either prospectively or retrospectively is not expected to have a materially adverse effect on the Company’s property operations. As a matter of policy, the Company requires an environmental study be performed with respect to a property that may be subject to possible environmental hazards prior to its acquisition to ascertain that there are no material environmental hazards associated with such property.

See "Item 1A. Risk Factors — Risk Factors Related to our REIT Status and Other Laws and Regulations" for further discussion of potential material effects of our compliance with government regulations, including environmental regulations and the rules governing REITS.

Recent Developments

In August 2016, the Company entered into an agreement to acquire from the Saul Trust approximately 13.7 acres of land located at the intersection of Ashburn Village Boulevard and Russell Branch Parkway in Ashburn, Virginia. The transaction closed on May 9, 2018, and the Company issued to the Saul Trust 176,680 limited partnership units. The Company constructed a shopping center, Ashbrook Marketplace, which, as of December 31, 2021, is 100% leased. On June 30, 2021, the Company issued 93,674 additional limited partnership units as additional consideration to the Saul Trust in accordance with the Ashbrook Contribution Agreement, as amended.

In September 2018, the Company purchased for $35.5 million, plus $0.7 million of acquisition costs, an office building and the underlying ground located at 7316 Wisconsin Avenue, in Bethesda, Maryland. In December 2018, the Company purchased for $4.5 million, including acquisition costs, an interest in an adjacent parcel of land and retail building. The purchase price was funded through the Company's revolving credit facility. The Company has completed development plans for the combined property, known as Hampden House, for the development of up to 366 apartment units and 10,100 square feet of retail space. In June 2020, the Montgomery County Planning Commission unanimously approved the Company's amended site plan. Design and construction documents are being prepared. Approval from the Washington Metropolitan Area Transit Authority was received in 2020 and approval from Maryland Transit Administration was received in the fourth quarter of 2021. Effective September 1, 2019, the asset was removed from service and transferred to construction in progress. On February 23, 2022, the Company closed on a $133.0 million construction-to-permanent loan, the proceeds of which will be used to partially finance the project. The Company has entered into a contract with a general contractor and construction is expected to be completed during 2025. Demolition of the existing structure began in the fourth quarter of 2021 to prepare the site for future development.

On November 5, 2019, the Company entered into an agreement (the “Twinbrook Contribution Agreement”) to acquire from 1592 Rockville Pike LLC (“1592 Rockville Pike”), a wholly-owned subsidiary of the Saul Trust, approximately 6.8 acres of land and its leasehold interest in approximately 1.3 acres of contiguous land, together in each case with the improvements located thereon, located at the Twinbrook Metro Station in Rockville, Maryland (the “Contributed Property”) in exchange for 1,416,071 limited partnership units in the Operating Partnership. The Contributed Property is immediately adjacent to approximately 10.3 acres owned by the Company. Title to the Contributed Property and the units were placed in escrow until certain conditions of the Twinbrook Contribution Agreement were satisfied.

On March 5, 2021, the Company entered into an amendment to the Twinbrook Contribution Agreement in which it and 1592 Rockville Pike agreed to release to the Company from escrow the deed and assignment of the leasehold interest of the Contributed Property, as of that date, and reimburse 1592 Rockville Pike for certain expenses pursuant to the Twinbrook Contribution Agreement. The units continued to remain in escrow pending satisfaction of the conditions of the Twinbrook Contribution Agreement, as amended.

The Company acquired title to the Contributed Property earlier than originally contemplated in order to control the final aspects of predevelopment, project bidding, contractor selection and lender discussions in support of Phase I. This control will also assure the preservation of the Wegmans lease and its value to this site and, as importantly, to the Company’s adjacent holdings.

The remaining conditions of the Twinbrook Contribution Agreement were satisfied during the third quarter of 2021, and, effective October 18, 2021, 708,036 units were released from escrow to 1592 Rockville Pike. The remaining 708,035 units continue to be held in escrow and will be released to 1592 Rockville Pike on October 18, 2023.

On June 29, 2021, the third-party landlord under the ground lease contributed the fee simple interest in the land underlying the leasehold interest to the Company in exchange for 469,740 limited partnership units in the Operating Partnership, representing an aggregate value of $21.5 million. Acquisition costs were paid in cash and totaled $0.7 million.

As a result of the Company's acquisitions and the contributions described above, the Company owns the entire 18.4-acre site subject to certain dedications and easements. The full project plan for redevelopment of a major mixed-use project was finalized in 2019 and rights to develop the project extend for a thirty-year term to 2049.

A site plan allowing for development of the residential and retail portions of Twinbrook Quarter Phase I (“Phase I”), which will include an 80,000 square foot Wegmans, and approximately 25,000 square feet of adjacent small shop space, 450 apartments and a 230,000 square foot office building, was approved by the City of Rockville in August 2020. The approval of the site plan was unanimous, however, it was appealed by a local resident. The Circuit Court for Montgomery County issued a decision affirming the City's approval of the site plan and that decision is final and unappealable.

During 2021, the Company commenced development of Phase I. The office portion of Phase I will not be constructed at this time. Demolition of the existing improvements within Phase I has been completed and excavation of the site is approximately 85% complete. Below grade foundation work has begun and will continue during 2022. Initial delivery of Phase I is anticipated in late 2024. The development potential of all phases of the entire 18.4 acre Twinbrook Quarter site totals 1,865 residential units, 473,000 square feet of retail space, and 431,000 square feet of office space.

Item 1A. Risk Factors

RISK FACTORS

Carefully consider the following risks and all of the other information set forth in this Annual Report on Form 10-K, including the consolidated financial statements and the notes thereto. If any of the events or developments described below were actually to occur, the Company's business, financial condition or results of operations could be adversely affected.

In this section, unless the context indicates otherwise, the terms "Company," "we," "us" and "our" refer to Saul Centers, Inc., and its subsidiaries, including the Operating Partnership.

Risk Factors Related to our Real Estate Investments and Operations

The current outbreak of the novel coronavirus ("COVID-19"), or the future outbreak or pandemic of any other highly infectious or contagious diseases, could have a material and adverse effect on or cause disruption to our business or financial condition, results of operations, cash flows and the market value and trading price of our securities.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Over the course of 2020, 2021, and continuing into 2022, the COVID-19 pandemic and measures put in place to prevent the spread of the virus have had a significant negative impact on the global economy. Many of our tenants have announced mandated or temporary closures of their operations and/or have requested adjustments to their lease terms during the COVID-19 pandemic. The impact of the COVID-19 pandemic on future periods will depend significantly on the duration and potential cyclicality of the health crisis, the related public policy actions taken by federal, state, and local governments to limit the length and severity of the global economic slowdown, and the timing and success of the COVID-19 vaccination program. The COVID-19 pandemic (or a future pandemic) could have a material and adverse effect on or cause disruption to our business or financial condition, results of operations and cash flows due to, among other factors:

- a complete or partial closure of, or other operational issues at, our properties as a result of government or tenant action;
- declines in or instability of the economy or financial markets that may result in a recession or negatively impact consumer discretionary spending, which could adversely affect retailers and consumers;
- reduction of economic activity that severely impacts our tenants' business operations, financial condition and liquidity and may cause one or more of our tenants to be unable to meet their obligations to us in full, or at all, to default on their lease, or to otherwise seek modifications of such obligations;
- inability to access debt and equity capital on favorable terms, if at all, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect our access to capital necessary to fund business operations, pursue acquisition and development opportunities, refinance existing debt, reduce our ability to make cash distributions to our stockholders and increase our future interest expense;
- a general decline in business activity and demand for real estate transactions could adversely affect our ability to successfully execute investment strategies or expand our property portfolio;
- a significant reduction in our cash flows could impact our ability to continue paying cash dividends to our common and preferred stockholders at expected levels or at all;
- the financial impact of COVID-19 could negatively affect our future compliance with financial and other covenants of our credit facility and other debt instruments, and the failure to comply with such covenants could result in a default that accelerates the payment of such indebtedness;
- the continued service and availability of personnel, including our executive officers and Board of Directors, and our ability to recruit, attract and retain skilled personnel, to the extent our management, Board of Directors or personnel are impacted in significant numbers by the outbreak of pandemic or epidemic disease and are not available or allowed to conduct work, could negatively impact our business and operating results; and
- our ability to ensure business continuity in the event our continuity of operations plan is not effective or is improperly implemented or deployed during a disruption.

The extent to which COVID-19 impacts our operations and those of our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the outbreak, the actions taken to contain the outbreak or mitigate its impact, and the direct and indirect economic effects of the outbreak and containment measures, among others.

A prolonged imposition of mandated temporary closures or other social-distancing guidelines may adversely impact the ability of these tenants to generate sufficient revenues, and may cause tenants to request additional rent deferrals, and in limited cases, default on their leases, or result in the bankruptcy or insolvency of tenants, which would diminish our ability to receive rental revenue that is owed under their leases. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. Nevertheless, COVID-19 presents material uncertainty and risk with respect to our performance, business or financial condition, results from operations and cash flows.

Revenue from our properties may be reduced or limited if the retail operations of our tenants are not successful.

Adverse changes in consumer spending or consumer preferences for particular goods, services or store based retailing could severely impact our tenants' ability to pay rent. Revenue from our properties depends primarily on the ability of our tenants to pay the full amount of rent due under their leases on a timely basis. The amount of rent we receive from our tenants generally will depend in part on the success of our tenants' retail operations, making us vulnerable to general economic downturns and other conditions affecting the retail industry. Some tenants may terminate their occupancy due to an inability to operate profitably for an extended period of time, impacting the Company's ability to maintain occupancy levels.

Any reduction in our tenants' ability to pay base rent or percentage rent may adversely affect our financial condition and results of operations. Small business tenants and anchor retailers which lease space in the Company's properties may experience a deterioration in their sales or other revenue, or experience a constraint on the availability of credit necessary to fund operations, which in turn may adversely impact those tenants' ability to pay contractual base rents and operating expense recoveries. Some of our leases provide for the payment, in addition to base rent, of additional rent above the base amount according to a specified percentage of the gross sales generated by the tenants. Decreasing sales revenue by retail tenants could adversely impact the Company's receipt of percentage rents required to be paid by tenants under certain leases.

We may be unable to collect balances due from tenants that file for bankruptcy protection.

If a tenant or lease guarantor files for bankruptcy, we may not be able to collect all pre-petition amounts owed by that party. In addition, a tenant that files for bankruptcy protection may terminate our lease in which event we would have a general unsecured claim that would likely be for less than the full amount owed to us for the remainder of the lease term, which could adversely affect our financial condition and results of operations.

Our ability to increase our net income depends on the success and continued presence of our shopping center "anchor" tenants and other significant tenants.

Our net income could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant. Our largest shopping center anchor tenant is Giant Food, which accounted for 5.3% of our total revenue for the year ended December 31, 2021. The closing of one or more anchor stores prior to the expiration of the lease of that store or the termination of a lease by one or more of a property's anchor tenants could adversely affect that property and result in lease terminations by, or reductions in rent from, other tenants whose leases may permit termination or rent reduction in those circumstances or whose own operations may suffer as a result. This could reduce our net income.

We may experience difficulty or delay in renewing leases or leasing vacant space.

We derive most of our revenue directly or indirectly from rent received from our tenants. We are subject to the risks that, upon expiration, leases for space in our properties may not be renewed, the space and other vacant space may not be re-leased, or the terms of renewal or re-lease, including the cost of required renovations or concessions to tenants, may be less favorable than previous lease terms. Constraints on the availability of credit to office and retail tenants, necessary to purchase and install improvements, fixtures and equipment, and fund start-up business expenses, could impact the Company's ability to procure new tenants for spaces currently vacant in existing operating properties or properties under development. As a result, our results of operations and our net income could be reduced.

Our development activities are inherently risky.

The ground-up development of improvements on real property, which is different from the renovation and redevelopment of existing improvements, presents substantial risks. In addition to the risks associated with real estate investment in general as described elsewhere, the risks associated with our remaining development activities include:

- significant time lag between commencement and completion subjects us to greater risks due to fluctuation in the general economy;
- failure or inability to obtain construction or permanent financing on favorable terms;
- expenditure of money and time on projects that may never be completed;
- inability to achieve projected rental rates or anticipated pace of lease-up;
- higher-than-estimated construction costs, including labor and material costs; and
- possible delay in completion of the project because of a number of factors, including weather, labor disruptions, supply-chain related delays, construction delays or delays in receipt of zoning or other regulatory approvals, or acts of God (such as fires, earthquakes or floods).

Developments, redevelopments and acquisitions may fail to perform as expected.

Our investment strategy includes the redevelopment and acquisition of community and neighborhood shopping centers that are anchored by supermarkets, drugstores or high volume, value-oriented retailers that provide consumer necessities. The redevelopment and acquisition of properties entails risks that include the following, any of which could adversely affect our results of operations and our ability to meet our obligations:

- our estimate of the costs to improve, reposition or redevelop a property may prove to be too low, and, as a result, the property may fail to achieve the returns we have projected, either temporarily or for a longer time;
- we may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties we identify;
- we may not be able to integrate new developments or acquisitions into our existing operations successfully;
- properties we redevelop or acquire may fail to achieve the occupancy or rental rates we project at the time we make the decision to invest, which may result in the properties' failure to achieve the returns we projected;
- our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs until after the property is acquired, which could significantly increase our total acquisition costs; and
- our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

Our performance and value are subject to general risks associated with the real estate industry.

Our economic performance and the value of our real estate assets, and, consequently, the value of our investments, are subject to the risk that if our properties do not generate revenue sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our stockholders will be adversely affected. As a real estate company, we are susceptible to the following real estate industry risks:

- economic downturns in the areas where our properties are located;
- adverse changes in local real estate market conditions, such as oversupply or reduction in demand;
- changes in tenant preferences that reduce the attractiveness of our properties to tenants;
- zoning or regulatory restrictions;
- decreases in market rental rates;
- weather conditions that may increase energy costs and other operating expenses;
- costs associated with the need to periodically repair, renovate and re-lease space; and
- increases in the cost of adequate maintenance, insurance and other operating costs, including real estate taxes, associated with one or more properties, which may occur even when circumstances such as market factors and competition cause a reduction in revenue from one or more properties, although real estate taxes typically do not increase upon a reduction in such revenue.

Geographic concentration of our portfolio may make us particularly susceptible to adverse economic developments in the real estate markets of those areas.

Approximately 85% of our property operating income is generated by properties in the metropolitan Washington, DC/Baltimore area. As a result, our financial condition, operating results and ability to make distributions could be materially and adversely impacted by significant adverse economic changes affecting the real estate markets in that area. In turn, our common stock is subject to greater risk vis-a-vis other enterprises whose portfolio contains greater geographic diversity.

Our results of operations may be negatively affected by adverse trends in the retail and office real estate sectors.

Tenants at our retail properties face continual competition in attracting customers from online merchants, retailers at other shopping centers, catalogue companies, television shopping networks, warehouse stores, large discounters, outlet malls, wholesale clubs, direct mail and telemarketers. Such competition could have a material adverse effect on our ability to lease space in our retail properties and on the rents we can charge or the concessions we grant. This in turn could materially and adversely affect our results of operations and cash flows, and could affect the realizable value of our assets upon sale. Further, as new technologies emerge, the relationships among customers, retailers, and shopping centers are evolving rapidly and it is critical we adapt to such new technologies and relationships on a timely basis. We may be unable to adapt quickly and effectively, which could adversely impact our financial performance.

Some businesses are rapidly evolving to make employee telecommuting, flexible work schedules, open workplaces and teleconferencing increasingly common. These practices enable businesses to reduce their space requirements. A continuation of the movement towards these practices could over time erode the overall demand for office space and, in turn, place downward pressure on occupancy, rental rates and property valuations, each of which could have an adverse effect on our financial position, results of operations, cash flows and ability to make distributions to our stockholders.

Many real estate costs are fixed, even if income from our properties decreases.

Our financial results depend primarily on leasing space in our properties to tenants on terms favorable to us. Costs associated with real estate investment, such as real estate taxes and maintenance costs, generally are not reduced even when a property is not fully occupied, rental rates decrease, or other circumstances cause a reduction in income from the investment. As a result, cash flow from the operations of our properties may be reduced if a tenant does not pay its rent or we are unable to rent our properties on favorable terms. Under those circumstances, we might not be able to enforce our rights as landlord without delays, and may incur substantial legal costs. Additionally, new properties that we may acquire or develop may not produce any significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with that property until the property is fully leased.

Competition may limit our ability to purchase new properties and generate sufficient income from tenants.

Numerous commercial developers and real estate companies compete with us in seeking tenants for properties and properties for acquisition. This competition may:

- reduce properties available for acquisition;
- increase the cost of properties available for acquisition;
- reduce rents payable to us;
- interfere with our ability to attract and retain tenants;
- lead to increased vacancy rates at our properties; and
- adversely affect our ability to minimize expenses of operation.

Retailers at our shopping center properties also face increasing competition from outlet stores, discount shopping clubs, and other forms of marketing of goods, such as direct mail, internet marketing and telemarketing. This competition may reduce percentage rents payable to us and may contribute to lease defaults and insolvency of tenants. If we are unable to continue to attract appropriate retail tenants to our properties, or to purchase new properties in our geographic markets, it could materially affect our ability to generate net income, service our debt and make distributions to our stockholders.

We may be unable to sell properties when appropriate because real estate investments are illiquid.

Real estate investments generally cannot be sold quickly. In addition, there are some limitations under federal income tax laws applicable to real estate and in particular to REITs that may limit our ability to sell our assets. We may not be able to alter our portfolio promptly in response to changes in economic or other conditions. Our inability to respond quickly to adverse changes in the performance of our investments could have an adverse effect on our ability to meet our obligations and make distributions to our stockholders.

Risk Factors Related to our Funding Strategies and Capital Structure

We have substantial relationships with members of the Saul Organization whose interests could conflict with the interests of other stockholders.

Influence of Officers, Directors and Significant Stockholders.

Mr. B. F. Saul II, our Chief Executive Officer and Chairman of the Board, D. Todd Pearson, our President and Chief Operating Officer, and Christine Nicolaides Kearns, our Executive Vice President-Chief Legal and Administrative Officer, are members of the Saul Organization, and persons associated with the Saul Organization constitute five of the eleven members of our Board of Directors. In addition, as of December 31, 2021, Mr. B. F. Saul II had the potential to exercise control over 10,623,302 shares of our common stock representing 44.8% of our issued and outstanding shares of common stock. Mr. B. F. Saul II also beneficially owned, as of December 31, 2021, 8,801,214 units of the Operating Partnership. In general, these units are convertible into shares of our common stock on a one-for-one basis. The ownership limitation set forth in our articles of incorporation is 39.9% in value of our issued and outstanding equity securities (which includes both common and preferred stock). As of December 31, 2021, Mr. B. F. Saul II and members of the Saul Organization owned common stock representing approximately 38.7% in value of all our issued and outstanding equity securities. Members of the Saul Organization are permitted under our articles of incorporation to convert Operating Partnership units into shares of common stock or acquire additional shares of common stock until the Saul Organization's actual ownership of common stock reaches 39.9% in value of our equity securities. As of December 31, 2021, approximately 540,000 of the 8,801,214 units of the Operating Partnership would have been permitted to convert into additional shares of common stock, and would have resulted in Mr. B. F. Saul II and members of the Saul Organization owning common stock representing approximately 39.9% in value of all our issued and outstanding equity securities.

As a result of these relationships, members of the Saul Organization will be in a position to exercise significant influence over our affairs, which influence might not be consistent with the interests of some, or a majority, of our stockholders. Except as discussed below, we do not have any written policies or procedures for the review, approval or ratification of transactions with related persons.

Management Time.

Our Chief Executive Officer, President and Chief Operating Officer, Executive Vice President-Chief Legal and Administrative Officer and Senior Vice President-Chief Accounting Officer and Treasurer are also officers of various entities of the Saul Organization. Although we believe that these officers spend sufficient management time to meet their responsibilities as our officers, the amount of management time devoted to us will depend on our specific circumstances at any given point in time. As a result, in a given period, these officers may spend less than a majority of their management time on our matters. Over extended periods of time, we believe that our Chief Executive Officer will spend less than a majority of his management time on Company matters, while our President and Chief Operating Officer, Executive Vice President-Chief Legal and Administrative Officer and Senior Vice President-Chief Accounting Officer and Treasurer may or may not spend less than a majority of their time on our matters.

Exclusivity and Right of First Refusal Agreements.

We will acquire, develop, own and manage shopping center properties and will own and manage other commercial properties, and, subject to certain exclusivity agreements and rights of first refusal to which we are a party, the Saul Organization will continue to develop, acquire, own and manage commercial properties and own land suitable for development as, among other things, shopping centers and other commercial properties. Therefore, conflicts could develop in the allocation of acquisition and development opportunities with respect to commercial properties other than shopping centers and with respect to development sites, as well as potential tenants and other matters, between us and the Saul Organization. The agreement relating to exclusivity and the right of first refusal between us and the Saul Organization generally requires the Saul Organization to conduct its shopping center business exclusively through us and to grant us a right of first refusal to purchase commercial properties and development sites in certain market areas that become available to the Saul Organization. The Saul Organization has granted the right of first refusal to us, acting through our independent directors, in order to minimize potential conflicts with respect to commercial properties and development sites. We and the Saul Organization have entered into this agreement in order to minimize conflicts with respect to shopping centers and certain of our commercial properties.

On November 5, 2019, the Company entered into the Twinbrook Contribution Agreement to acquire from 1592 Rockville Pike, a wholly-owned subsidiary of the Saul Trust, approximately 6.8 acres of land and its leasehold interest in approximately 1.3 acres of contiguous land, together in each case with the improvements located thereon, located at the Twinbrook Metro Station in Rockville, Maryland in exchange for 1,416,071 limited partnership units in the Operating Partnership. The Contributed Property is immediately adjacent to approximately 10.3 acres owned by the Company. Title to the Contributed Property and the units were placed in escrow until certain conditions of the Twinbrook Contribution Agreement were satisfied.

On March 5, 2021, the Company entered into an amendment to the Twinbrook Contribution Agreement in which it and 1592 Rockville Pike agreed to release to the Company from escrow the deed and assignment of the leasehold interest of the Contributed Property, as of that date, and reimburse 1592 Rockville Pike for certain expenses pursuant to the Twinbrook Contribution Agreement. The units continued to remain in escrow pending satisfaction of the conditions of the Twinbrook Contribution Agreement, as amended.

The Company acquired title to the Contributed Property earlier than originally contemplated in order to control the final aspects of predevelopment, project bidding, contractor selection and lender discussions in support of Phase I. This control will also assure the preservation of the Wegmans lease and its value to this site and, as importantly, to the Company's adjacent holdings.

The remaining conditions of the Twinbrook Contribution Agreement were satisfied during the third quarter of 2021, and, effective October 18, 2021, 708,036 units were released from escrow to 1592 Rockville Pike. The remaining 708,035 units continue to be held in escrow and will be released to 1592 Rockville Pike on October 18, 2023.

On June 29, 2021, the third-party landlord under the ground lease contributed the fee simple interest in the land underlying the leasehold interest to the Company in exchange for 469,740 limited partnership units in the Operating Partnership, representing an aggregate value of $21.5 million. Acquisition costs were paid in cash and totaled $0.7 million.

Shared Services.

We share with the Saul Organization certain ancillary functions, such as computer and payroll services, benefits administration and in-house legal services. The terms of all sharing arrangements, including payments related thereto, are reviewed periodically by our Audit Committee, which is comprised solely of independent directors. Included in our general and administrative expenses or capitalized to specific development projects, for the year ended December 31, 2021, are charges totaling $8.0 million, net, related to such shared services, which included rental payments for the Company's headquarters lease, which were billed by the Saul Organization. Although we believe that the amounts allocated to us for such shared services represent a fair allocation between us and the Saul Organization, we have not obtained a third party appraisal of the value of these services.

The B. F. Saul Insurance Agency of Maryland, Inc., a subsidiary of the B. F. Saul Company and a member of the Saul Organization, is a general insurance agency that receives commissions and counter-signature fees in connection with our insurance program. Such commissions and fees amounted to approximately $397,900 for the year ended December 31, 2021.

Related Party Rents.

We sublease space for our corporate headquarters from a member of the Saul Organization, the building of which is owned by another member of the Saul Organization. The lease commenced in March 2002 and expires in

February 2022. Negotiations are ongoing for a renewal of the Company's office space at the same location. The Company and the Saul Organization entered into a shared services agreement whereby each party pays a portion of the total rental payments based on a percentage proportionate to the number of employees employed by each party. The Company's rent expense for the year ended December 31, 2021 was $799,500. Although the Company believes that this lease has terms comparable to what would have been obtained from a third-party landlord, it did not seek bid proposals from any independent third parties when entering into its new corporate headquarters lease.

Conflicts Based on Individual Tax Considerations.

The tax basis of members of the Saul Organization in our portfolio properties which were contributed to certain partnerships at the time of our initial public offering in 1993 was substantially less than the fair market value thereof at the time of their contribution. In the event of our disposition of such properties, a disproportionately large share of the gain for federal income tax purposes would be allocated to members of the Saul Organization. In addition, future reductions of the level of our debt, or future releases of the guarantees or indemnities with respect thereto by members of the Saul Organization, would cause members of the Saul Organization to be considered, for federal income tax purposes, to have received constructive distributions. Depending on the overall level of debt and other factors, these distributions could be in excess of the Saul Organization's basis in their Partnership units, in which case such excess constructive distributions would be taxable.

Consequently, it is in the interests of the Saul Organization that we continue to hold the contributed portfolio properties, that a portion of our debt remains outstanding or is refinanced and that the Saul Organization guarantees and indemnities remain in place, in order to defer the taxable gain to members of the Saul Organization. Therefore, the Saul Organization may seek to cause us to retain the contributed portfolio properties, and to refrain from reducing our debt or releasing the Saul Organization guarantees and indemnities, even when such action may not be in the interests of some, or a majority, of our stockholders. In order to minimize these conflicts, decisions as to sales of the portfolio properties, or any refinancing, repayment or release of guarantees and indemnities with respect to our debt, will be made by the independent directors.

Ability to Block Certain Actions.

Under applicable law and the limited partnership agreement of the Operating Partnership, consent of the limited partners is required to permit certain actions, including the sale of all or substantially all of the Operating Partnership's assets. Therefore, members of the Saul Organization, through their status as limited partners in the Operating Partnership, could prevent the taking of any such actions, even if they were in the interests of some, or a majority, of our stockholders.

The amount of debt we have and the restrictions imposed by that debt could adversely affect our business and financial condition.

As of December 31, 2021, we had approximately $1.2 billion of debt outstanding, $949.0 million of which was long-term fixed-rate debt secured by 34 of our properties and $206.0 million of which was variable-rate debt due under our credit facility.

We currently have a general policy of limiting our borrowings to 50% of asset value, i.e., the value of our portfolio, as determined by our Board of Directors by reference to the aggregate annualized cash flow from our portfolio. Our organizational documents contain no limitation on the amount or percentage of indebtedness which we may incur. Therefore, the Board of Directors could alter or eliminate the current limitation on borrowing at any time. If our debt capitalization policy were changed, we could increase our leverage, resulting in an increase in debt service that could adversely affect our operating cash flow and our ability to make expected distributions to stockholders, and in an increased risk of default on our obligations.

We have established our debt capitalization policy relative to asset value, which is computed by reference to the aggregate annualized cash flow from the properties in our portfolio rather than relative to book value. We have used a measure tied to cash flow because we believe that the book value of our portfolio properties, which is the depreciated historical cost of the properties, does not accurately reflect our ability to borrow. Asset value, however, is somewhat more variable than book value, and may not at all times reflect the fair market value of the underlying properties.

The amount of our debt outstanding from time to time could have important consequences to our stockholders. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, property acquisitions and other appropriate business opportunities that may arise in the future;

- limit our ability to obtain any additional financing we may need in the future for working capital, debt refinancing, capital expenditures, acquisitions, development or other general corporate purposes;
- make it difficult to satisfy our debt service requirements;
- limit our ability to make distributions on our outstanding common and preferred stock;
- require us to dedicate increased amounts of our cash flow from operations to payments on our variable rate, unhedged debt if interest rates rise;
- limit our flexibility in planning for, or reacting to, changes in our business and the factors that affect the profitability of our business, which may place us at a disadvantage compared to competitors with less debt or debt with less restrictive terms; and
- limit our ability to obtain any additional financing we may need in the future for working capital, debt refinancing, capital expenditures, acquisitions, development or other general corporate purposes.

Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance, our indebtedness will depend primarily on our future performance, which to a certain extent is subject to economic, financial, competitive and other factors described in this section. If we are unable to generate sufficient cash flow from our business in the future to service our debt or meet our other cash needs, we may be required to refinance all or a portion of our existing debt, sell assets or obtain additional financing to meet our debt obligations and other cash needs. Our ability to refinance, sell assets or obtain additional financing may not be possible on terms that we would find acceptable.

We are obligated to comply with financial and other covenants in our debt that could restrict our operating activities, and the failure to comply could result in defaults that accelerate the payment under our debt.

Our secured debt generally contains customary covenants, including, among others, provisions:

- relating to the maintenance of the property securing the debt;
- restricting our ability to assign or further encumber the properties securing the debt; and
- restricting our ability to enter into certain new leases or to amend or modify certain existing leases without obtaining consent of the lenders.

Our unsecured debt generally contains various restrictive covenants. The covenants in our unsecured debt include, among others, provisions restricting our ability to:

- incur additional unsecured debt;
- guarantee additional debt;
- make certain distributions, investments and other restricted payments, including distribution payments on our outstanding stock;
- create certain liens;
- increase our overall secured and unsecured borrowing beyond certain levels; and
- consolidate, merge or sell all or substantially all of our assets.

Our ability to meet some of the covenants in our debt, including covenants related to the condition of the property or payment of real estate taxes, may be dependent on the performance by our tenants under their leases.

In addition, our credit facility requires us and our subsidiaries to satisfy financial covenants. The material financial covenants require us, on a consolidated basis, to:

- limit the amount of debt as a percentage of gross asset value, as defined in the loan agreement, to less than 60% (leverage ratio);
- limit the amount of debt so that interest coverage will exceed 2.0x on a trailing four-quarter basis (interest expense coverage); and
- limit the amount of debt so that interest, scheduled principal amortization and preferred dividend coverage exceeds 1.4x on a trailing four-quarter basis (fixed charge coverage).

As of December 31, 2021, we were in compliance with all such covenants. If we were to breach any of our debt covenants and did not cure the breach within any applicable cure period, our lenders could require us to repay the debt immediately, and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Some of our debt arrangements are cross-defaulted, which means that the lenders under those debt

arrangements can put us in default and require immediate repayment of their debt if we breach and fail to cure a covenant under certain of our other debt obligations. As a result, any default under our debt covenants could have an adverse effect on our financial condition, our results of operations, our ability to meet our obligations and the market value of our shares.

The market value of our debt and equity securities is subject to various factors that may cause significant fluctuations or volatility.

As with other publicly traded securities, the market price of our debt and equity securities depends on various factors, which may change from time to time and/or may be unrelated to our financial condition, operating performance or prospects that may cause significant fluctuations or volatility in such prices. These factors include, among others:

- general economic and financial market conditions;
- level and trend of interest rates;
- our ability to access the capital markets to raise additional capital;
- the issuance of additional equity or debt securities;
- changes in our funds from operations ("FFO") or earnings estimates;
- changes in our credit or analyst ratings;
- our financial condition and performance;
- market perception of our business compared to other REITs; and
- market perception of REITs, in general, compared to other investment alternatives.

The phase-out of LIBOR could affect interest rates under our variable rate debt and interest rate swap arrangements.

LIBOR is used as a reference rate for our credit facility. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. On November 30, 2020, the ICE Benchmark Administration announced its plan to extend the date that most U.S. LIBOR values would cease being computed and published from December 31, 2021 to June 30, 2023. The Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee, which identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative to U.S. dollar LIBOR in derivatives and other financial contracts. However, SOFR and LIBOR differ in certain important respects. SOFR is a secured overnight rate, while LIBOR is an unsecured rate that represents interbank funding over different maturities. In addition, because SOFR is a transaction-based rate, it is backward-looking, whereas LIBOR is forward-looking. Because of these and other differences, there can be no assurance that SOFR will perform in the same way as LIBOR would have done at any time, and there is no guarantee that it is a comparable substitute for LIBOR. At this time, we cannot predict the effect of any discontinuance, modification or other reforms to LIBOR or whether SOFR or another alternative reference rate will attain market traction as a LIBOR replacement. As LIBOR is phased out, we will need to agree upon a benchmark replacement index with our creditors, and as such the interest rate on our credit facility and certain mortgage payables may change. The new rate, including SOFR, may not be as favorable as those in effect prior to any LIBOR phase-out. Furthermore, the transition process may result in delays in funding, higher interest expense, additional expenses, and increased volatility in markets for instruments that currently rely on LIBOR, all of which could negatively impact our cash flow.

Our ability to grow will be limited if we cannot obtain additional capital.

Our growth strategy includes the redevelopment of properties we already own and the acquisition of additional properties. Because we are required to distribute to our stockholders at least 90% of our taxable income each year to continue to qualify as a real estate investment trust, or REIT, for federal income tax purposes, in addition to our undistributed operating cash flow, we rely upon the availability of debt or equity capital to fund our growth, which financing may or may not be available on favorable terms or at all. The debt could include mortgage loans from third parties or the sale of debt securities. Equity capital could include our common stock or preferred stock. Additional financing, refinancing or other capital may not be available in the amounts we desire or on favorable terms. Our access to debt or equity capital depends on a number of factors, including the general state of the capital markets, the market's perception of our growth potential, our ability to pay dividends, and our current and potential future earnings. Depending on the outcome of these factors, we could experience delay or difficulty in implementing our growth strategy on satisfactory terms, or be unable to implement this strategy.

Risk Factors Related to our REIT Status and Other Laws and Regulations

Environmental laws and regulations could reduce the value or profitability of our properties.

All real property and the operations conducted on real property are subject to federal, state and local laws, ordinances and regulations relating to hazardous materials, environmental protection and human health and safety. Under various federal, state and local laws, ordinances and regulations, we and our tenants may be required to investigate and clean up certain hazardous or toxic substances released on or in properties we own or operate, and also may be required to pay other costs relating to hazardous or toxic substances. This liability may be imposed without regard to whether we or our tenants knew about the release of these types of substances or were responsible for their release. The presence of contamination or the failure to properly remediate contamination at any of our properties may adversely affect our ability to sell or lease those properties or to borrow using those properties as collateral. The costs or liabilities could exceed the value of the affected real estate. We are not aware of any environmental condition with respect to any of our properties that management believes would have a material adverse effect on our business, assets or results of operations taken as a whole. The uses of any of our properties prior to our acquisition of the property and the building materials used at the property are among the property-specific factors that will affect how the environmental laws are applied to our properties. If we are subject to any material environmental liabilities, the liabilities could adversely affect our results of operations and our ability to meet our obligations.

We cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist on the properties in the future. Compliance with existing and new laws and regulations may require us or our tenants to spend funds to remedy environmental problems. Our tenants, like many of their competitors, have incurred, and will continue to incur, capital and operating expenditures and other costs associated with complying with these laws and regulations, which will adversely affect their potential profitability. Generally, our tenants must comply with environmental laws and meet remediation requirements. Our leases typically impose obligations on our tenants to indemnify us from any compliance costs we may incur as a result of the environmental conditions on the property caused by the tenant. If a tenant fails to or cannot comply, we could be forced to pay these costs. If not addressed, environmental conditions could impair our ability to sell or re-lease the affected properties in the future or result in lower sales prices or rent payments.

The Americans with Disabilities Act of 1990 (the “ADA”) could require us to take remedial steps with respect to newly acquired properties.

The properties, as commercial facilities, are required to comply with Title III of the ADA. Investigation of a property may reveal non-compliance with the ADA. The requirements of the ADA, or of other federal, state or local laws, also may change in the future and restrict further renovations of our properties with respect to access for disabled persons. Future compliance with the ADA may require expensive changes to the properties.

The revenue generated by our tenants could be negatively affected by various federal, state and local laws to which they are subject.

We and our tenants are subject to a wide range of federal, state and local laws and regulations, such as local licensing requirements, consumer protection laws and state and local fire, life-safety and similar requirements that affect the use of the properties. The leases typically require that each tenant comply with all regulations. Failure to comply could result in fines by governmental authorities, awards of damages to private litigants, or restrictions on the ability to conduct business on such properties. Non-compliance of this sort could reduce our revenue from a tenant, could require us to pay penalties or fines relating to any non-compliance, and could adversely affect our ability to sell or lease a property.

Failure to qualify as a REIT for federal income tax purposes would cause us to be taxed as a corporation, which would substantially reduce funds available for payment of distributions.

We believe that we are organized and qualified as a REIT, and currently intend to operate in a manner that will allow us to continue to qualify as a REIT for federal income tax purposes under the Code. However, the IRS could successfully assert that we are not qualified as such. In addition, we may not remain qualified as a REIT in the future. Qualification as a REIT involves the application of highly technical and complex Code provisions. The complexity of these provisions and of the applicable income tax regulations that have been issued under the Code by the United States Department of Treasury is greater in the case of a REIT that holds its assets in partnership form. Certain facts and circumstances not entirely within our control may affect our ability to qualify as a REIT. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying rents and other income.

Satisfying this requirement could be difficult, for example, if defaults by tenants were to reduce the amount of income from qualifying rents. Also, we must make annual distributions to stockholders of at least 90% of our net taxable income (excluding capital gains). In addition, new legislation, new regulations, new administrative interpretations or new court decisions may significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification. If we fail to qualify as a REIT:

- we would not be allowed a deduction for dividend distributions to stockholders in computing taxable income;
- we would be subject to federal income tax at regular corporate rates;
- unless we are entitled to relief under specific statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified;
- we could be required to pay significant income taxes, which would substantially reduce the funds available for investment and for distribution to our stockholders for each year in which we failed to qualify; and
- we would no longer be required by law to make any distributions to our stockholders.

We believe that the Operating Partnership is treated as a partnership, and not as a corporation, for federal income tax purposes. If the IRS were to challenge successfully the status of the Operating Partnership as a partnership for federal income tax purposes:

- the Operating Partnership would be taxed as a corporation;
- we would cease to qualify as a REIT for federal income tax purposes; and
- the amount of cash available for distribution to our stockholders would be substantially reduced.

We may be required to incur additional debt to qualify as a REIT.

As a REIT, we must make annual distributions to stockholders of at least 90% of our REIT taxable income. We are subject to income tax on amounts of undistributed REIT taxable income and net capital gain. In addition, we would be subject to a 4% excise tax if we fail to distribute sufficient income to meet a minimum distribution test based on our ordinary income, capital gain and aggregate undistributed income from prior years. We intend to make distributions to stockholders to comply with the Code’s distribution provisions and to avoid federal income and excise tax. We may need to borrow funds to meet our distribution requirements because:

- our income may not be matched by our related expenses at the time the income is considered received for purposes of determining taxable income; and
- non-deductible capital expenditures or debt service requirements may reduce available cash but not taxable income.

In these circumstances, we might have to borrow funds on unfavorable terms and even if our management believes the market conditions make borrowing financially unattractive.

Legislative, administrative, regulatory or other actions affecting REITs, including positions taken by the IRS, could have a material adverse effect on us and our investors.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process, and by the Internal Revenue Service (“IRS”) and the U.S. Department of the Treasury (“Treasury”). Changes to the tax laws or interpretations thereof by the IRS and the Treasury, with or without retroactive application, could materially and adversely affect us and our investors. In particular, additional technical corrections legislation and implementing regulations may be enacted or promulgated in response to the Tax Cuts and Jobs Act of 2017 (the “Act”), and substantive legislative changes to the Act are also possible. In response to the COVID-19 pandemic, multiple pieces of legislation have already been enacted, including the 2020 CARES Act, and there have also been significant issuances of regulatory and other guidance, and further legislative enactments and other IRS or Treasury action is possible. No prediction can be made as to the likelihood of passage of new tax legislation or other provisions, or the direct or indirect effect on us and our shareholders. Accordingly, such new legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify to be taxed as a REIT and/or the U.S. federal income tax consequences to us and our investors of such qualification.

To maintain our status as a REIT, we limit the amount of shares any one stockholder can own.

The Code imposes certain limitations on the ownership of the stock of a REIT. For example, not more than 50% in value of our outstanding shares of capital stock may be owned, actually or constructively, by five or fewer

individuals (as defined in the Code). To protect our REIT status, our articles of incorporation restrict beneficial and constructive ownership (defined by reference to various Code provisions) to no more than 2.5% in value of our issued and outstanding equity securities by any single stockholder with the exception of members of the Saul Organization, who are restricted to beneficial and constructive ownership of no more than 39.9% in value of our issued and outstanding equity securities.

The constructive ownership rules are complex. Shares of our capital stock owned, actually or constructively, by a group of related individuals and/or entities may be treated as constructively owned by one of those individuals or entities. As a result, a single entity or individual could own less than 2.5% or 39.9% in value of our issued and outstanding equity securities and such ownership could potentially cause a group of related individuals and/or entities to own constructively more than 2.5% or 39.9% in value of the outstanding stock. If that happened, either the transfer or ownership would be void or the shares would be transferred to a charitable trust and then sold to someone who can own those shares without violating the respective ownership limit.

As of December 31, 2021, Mr. B. F. Saul II and members of the Saul Organization owned common stock representing approximately 38.7% in value of all our issued and outstanding equity securities. In addition, members of the Saul Organization beneficially owned Operating Partnership units that are, in general, convertible into our common stock on a one-for-one basis. Members of the Saul Organization are permitted under our articles of incorporation to convert Operating Partnership units into shares of common stock or acquire additional shares of common stock until the Saul Organization's actual ownership of common stock reaches 39.9% in value of our equity securities.

The Board of Directors may waive these restrictions on a case-by-case basis. The Board has authorized the Company to grant waivers to look-through entities, such as mutual funds, in which shares of equity stock owned by the entity are treated as owned proportionally by individuals who are the beneficial owners of the entity. Even though these entities may own stock in excess of the 2.5% ownership limit, no individual beneficially or constructively would own more than 2.5%. The Board of Directors has agreed to waive the ownership limit with respect to certain mutual funds and similar investors. In addition, the Board of Directors has agreed to waive the ownership limit with respect to certain bank pledgees of shares of our common stock and units issued by the Operating Partnership and held by members of the Saul Organization.

The ownership restrictions may delay, defer or prevent a transaction or a change of our control that might involve a premium price for our equity stock or otherwise be in the stockholders' best interest.

General Risk Factors

Financial and economic conditions may have an adverse impact on us, our tenants' businesses and our results of operations.

Our business may be affected by market and economic challenges experienced by the U.S. economy or real estate industry as a whole, by the local economic conditions in the markets in which our properties are located, including the impact of high unemployment, volatility in the public equity and debt markets, and international economic conditions. A prolonged deterioration of economic and other market conditions, could adversely affect our business, financial condition, results of operations or real estate values, as well as the financial condition of our tenants and lenders, which may expose us to increased risks of default by these parties.

Potential consequences of a prolonged deterioration of economic and other market conditions include:

- the financial condition of our tenants, many of which operate in the retail industry, may be adversely affected, which may result in tenant defaults under their leases due to bankruptcy, lack of liquidity, operational failures or for other reasons;
- the ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from acquisition and development activities and increase our future interest expense;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices and may reduce the ability to refinance loans; and
- one or more lenders under our credit facility could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

Loss of our key management could adversely affect performance and the value of our common shares.

We are dependent on the efforts of our key management. Although we believe qualified replacements could be found for any departures of key executives, the loss of their services could adversely affect our performance and the value of our common stock.

Our insurance coverage on our properties may be inadequate.

We carry comprehensive insurance on all of our properties, including insurance for liability, earthquake, fire, flood, terrorism and rental loss. These policies contain coverage limitations. We believe this coverage is of the type and amount customarily obtained for or by an owner of real property assets. We intend to obtain similar insurance coverage on subsequently acquired properties.

As a consequence of various terrorist attacks and other significant losses incurred by the insurance industry, the availability of insurance coverage has decreased and the prices for insurance have increased. As a result, we may be unable to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and toxic mold, or, if offered, the expense of obtaining these types of insurance may not be justified. We therefore may cease to have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. If an uninsured loss or a loss in excess of our insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property, but still remain obligated for any mortgage debt or other financial obligations related to the property. Material losses in excess of insurance proceeds may occur in the future. Also, due to inflation, changes in codes and ordinances, environmental considerations and other factors, it may not be feasible to use insurance proceeds to replace a building after it has been damaged or destroyed. Events such as these could adversely affect our results of operations and our ability to meet our obligations, including distributions to our stockholders.

Natural disasters and climate change could have an adverse impact on our cash flow and operating results.

Climate change may add to the unpredictability and frequency of natural disasters and severe weather conditions and create additional uncertainty as to future trends and exposures. Certain of our operations are located in areas that are subject to natural disasters and severe weather conditions such as hurricanes, droughts, snow storms, floods and fires. The impact of climate change or the occurrence of natural disasters can delay new development projects, increase investment costs to repair or replace damaged properties, increase operating costs, create additional investment costs to make improvements to existing properties to comply with climate change regulations, increase future property insurance costs, and negatively impact the tenant demand for space. If insurance is unavailable to us or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruption or losses from these events, our earnings, liquidity or capital resources could be adversely affected.

We cannot assure you we will continue to pay dividends at historical rates.

Our ability to continue to pay dividends on our common stock at historical rates or to increase our common stock dividend rate will depend on a number of factors, including, among others, the following:

- our financial condition and results of future operations;
- the performance of lease terms by tenants;
- the terms of our loan covenants; and
- our ability to acquire, finance, develop or redevelop and lease additional properties at attractive rates.

If we do not maintain or increase the dividend rate on our common stock, it could have an adverse effect on the market price of our common stock and other securities. Payment of dividends on our common stock may be subject to payment in full of the dividends on any preferred stock or depositary shares and payment of interest on any debt securities we may offer.

Certain tax and anti-takeover provisions of our articles of incorporation and bylaws may inhibit a change of our control.

Certain provisions contained in our articles of incorporation and bylaws and the Maryland General Corporation Law may discourage a third party from making a tender offer or acquisition proposal to us. If this were to happen, it could delay, deter or prevent a change in control or the removal of existing management. These provisions also

may delay or prevent the stockholders from receiving a premium for their stock over then-prevailing market prices. These provisions include:

- the REIT ownership limit described above;
- authorization of the issuance of our preferred stock with powers, preferences or rights to be determined by the Board of Directors;
- a staggered, fixed-size Board of Directors consisting of three classes of directors;
- special meetings of our stockholders may be called only by the Chairman of the Board, the president, by a majority of the directors or by stockholders possessing no less than 25% of all the votes entitled to be cast at the meeting;
- the Board of Directors, without a stockholder vote, can classify or reclassify unissued shares of preferred stock;
- a member of the Board of Directors may be removed only for cause upon the affirmative vote of 75% of the Board of Directors or 75% of the then-outstanding capital stock;
- advance notice requirements for proposals to be presented at stockholder meetings; and
- the terms of our articles of incorporation regarding business combinations and control share acquisitions.

Cybersecurity risks and cyber incidents could adversely affect our business, disrupt operations and expose us to liabilities to tenants, employees, capital providers and other third parties.

We use information technology and other computer resources to carry out important operational activities and to maintain our business records. As part of our normal business activities, we collect and store certain personal identifying and confidential information relating to our tenants, employees, vendors and suppliers, and maintain operational and financial information related to our business. We have implemented systems and processes intended to address ongoing and evolving cybersecurity risks, secure our information technology, applications and computer systems, and prevent unauthorized access to or loss of sensitive, confidential and personal data. Although we and our service providers employ what we believe are adequate security, disaster recovery and other preventative and corrective measures, our security measures, taken as a whole, may not be sufficient for all possible situations and may be vulnerable to, among other things, hacking, ransomware, employee error, system error, and faulty password management. Additionally, information technology security breaches may go undetected and persist as a latent threat to our security measures.

Our ability to conduct our business may be impaired if our information technology resources, including our websites or e-mail systems, are compromised, degraded, damaged or fail, whether due to a virus or other harmful circumstance, intentional penetration or disruption of our information technology resources by a third party, natural disaster, hardware or software corruption or failure or error or poor product or vendor/developer selection (including a failure of security controls incorporated into or applied to such hardware or software), telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions, or lost connectivity to our networked resources. A significant and extended disruption could damage our reputation and cause us to lose tenants and revenues; result in the unintended and/or unauthorized public disclosure or the misappropriation of proprietary, personal identifying and confidential information; and require us to incur significant expenses to address and remediate or otherwise resolve these kinds of issues. The release of confidential information may also lead to litigation or other proceedings against us by affected individuals, business partners and/or regulators, and the outcome of such proceedings, which could include losses, penalties, fines, injunctions, expenses and charges recorded against our earnings and cause us reputational harm, could have a material and adverse effect on our business and consolidated financial statements. In addition, the costs of maintaining adequate protection against data security threats, based on considerations of their evolution, increasing sophistication, pervasiveness and frequency and/or government-mandated standards or obligations regarding protective efforts, could be material to our consolidated financial statements in a particular period or over various periods.

We may amend or revise our business policies without your approval.

Our Board of Directors may amend or revise our operating policies without stockholder approval. Our investment, financing and borrowing policies and policies with respect to all other activities, such as growth, debt, capitalization and operations, are determined by the Board of Directors or those committees or officers to whom the Board of Directors has delegated that authority. The Board of Directors may amend or revise these policies at any time and from time to time at its discretion. A change in these policies could adversely affect our financial condition and results of operations, and the market price of our securities.

Item 1B. Unresolved Staff Comments

We have received no written comments from the Securities and Exchange Commission staff regarding our periodic or current reports in the 180 days preceding December 31, 2021 that remain unresolved.

Item 2. Properties

Overview

As of December 31, 2021, the Company is the owner, developer and operator of a real estate portfolio composed of 57 operating properties, totaling approximately 9.8 million square feet of gross leasable area ("GLA"), and four development properties. The properties are located primarily in the Washington, D.C./Baltimore, Maryland metropolitan area. The operating property portfolio is composed of 50 neighborhood and community Shopping Centers, and seven predominantly Mixed-Use Properties totaling approximately 7.9 million and 1.9 million square feet of GLA, respectively. No single property accounted for more than 6% of the total gross leasable area. A majority of the Shopping Centers are anchored by several major tenants and offer primarily day-to-day necessities and services. Thirty-three of the Shopping Centers were anchored by a grocery store. One tenant, Giant Food (5.3%), a tenant at 11 Shopping Centers, individually accounted for 2.5% or more of the Company's total revenue for the year ended December 31, 2021.

The Company expects to hold its properties as long-term investments and it has no maximum period for retention of any investment. It plans to selectively acquire additional income-producing properties and to expand, renovate, and improve its properties when circumstances warrant. See "Item 1. Business—Operating Strategies" and "Business—Capital Policies."

The Shopping Centers

Community and neighborhood shopping centers typically are anchored by one or more grocery stores, discount department stores or drug stores. These anchors offer day-to-day necessities rather than apparel and luxury goods and, therefore, generate consistent local traffic. By contrast, regional malls generally are larger and typically are anchored by one or more full-service department stores.

In general, the Shopping Centers are seasoned community and neighborhood shopping centers located in well established, highly developed, densely populated, middle and upper income areas. The 2021 average estimated population within a one- and three-mile radius of the Shopping Centers is approximately 15,200 and 95,900, respectively. The 2021 average household income within a one- and three-mile radius of the Shopping Centers is approximately $130,300 and $134,300, respectively, compared to a national average of $92,400. Because the Shopping Centers generally are located in highly developed areas, management believes that there is little likelihood that significant numbers of competing centers will be developed in the future.

The Shopping Center properties range in size from approximately 19,000 to 573,500 square feet of GLA, with six in excess of 300,000 square feet, and average approximately 157,500 square feet.

Lease Expirations of Shopping Center Properties

The following table sets forth, by year of expiration, the aggregate amount of base rent and leasable area for leases in place at the Shopping Centers that the Company owned as of December 31, 2021, for each of the next ten years beginning with 2022, assuming that none of the tenants exercise renewal options and excluding an aggregate of 517,815 square feet of unleased space, which represented 6.6% of the GLA of the Shopping Centers as of December 31, 2021.

Lease Expirations of Shopping Center Properties

Year of Lease Expiration	Leasable Area Represented by Expiring Leases		Percentage of Leasable Area Represented by Expiring Leases		Annual Base Rent Under Expiring Leases (1)	Percentage of Annual Base Rent Under Expiring Leases		Annual Base Rent per Square Foot
2022	773,498	sf	9.8	%	$ 16,195,600	11.9	%	$ 20.94
2023	1,152,254		14.6	%	21,485,431	15.8	%	18.65
2024	988,658		12.6	%	20,178,450	14.8	%	20.41
2025	1,072,400		13.6	%	20,858,693	15.3	%	19.45
2026	857,498		10.9	%	15,856,282	11.7	%	18.49
2027	472,108		6.0	%	9,425,826	6.9	%	19.97
2028	484,012		6.1	%	4,370,924	3.2	%	9.03
2029	581,265		7.4	%	9,101,401	6.7	%	15.66
2030	71,798		0.9	%	2,487,642	1.8	%	34.65
2031	289,848		3.7	%	5,222,597	3.8	%	18.02
Thereafter	612,976		7.8	%	10,946,393	8.1	%	17.86
Total	7,356,315	sf	93.4	%	$ 136,129,239	100.0	%	18.51

(1) Calculated using annualized contractual base rent payable as of December 31, 2021 for the expiring GLA, excluding expenses payable by or reimbursable from tenants.

The Mixed-Use Properties

All of the Mixed-Use Properties are located in the Washington, D.C. metropolitan area and contain an aggregate GLA of approximately 1.9 million square feet, comprised of 1.0 million and 0.1 million square feet of office and retail space, respectively, and 1,006 apartments. The Mixed-Use Properties represent three distinct styles of facilities, are located in differing commercial environments with distinctive demographic characteristics, and are geographically removed from one another. Accordingly, management believes that the Washington, D.C. area Mixed-Use Properties compete for tenants in different commercial and geographic sub-markets of the metropolitan Washington, D.C. market and do not compete with one another.

Lease Expirations of Mixed-Use Properties

The following table sets forth, by year of expiration, the aggregate amount of base rent and leasable area for commercial leases in place at the Mixed-Use Properties that the Company owned as of December 31, 2021, for each of the next ten years beginning with 2022, assuming that none of the tenants exercise renewal options and excluding an aggregate of 201,329 square feet of unleased office and retail space, which represented 17.7% of the GLA of the commercial space within the Mixed-Use Properties as of December 31, 2021.

Commercial Lease Expirations of Mixed-Use Properties

Year of Lease Expiration	Leasable Area Represented by Expiring Leases		Percentage of Leasable Area Represented by Expiring Leases	Annual Base Rent Under Expiring Leases (1)	Percentage of Annual Base Rent Under Expiring Leases	Annual Base Rent per Square Foot
2022	70,344	sf	6.2 %	$ 2,657,554	8.0 %	$ 37.78
2023	86,810		7.6 %	2,757,623	8.3 %	31.77
2024	104,977		9.2 %	5,060,405	15.3 %	48.20
2025	57,900		5.1 %	2,177,226	6.6 %	37.60
2026	74,274		6.5 %	2,567,170	7.7 %	34.56
2027	71,187		6.3 %	2,204,666	6.6 %	30.97
2028	43,661		3.9 %	982,348	3.0 %	22.50
2029	39,678		3.5 %	1,031,124	3.1 %	25.99
2030	34,530		3.0 %	1,495,702	4.5 %	43.32
2031	146,246		12.9 %	2,627,144	7.9 %	17.96
Thereafter	206,001		18.1 %	9,612,417	29.0 %	46.66
Total	935,608	sf	82.3 %	$ 33,173,379	100.0 %	35.46

(1) Calculated using annualized contractual base rent payable as of December 31, 2021, for the expiring GLA, excluding expenses payable by or reimbursable from tenants.

As of December 31, 2021, the Company had 967 apartment leases, 882 of which will expire in 2022 and 85 of which will expire in 2023. Annual base rent due under these leases is $17.1 million and $0.6 million for the years ending December 31, 2022 and 2023, respectively.

Current Portfolio Properties

The following table sets forth, at the dates indicated, certain information regarding the Current Portfolio Properties:

Property	Location	Leasable Area (Square Feet)	Year Acquired or Developed (Renovated)	Land Area (Acres)	Percentage Leased as of December 31, [1] 2021	2020	2019	2018	2017	Anchor / Significant Tenants
Shopping Centers										
Ashbrook Marketplace	Ashburn, VA	85,819	2018 (2019)	13.7	100 %	100 %	92 %	N/A	N/A	Lidl, Planet Fitness, Starbucks, Dunkin Donuts, Valvoline, Cafe Rio, McAlisters Deli
Ashburn Village	Ashburn, VA	221,596	1994-2006	26.4	96 %	95 %	97 %	97 %	94 %	Giant Food, Hallmark, McDonald's, Burger King, Dunkin Donuts, Kinder Care, Blue Ridge Grill
Ashland Square Phase I	Dumfries, VA	23,120	2007	2.0	100 %	100 %	100 %	100 %	100 %	Capital One Bank, CVS Pharmacy, The All American Steakhouse
Beacon Center	Alexandria, VA	359,671	1972 (1993/99/07)	32.3	100 %	100 %	100 %	100 %	100 %	Lowe's Home Improvement Center, Giant Food, Home Goods, Outback Steakhouse, Marshalls, Party Depot, Panera Bread, TGI Fridays, Starbucks, Famous Dave's, Chipotle, Capital One Bank, Wendy's
BJ's Wholesale Club	Alexandria, VA	115,660	2008	9.6	100 %	100 %	100 %	100 %	100 %	BJ's Wholesale Club
Boca Valley Plaza	Boca Raton, FL	121,365	2004	12.7	94 %	89 %	99 %	96 %	95 %	Publix, Palm Beach Fitness, Anima Domus
Boulevard	Fairfax, VA	49,140	1994 (1999/09)	5.0	96 %	97 %	100 %	100 %	100 %	Panera Bread, Party City, Petco, Capital One Bank
Briggs Chaney MarketPlace	Silver Spring, MD	194,258	2004	18.2	95 %	97 %	96 %	92 %	100 %	Global Food, Ross Dress For Less, Advance Auto Parts, McDonald's, Dunkin Donuts, Enterprise Rent-A-Car, Dollar Tree, Dollar General, Salon Plaza
Broadlands Village	Ashburn, VA	174,438	2003 (2004/06)	24.0	92 %	90 %	98 %	98 %	77 %	Aldi Grocery, The All American Steakhouse, Bonefish Grill, Dollar Tree, Starbucks, Minnieland Day Care, Chase Bank, LA Fitness
Burtonsville Town Square	Burtonsville, MD	139,928	2017	26.3	100 %	100 %	98 %	100 %	100 %	Giant Food, Petco, Starbucks, Greene Turtle, Capital One Bank, CVS Pharmacy, Roy Rogers, Mr. Tire, Taco Bell
Countryside Marketplace	Sterling, VA	138,804	2004	16.0	91 %	92 %	95 %	96 %	94 %	Lotte Plaza Market, CVS Pharmacy, Starbucks, McDonald's, 7-Eleven
Cranberry Square	Westminster, MD	141,450	2011	18.9	97 %	87 %	96 %	97 %	100 %	Giant Food, Giant Gas Station, Staples, Party City, Wendy's, Sola Salons
Cruse MarketPlace	Cumming, GA	78,686	2004	10.6	94 %	92 %	94 %	96 %	87 %	Publix, Subway, Orange Theory, Anytime Fitness
Flagship Center	Rockville, MD	21,500	1972, 1989	0.5	100 %	100 %	100 %	100 %	100 %	Chase Bank, Bank of America
French Market	Oklahoma City, OK	246,148	1974 (1984/98)	13.8	75 %	78 %	97 %	96 %	97 %	Burlington Coat Factory, Bed Bath & Beyond, Staples, Petco, The Tile Shop, Lakeshore Learning Center, Dollar Tree, Verizon, Raising Cane's
Germantown	Germantown, MD	18,982	1992	2.7	100 %	100 %	100 %	100 %	100 %	CVS Pharmacy, Jiffy Lube
The Glen	Woodbridge, VA	136,440	1994 (2005)	14.7	93 %	98 %	97 %	96 %	96 %	Safeway, Panera Bread, Five Guys, Chipotle
Great Falls Center	Great Falls, VA	91,666	2008	11.0	98 %	100 %	98 %	100 %	100 %	Safeway, CVS Pharmacy, Trustar Bank, Starbucks, Subway, Long & Foster
Hampshire Langley	Takoma Park, MD	131,700	1972 (1979)	9.9	100 %	100 %	100 %	100 %	100 %	Mega Mart, Starbucks, Chuck E. Cheese's, Sardi's Chicken, Capital One Bank, Kool Smiles, Wells Fargo

Property	Location	Leasable Area (Square Feet)	Year Acquired or Developed (Renovated)	Land Area (Acres)	Percentage Leased as of December 31, [1]					Anchor / Significant Tenants
					2021	2020	2019	2018	2017	
Shopping Centers (Continued)										
Hunt Club Corners	Apopka, FL	107,103	2006	13.9	99 %	100 %	100 %	97 %	93 %	Publix, Pet Supermarket, Boost Mobile
Jamestown Place	Altamonte Springs, FL	96,201	2005	10.9	100 %	100 %	100 %	100 %	93 %	Publix, Carrabas Italian Grill, Orlando Health
Kentlands Square I	Gaithersburg, MD	116,494	2002	11.5	100 %	100 %	100 %	98 %	98 %	Lowe's Home Improvement Center, Chipotle, Starbucks, Shake Shack
Kentlands Square II and Kentlands Pad	Gaithersburg, MD	253,052	2011	23.4	97 %	97 %	99 %	99 %	57 %	Giant Food, At Home, Party City, Panera Bread, Not Your Average Joe's, Hallmark, Chick-Fil-A, Coal Fire Pizza, Cava Mezza Grill
Kentlands Place	Gaithersburg, MD	40,697	2005	3.4	86 %	75 %	93 %	93 %	93 %	Bonefish Grill, Privai Spa
Lansdowne Town Center	Leesburg, VA	196,817	2006	23.4	90 %	91 %	90 %	96 %	93 %	Harris Teeter, CVS Pharmacy, Panera Bread, Starbucks, Capital One Bank, Ford's Oyster House, Fusion Learning, Chick-Fil-A
Leesburg Pike Plaza	Baileys Crossroads, VA	97,752	1966 (1982/95)	9.4	93 %	93 %	90 %	100 %	95 %	CVS Pharmacy, Party Depot, FedEx Office, Capital One Bank, Five Guys, Dollar Tree
Lumberton Plaza	Lumberton, NJ	192,718	1975 (1992/96)	23.3	66 %	68 %	68 %	70 %	84 %	Aldi, Rite Aid, Family Dollar, Retro Fitness, Big Lots, Burger King
Metro Pike Center	Rockville, MD	67,488	2010	4.6	85 %	83 %	65 %	69 %	67 %	McDonald's, Dunkin Donuts, 7-Eleven, Palm Beach Tan, Mattress Warehouse, Salvation Army
Shops at Monocacy	Frederick, MD	111,166	2004	13.0	98 %	100 %	99 %	99 %	99 %	Giant Food, Panera Bread, Five Guys, California Tortilla, Firehouse Subs, Comcast
Northrock	Warrenton, VA	100,032	2009	15.4	94 %	99 %	100 %	100 %	99 %	Harris Teeter, Longhorn Steakhouse, Ledo's Pizza, Capital One Bank, Novant Health
Olde Forte Village	Ft. Washington, MD	143,577	2003	16.0	98 %	92 %	96 %	96 %	99 %	Safeway, Advance Auto Parts, Dollar Tree, McDonald's, Wendy's, Ledo's Pizza, M&T Bank
Olney	Olney, MD	53,765	1975 (1990)	3.7	93 %	93 %	93 %	94 %	92 %	Walgreens, Olney Grille, Ledo's Pizza, Popeye's, Sardi's Fusion
Orchard Park	Dunwoody, GA	87,365	2007	10.5	100 %	99 %	99 %	100 %	98 %	Kroger, Subway, Jett Ferry Dental
Palm Springs Center	Altamonte Springs, FL	126,446	2005	12.0	98 %	100 %	100 %	100 %	94 %	Publix, Duffy's Sports Grill, Toojay's Deli, The Tile Shop, Rockler Tools, Humana Health, Sola Salons
Ravenwood	Baltimore, MD	93,328	1972 (2006)	8.0	95 %	97 %	97 %	92 %	100 %	Giant Food, Dominos, Bank of America
11503 Rockville Pike/5541 Nicholson Lane	Rockville, MD	40,249	2010 / 2012	3.0	61 %	61 %	61 %	61 %	61 %	Dr. Boyd's Pet Resort, Metropolitan Emergency Animal Clinic
1500/1580/1582 Rockville Pike	Rockville, MD	105,428	2012/2014	10.2	100 %	100 %	97 %	97 %	96 %	Party City, CVS Pharmacy, Danker Furniture Outlet
Seabreeze Plaza	Palm Harbor, FL	146,673	2005	18.4	94 %	96 %	99 %	99 %	98 %	Publix, Earth Origins Health Food, Petco, Planet Fitness, Vision Works
Marketplace at Sea Colony	Bethany Beach, DE	21,677	2008	5.1	100 %	100 %	100 %	100 %	100 %	Resort Quest, Armand's Pizza, Candy Kitchen, Summer Salts, Fin's Alehouse
Seven Corners	Falls Church, VA	573,481	1973 (1994-7/07)	31.6	98 %	99 %	99 %	100 %	100 %	The Home Depot, Giant Food, Michaels Arts & Crafts, Barnes & Noble, Ross Dress For Less, Ski Chalet, Off-Broadway Shoes, JoAnn Fabrics, Starbucks, Dogfish Head Ale House, Red Robin Gourmet Burgers, Chipotle, Wendy's, Burlington Coat Factory, Mattress Warehouse, J. P. Morgan Chase, Five Below

Property	Location	Leasable Area (Square Feet)	Year Acquired or Developed (Renovated)	Land Area (Acres)	Percentage Leased as of December 31, [1] 2021	2020	2019	2018	2017	Anchor / Significant Tenants
Shopping Centers (Continued)										
Severna Park Marketplace	Severna Park, MD	254,011	2011	20.6	89 %	89 %	100 %	100 %	100 %	Giant Food, Kohl's, Office Depot, Goodyear, Chipotle, McDonald's, Five Guys, Unleashed (Petco), Jersey Mike's, Bath & Body Works, Wells Fargo. MOD Pizza
Shops at Fairfax	Fairfax, VA	68,762	1975 (1993/99)	6.7	98 %	97 %	98 %	100 %	97 %	99 Ranch
Smallwood Village Center	Waldorf, MD	173,341	2006	25.1	79 %	75 %	77 %	79 %	83 %	Safeway, CVS Pharmacy, Family Dollar
Southdale	Glen Burnie, MD	485,628	1972 (1986)	39.8	94 %	94 %	97 %	100 %	99 %	The Home Depot, Michaels Arts & Crafts, Marshalls, PetSmart, Value City Furniture, Athletic Warehouse, Starbucks, Gallo Clothing, Office Depot, The Tile Shop, Mercy Health Care, Massage Envy, Potbelly, Capital One Bank, Chipotle, Banfield Pet Hospital, Glory Days Grill, Bank of America
Southside Plaza	Richmond, VA	371,761	1972	32.8	98 %	96 %	92 %	89 %	91 %	Super Fresh, Citi Trends, City of Richmond, McDonald's, Burger King, Kool Smiles, Crafty Crab, Roses
South Dekalb Plaza	Atlanta, GA	163,418	1976	14.6	94 %	87 %	87 %	93 %	89 %	Big Lots, Emory Clinic, Roses, Deal $, Humana Oak Street Health
Thruway	Winston-Salem, NC	365,816	1972 (1997)	31.5	81 %	80 %	94 %	96 %	95 %	Harris Teeter, Trader Joe's, Talbots, Hanes Brands, Jos. A. Bank, Chico's, Loft, FedEx Office, Plow & Hearth, New Balance, Aveda Salon, Carter's Kids, McDonald's, Chick-Fil-A, Wells Fargo Bank, Francesca's Collections, Great Outdoor Provision Company, White House / Black Market, Soma, J. Crew, Chop't, Lululemon, Orange Theory, Athleta
Village Center	Centreville, VA	145,651	1990	17.2	88 %	88 %	98 %	98 %	98 %	Giant Food, Starbucks, McDonald's, Pet Supplies Plus, Bikram Yoga, Capital One Bank, Truist Bank
Westview Village	Frederick, MD	103,186	2009	11.6	89 %	92 %	97 %	99 %	95 %	Silver Diner, Sleepy's, Music & Arts, Firehouse Subs, CiCi's Pizza, Café Rio, Five Guys, Regus, Krispy Kreme, Wendy's, State Employees Credit Union (SECU)
White Oak	Silver Spring, MD	480,676	1972 (1993)	27.9	100 %	100 %	100 %	99 %	100 %	Giant Food, Sears, Walgreens, Sarku Japan
Total Shopping Centers [3]		7,874,130		766.8	93.4 %	93.1 %	95.5 %	96.0 %	94.3 %	

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Property	Location	Leasable Area (Square Feet)	Year Acquired or Developed (Renovated)	Land Area (Acres)	Percentage Leased as of December 31, [1] 2021	2020	2019	2018	2017	Anchor / Significant Tenants
Mixed-Use Properties										
Avenel Business Park	Gaithersburg, MD	390,683	1981-2000	37.1	87 %	93 %	91 %	90 %	88 %	General Services Administration, Gene Dx, Inc., American Type Culture Collection, Inc.
Clarendon Center-North Block	Arlington, VA	108,386	2010	0.6	86 %	83 %	86 %	100 %	100 %	AT&T Mobility, Chipotle, Airlines Reporting Corporation
Clarendon Center-South Block	Arlington, VA	104,894	2010	1.3	88 %	88 %	97 %	97 %	100 %	Trader Joe's, Circa, Burke & Herbert Bank, South Block Blends, Keppler Speakers Bureau, ECG Management Co., Leadership Institute, Capital One Bank, Massage Envy
Clarendon Center Residential-South Block (244 units)		188,671	2010		98 %	95 %	95 %	100 %	96 %	
Park Van Ness-Residential (271 units)	Washington, DC	214,600	2016	1.4	96 %	95 %	97 %	97 %	96 %	
Park Van Ness-Retail	Washington, DC	8,847	2016		100 %	100 %	100 %	100 %	100 %	Uptown Market, Sfoglina Pasta House
601 Pennsylvania Ave.	Washington, DC	227,651	1973 (1986)	1.0	78 %	90 %	94 %	98 %	100 %	National Gallery of Art, American Assn. of Health Plans, Southern Company, Regus, Capital Grille
Washington Square	Alexandria, VA	236,376	1975 (2000)	2.0	71 %	80 %	90 %	91 %	94 %	Academy of Managed Care Pharmacy, Cooper Carry, National PACE Association, Marketing General, Trader Joe's, FedEx Office, Talbots, Virginia ABC
The Waycroft-Residential (491 units)	Arlington, VA	404,709	2020	2.8	97 %	76 %	N/A	N/A	N/A	
The Waycroft-Retail	Arlington, VA	60,100	2020		91 %	90 %	N/A	N/A	N/A	Target, Enterprise Rent-A-Car, Silver Diner
Total Mixed Use Properties [3]		1,944,917		46.2	82.3 % [2]	88.4 % [2]	91.6 % [2]	93.6 % [2]	94.5 % [2]	
Total Portfolio [3]		**9,819,047**		**813.0**	**92.0 %** [2]	**92.5 %** [2]	**95.0 %** [2]	**95.7 %** [2]	**94.3 %** [2]	
Land and Development Properties										
Hampden House	Bethesda, MD		2018	0.6		Planned development of a mixed-use project with up to 366 apartment units and 10,100 square feet of retail space. The Company has entered into a contract with a general contractor. Demolition of the existing structure began in the fourth quarter of 2021 to prepare the site for future development.				
Twinbrook Quarter	Rockville, MD		2021	8.2		Planned development of Phase I, which includes an 80,000 square foot Wegmans, approximately 25,000 of square feet of adjacent small shop space, 450 apartments and a 230,000 square foot office building, was approved by the City of Rockville in 2020. Demolition of the existing improvements within Phase I has been completed. Excavation of the site is approximately 85% complete. Below grade foundation work has begun and will continue during 2022, and initial delivery of Phase I is anticipated in late 2024.				
Ashland Square Phase II	Manassas, VA		2004	17.3		Marketing to grocers and other retail businesses, with a development timetable yet to be finalized.				
New Market	New Market, MD		2005	35.5		Parcel will accommodate retail development in excess of 120,000 square feet near I-70, east of Frederick, Maryland. A development timetable has not been determined.				
Total Development Properties				61.6						

(1) Percentage leased is a percentage of rentable square feet leased for commercial space and a percentage of units leased for apartments. Includes only operating properties owned as of December 31, 2021. As such, prior year totals do not agree to prior year tables.

(2) Total percentage leased is for commercial space only.

(3) Prior year leased percentages for Total Shopping Centers, Total Mixed-Use Properties and Total Portfolio have been recalculated to exclude the impact of properties sold or removed from service and, therefore, the percentages reported in this table may be different than the percentages previously reported.

Item 3. Legal Proceedings

In the normal course of business, the Company is involved in litigation, including litigation arising out of the collection of rents, the enforcement or defense of the priority of its security interests, and the continued development and marketing of certain of its real estate properties. In the opinion of management, litigation that is currently pending should not have a material adverse impact on the financial condition or future operations of the Company.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Shares of Saul Centers common stock are listed on the New York Stock Exchange under the symbol "BFS."

Holders

The approximate number of holders of record of the common stock was 120 as of February 17, 2021. Many of our shares of common stock are held by brokers and institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividends and Distributions

Under the Code, REITs are subject to numerous organizational and operating requirements, including the requirement to distribute at least 90% of REIT taxable income. The Company distributed more than the required amount in 2021 and 2020. See Notes to Consolidated Financial Statements, No. 13, "Distributions." The Company may or may not elect to distribute in excess of 90% of REIT taxable income in future years.

The Company's estimate of cash flow available for distributions is believed to be based on reasonable assumptions and represents a reasonable basis for setting distributions. However, the actual results of operations of the Company will be affected by a variety of factors, including but not limited to actual rental revenue, operating expenses of the Company, interest expense, general economic conditions, federal, state and local taxes (if any), unanticipated capital expenditures, the adequacy of reserves and preferred dividends. While the Company intends to continue paying regular quarterly distributions, any future payments will be determined solely by the Board of Directors and will depend on a number of factors, including cash flow of the Company, its financial condition and capital requirements, the annual distribution amounts required to maintain its status as a REIT under the Code, and such other factors as the Board of Directors deems relevant. We are obligated to pay regular quarterly distributions to holders of preferred depositary shares, prior to distributions on the common stock.

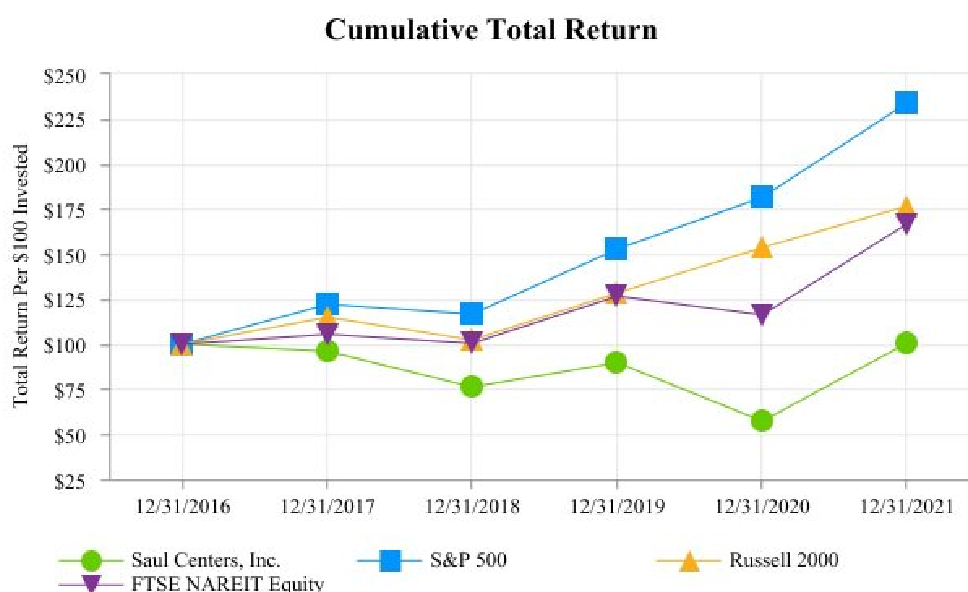
Acquisition of Equity Securities by the Saul Organization

Through participation in the Company's Dividend Reinvestment Plan, during the quarter ended December 31, 2021, (a) B. Francis Saul II, the Company's Chairman of the Board and Chief Executive Officer, (b) his spouse, (c) the Saul Trust and B. F. Saul Company, for each of which Mr. B. F. Saul II serves as either President or Chairman, and (d) B. F. Saul Property Company, Avenel Executive Park Phase II, LLC, SHLP Unit Acquisition Corp. and Dearborn, LLC, which are wholly-owned subsidiaries of either B. F. Saul Company or the Saul Trust, acquired an aggregate of 55,395 shares of common stock and 13,697 limited partnership units at an average price of $45.56 per share/unit, in respect of the October 31, 2021 dividend distribution. Such limited partnership units were issued in reliance on Section 4(a)(2) of the Securities Act of 1933.

No shares were acquired pursuant to a publicly announced plan or program.

Performance Graph

Rules promulgated under the Exchange Act require the Company to present a graph comparing the cumulative total stockholder return on its Common Stock with the cumulative total stockholder return of (i) a broad equity market index, and (ii) a published industry index or peer group. The following graph compares the cumulative total stockholder return of the Company's common stock, based on the market price of the common stock and assuming reinvestment of dividends, with the Financial Times Stock Exchange Group National Association of Real Estate Investment Trust Equity Index ("FTSE NAREIT Equity"), the S&P 500 Index ("S&P 500") and the Russell 2000 Index ("Russell 2000"). The graph assumes the investment of $100 on December 31, 2016.



	Period Ended					
Index	**12/31/2016**	**12/31/2017**	**12/31/2018**	**12/31/2019**	**12/31/2020**	**12/31/2021**
Saul Centers, Inc. [1]	$100.00	$95.78	$76.16	$89.40	$57.15	$100.16
S&P 500 [2]	$100.00	$121.83	$116.49	$152.71	$181.35	$233.41
Russell 2000 [3]	$100.00	$114.65	$102.02	$128.06	$153.62	$176.39
FTSE NAREIT Equity [4]	$100.00	$105.23	$100.36	$126.45	$116.34	$166.64

[1] Source: S&P Capital I.Q.
[2] Source: Bloomberg
[3] Source: FTSE Russell
[4] Source: FTSE National Association of Real Estate Investment Trusts

Item 6. Selected Financial Data

None.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) begins with the Company's primary business strategy to give the reader an overview of the goals of the Company's business. This is followed by a discussion of the critical accounting policies that the Company believes are important to understanding the assumptions and judgments incorporated in the Company's reported financial results. The next section discusses the Company's results of operations for the past two years. Beginning on page 45, the Company provides an analysis of its liquidity and capital resources, including discussions of its cash flows, debt arrangements, sources of capital and financial commitments. On page 49, the Company discusses funds from operations, or FFO, which is a non-GAAP financial measure of performance of an equity REIT used by the REIT industry.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related footnotes included elsewhere in this Annual Report on Form 10-K. We make statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this report entitled "Forward-Looking Statements." Certain risks may cause our actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see "Item 1A. Risk Factors."

Impact of COVID-19

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. As a result, the COVID-19 pandemic is negatively affecting almost every industry directly or indirectly.

The actions taken by federal, state and local governments to mitigate the spread of COVID-19 by ordering closure of nonessential businesses and ordering residents to generally stay at home, and subsequent phased re-openings, have resulted in many of our tenants announcing mandated or temporary closures of their operations and/or requesting adjustments to their lease terms. While most of our tenants have re-opened their businesses, there remains significant uncertainty around the long-term economic impact of the COVID-19 pandemic, which could have a material and adverse effect on or cause disruption to our business or financial condition, results from operations, cash flows and the market value and trading price of our securities.

If the effects of COVID-19 result in continued deterioration of economic and market conditions, or if the Company's expected holding period for assets changes, subsequent tests for impairment could result in impairment charges in the future. The Company can provide no assurance that material impairment charges with respect to the Company's investment properties will not occur in 2022 or future periods. As of December 31, 2021, we have not identified any impairment triggering events, including the impact of COVID-19 and corresponding tenant requests for rent relief. Therefore, under applicable GAAP guidance, no impairment charges have been recorded. However, we have yet to see the long-term effects of COVID-19 and the extent to which it may impact our tenants in the future. Indications of a tenant's inability to continue as a going concern, changes in our view or strategy relative to a tenant's business or industry as a result of COVID-19, or changes in our long-term hold strategies, could be indicative of an impairment triggering event. Accordingly, the Company will continue to monitor circumstances and events in future periods to determine whether impairment charges are warranted.

While the Company's grocery store, pharmacy, bank and home improvement store tenants generally remained fully open, many restaurants have operated with reduced hours and/or limited indoor seating, supplemented with delivery and curbside pick-up, and most health, beauty supply and services, fitness centers, and other non-essential businesses are open with limited or full customer capacity depending on location. As of February 18, 2022, payments by tenants of contractual base rent and operating expense and real estate tax recoveries totaled approximately 99% and 97% for the fourth quarter of 2021 and January 2022, respectively. During 2021, the

Company generally did not charge late fees or delinquent interest on past due payments and, in many cases, rent deferral agreements have been negotiated to allow tenants temporary relief where needed. The deferral agreements, generally, permit tenants to defer 30 to 90 days of rent, operating expense and real estate tax recovery payments until a later time in their lease term with repayment typically occurring over a 12-month period generally commencing in 2021. We expect that our rent collections will continue to be below our tenants' contractual rent obligations for so long as governmental orders require non-essential businesses to remain at limited capacity or closed and residents to stay at home. We will continue to accrue rental revenue during the deferral period. However, we anticipate that some tenants eventually will not be able to pay amounts due and we will incur losses against our rent receivables. The extent and timing of the recognition of such losses will depend on future developments, which are highly uncertain and cannot be predicted. Management considers reserves established as of December 31, 2021, against such potential losses to be reasonable and adequate. Rent collections during the fourth quarter of 2021 and rent relief requests to-date may not be indicative of collections or requests in any future period.

The following is a summary of the Company's executed rent deferral agreements and repayment dates as of February 18, 2022, with the exception of amounts due, which are as of January 31, 2022.

(In thousands)

Original Rent Due By Quarter	**Original Rent Amount** (prior to deferral)	**Repayment Year**	**Repayment Amount** *(after deferral)*	**Amount Due**	**Amount Collected**	**Collection Percentage** (based on payments currently
2020 First Quarter	$ 67	2020	331	$ 331	$ 331	10
2020 Second Quarter	6,282	2021	5,703	5,703	5,531	9
2020 Third Quarter	1,487	2022	2,033	219	189	8
2020 Fourth Quarter	368	2023	645			
2021 First Quarter	249	2024	234			
2021 Second Quarter	266	2025	48			
2021 Third Quarter	273	2026	19			
2021 Fourth Quarter	74	Thereafter	53			
January 2022	—					
Total	$ 9,066	Total	$ 9,066	$ 6,253	$ 6,051	9

When taking into account the amount of time elapsed since the due date of the payment, we continue to experience sequential improvement in our collection rates. The following table summarizes the Company's consolidated total collections of the first quarter, second quarter, third quarter, fourth quarter and January 2022 rent billings as of February 18, 2022:

	Retail	Office	Residential	Total
2021 First Quarter	99 %	100 %	99 %	99 %
2021 Second Quarter	99 %	100 %	99 %	99 %
2021 Third Quarter	99 %	100 %	99 %	99 %
2021 Fourth Quarter	98 %	100 %	99 %	99 %
January 2022	97 %	99 %	99 %	97 %

Although the Company is and will continue to be actively engaged in rent collection efforts related to uncollected rent, and the Company will continue to work with certain tenants who have requested rent deferrals, the Company can provide no assurance that such efforts or our efforts in future periods will be successful, particularly in the event that the COVID-19 pandemic and restrictions intended to prevent its spread continue for a prolonged period. The Company strongly encouraged, and continues to encourage, small business tenants to apply for Paycheck Protection Program loans, as available, under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, and all subsequent support programs available from federal, state and local governments. The

Company has information that many tenants applied for these loans and several tenants have communicated that loan proceeds are being received and have subsequently remitted rental payments.

As of January 31, 2022, the Company had $12.8 million of cash and cash equivalents and borrowing availability of approximately $208.8 million under its unsecured revolving credit facility.

The extent of the effects of COVID-19 on the Company's business, results of operations, cash flows, and growth prospects is highly uncertain and will ultimately depend on future developments, none of which can be predicted with any certainty. See Item 1A. Risk Factors. However, we believe the actions we have taken and are continuing to take will help minimize interruptions to operations and will put the Company in the best position to participate in the recovery when the time comes. Management and the Board of Directors will continue to actively monitor the effects of the COVID-19 pandemic, including governmental directives in the jurisdictions in which we operate and the recommendations of public health authorities, and will, as needed, take further measures to adapt the Company's business in the best interests of our stockholders and personnel. The extent to which COVID-19 impacts our operations and those of our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the outbreak, the actions taken to contain the outbreak or mitigate its impact, and the direct and indirect economic effects of the outbreak and containment measures, among others.

In accordance with guidance issued by state and local health authorities and with safety protocols in place as recommended by the Centers for Disease Control and Prevention, on June 1, 2021, the Company began transitioning employees from a remote working environment to working in the office. On November 1, 2021, the Company formally reopened, without occupancy restrictions, its corporate office in Bethesda, Maryland. Due to the most recent COVID-19 variant and the surge in cases, the Company is currently allowing employees the option to work remotely. The Company does not anticipate any adverse impact on its ability to continue to operate its business during the transition back to the office.

Overview

The Company's primary strategy is to continue to focus on diversification of its assets through development of transit-oriented, residential mixed-use projects in the Washington, D.C. metropolitan area. The Company's operating strategy also includes improvement of the operating performance of its assets, internal growth of its Shopping Centers through the addition of pad sites, and supplementing its development pipeline with selective redevelopment and renovations of its core Shopping Centers. The Company has a pipeline of entitled sites in its portfolio, some of which are currently shopping center operating properties, for development of up to 3,700 apartment units and 975,000 square feet of retail and office space. All such sites are located adjacent to red line Metro stations in Montgomery County, Maryland.

The Company intends to selectively add free-standing pad site buildings within its Shopping Center portfolio, and replace underperforming tenants with tenants that generate strong traffic, including anchor stores such as supermarkets and drug stores. The Company has executed leases or leases are under negotiation for ten more pad sites.

In recent years, there has been a limited amount of quality properties for sale and pricing of those properties has escalated. Accordingly, management believes acquisition opportunities for investment in existing and new shopping center and mixed-use properties in the near future is uncertain. Nevertheless, because of the Company's conservative capital structure, including its cash and capacity under its revolving credit facility, management believes that the Company is positioned to take advantage of additional investment opportunities as attractive properties are identified and market conditions improve. (See "Item 1. Business - Capital Policies".) It is management's view that several of the sub-markets in which the Company operates have, or are expected to have in the future, attractive supply/demand characteristics. The Company will continue to evaluate acquisition, development and redevelopment as integral parts of its overall business plan.

Prior to the COVID-19 pandemic, economic conditions within the local Washington, DC metropolitan area had remained relatively stable. Issues facing the Federal government relating to taxation, spending and interest

rate policy will likely continue to impact the office, retail and residential real estate markets over the coming years. Because the majority of the Company's property operating income is produced by our Shopping Centers, we continually monitor the implications of government policy changes, as well as shifts in consumer demand between on-line and in-store shopping, on future shopping center construction and retailer store expansion plans. Based on our observations, we continue to adapt our marketing and merchandising strategies in ways to maximize our future performance. The Company's commercial leasing percentage, on a same property basis, which excludes the impact of properties not in operation for the entirety of the comparable periods, decreased to 92.0% at December 31, 2021, from 92.5% at December 31, 2020.

The Company maintains a ratio of total debt to total asset value of under 50%, which allows the Company to obtain additional secured borrowings if necessary. As of December 31, 2021, amortizing fixed-rate mortgage debt with staggered maturities from 2022 to 2035 represented approximately 82.2% of the Company's notes payable, thus minimizing refinancing risk. The Company's variable-rate debt consists of $206.0 million outstanding under the credit facility. As of December 31, 2021, the Company has availability of approximately $219.8 million under its $425.0 million unsecured revolving credit facility.

Although it is management's present intention to concentrate future acquisition and development activities on transit-centric, primarily residential mixed-use properties in the Washington, D.C./Baltimore metropolitan area, the Company may, in the future, also acquire other types of real estate in other areas of the country as opportunities present themselves. The Company plans to continue to diversify in terms of property types, locations, size and market, and it does not set any limit on the amount or percentage of assets that may be invested in any one property or any one geographic area.

The following table sets forth average annualized base rent per square foot and average annualized effective rent per square foot for the Company's commercial properties (all properties except for the apartments within The Waycroft, Clarendon Center and Park Van Ness properties). For purposes of this table, annualized effective rent is annualized base rent minus amortized tenant improvements and amortized leasing commissions. The $0.66 per square foot increase in base rent in the 2021 Period compared to the 2020 Period is primarily attributable to a rate increase in commercial leases relating to completed development projects.

	Commercial Rents		
	Year ended December 31,		
	2021	2020	2019
Base rent	$ 20.63	$ 19.97	$ 19.91
Effective rent	$ 18.91	$ 18.25	$ 18.08

Critical Accounting Policies

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which requires management to make certain estimates and assumptions that affect the reporting of financial position and results of operations. See Note 2 to the Consolidated Financial Statements in this report. The Company has identified the following policies that, due to estimates and assumptions inherent in those policies, involve a relatively high degree of judgment and complexity.

Real Estate Investments

Real estate investment properties are stated at historic cost less depreciation. Although the Company intends to own its real estate investment properties over a long term, from time to time it will evaluate its market position, market conditions, and other factors and may elect to sell properties that do not conform to the Company's investment profile. Management believes that the Company's real estate assets have generally appreciated in value since their acquisition or development 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 the financial statements. Because the financial statements are prepared in conformity with GAAP, they do not report the current value of the Company's real estate investment properties.

If there is an event or change in circumstance that indicates a potential impairment in the value of a real estate investment property, the Company prepares an analysis to determine whether the carrying value of the real estate investment property exceeds its estimated fair value. The Company considers both quantitative and qualitative factors in identifying impairment indicators including recurring operating losses, significant decreases in occupancy, and significant adverse changes in market conditions, legal factors and business climate. If impairment indicators are present, the Company compares the projected cash flows of the property over its remaining useful life, on an undiscounted basis, to the carrying value of that property. The Company assesses its undiscounted projected cash flows based upon estimated capitalization rates, historic operating results and market conditions that may affect the property. If the carrying value is greater than the undiscounted projected cash flows, the Company would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to its then estimated fair value. The fair value of any property is sensitive to the actual results of any of the aforementioned estimated factors, either individually or taken as a whole. Should the actual results differ from management's projections, the valuation could be negatively or positively affected.

Accounts Receivable, Accrued Income, and Allowance for Doubtful Accounts

Accounts receivable primarily represent amounts currently due from tenants in accordance with the terms of their respective leases. Individual leases are assessed for collectability and, upon the determination that the collection of rents is not probable, accrued rent and accounts receivable are charged off, and the charge off is reflected as an adjustment to rental revenue. Revenue from leases where collection is not probable is recorded on a cash basis until collectability is determined to be probable. We also assess whether operating lease receivables, at the portfolio level, are appropriately valued based upon an analysis of balances outstanding, effects of tenant bankruptcies, historical levels of bad debt and current economic trends. Additionally, because of the uncertainties related to the impact of the COVID-19 pandemic, our assessment also takes into consideration the types of business conducted by tenants and current discussions with the tenants, as well as recent rent collection experience. Evaluating and estimating uncollectable lease payments and related receivables requires a significant amount of judgment by management and is based on the best information available to management at the time of evaluation. Actual results could differ from these estimates.

Legal Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business, which are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, the Company believes the final outcome of current matters will not have a material adverse effect on its financial position or the results of operations. Upon determination that a loss is probable to occur, the estimated amount of the loss is recorded in the financial statements. Both the amount of the loss and the point at which its occurrence is considered probable can be difficult to determine.

Results of Operations

The following is a discussion of the components of revenue and expense for the entire Company. This section generally discusses 2021 and 2020 items and year-to-year comparisons between 2021 and 2020. Discussions of 2019 items and year-to-year comparisons between 2020 and 2019 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations"
Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed on February 25, 2021.

Revenue

(Dollars in thousands)	Year ended December 31,			Percentage Change	
	2021	2020	2019	2021 from 2020	2020 from 2019
Base rent	$ 197,930	$ 188,636	$ 185,724	4.9 %	1.6 %
Expense recoveries	34,500	34,678	36,521	(0.5) %	(5.0) %
Percentage rent	1,504	927	910	62.2 %	1.9 %
Other property revenue	1,393	1,252	1,423	11.3 %	(12.0) %
Credit losses on operating lease receivables	(812)	(5,212)	(1,226)	(84.4) %	325.1 %
Rental revenue	234,515	220,281	223,352	6.5 %	(1.4) %
Other revenue	4,710	4,926	8,173	(4.4) %	(39.7) %
Total revenue	$ 239,225	$ 225,207	$ 231,525	6.2 %	(2.7) %

Base rent includes $1.7 million and $1.3 million, for the years 2021 and 2020, respectively, to recognize base rent on a straight-line basis. In addition, base rent includes $1.4 million and $1.4 million for the years 2021 and 2020, respectively, to recognize income from the amortization of in-place leases.

Total revenue increased 6.2% in 2021 compared to 2020 as described below.

Base rent

The $9.3 million increase in base rent in 2021 compared to 2020 was attributable to The Waycroft, which was completed in April 2020 ($9.8 million).

Percentage rent

The $0.6 million increase in percentage rent in 2021 compared to 2020 was attributable to increased sales reported by anchor and retail tenants at multiple Shopping Centers.

Credit losses on operating lease receivables

Credit losses decreased $4.4 million in 2021 compared to 2020, primarily due to collections across the portfolio as tenant operations have improved due to restrictions related to COVID-19 being removed or lessened.

Operating expenses

(Dollars in thousands)	Year ended December 31,			Percentage Change	
	2021	2020	2019	2021 from 2020	2020 from 2019
Property operating expenses	$ 32,881	$ 28,857	$ 29,946	13.9 %	(3.6) %
Real estate taxes	28,747	29,560	27,987	(2.8) %	5.6 %
Interest expense, net and amortization of deferred debt costs	45,424	46,519	41,834	(2.4) %	11.2 %
Depreciation and amortization of deferred leasing costs	50,272	51,126	46,333	(1.7) %	10.3 %
General and administrative	20,252	19,107	20,793	6.0 %	(8.1) %
Total expenses	$ 177,576	$ 175,169	$ 166,893	1.4 %	5.0 %

Total expenses increased 1.4% in 2021 compared to 2020 as described below.

Property operating expenses

Property operating expenses increased $4.0 million in 2021 compared to 2020 primarily due to (a) increased expenses at The Waycroft, which opened in April 2020 ($1.7 million), (b) increased expenses throughout the portfolio related to snow ($1.0 million), and (c) increased expenses throughout the portfolio, exclusive of The Waycroft ($1.3 million).

Real estate taxes

Real estate taxes decreased $0.8 million in 2021 compared to 2020 primarily due to (a) reductions of tax assessments across the portfolio, exclusive of The Waycroft ($1.8 million), partially offset by (b) the substantial completion of The Waycroft ($1.0 million) and cessation of capitalization of real estate taxes.

Interest expense, net and amortization of deferred debt costs

Interest expense and amortization of deferred debt costs decreased by $1.1 million in 2021 compared to 2020 primarily due to (a) a lower weighted average interest rate, exclusive of The Waycroft ($2.5 million), partially offset by (b) higher interest expense related to the substantial completion of The Waycroft in April 2020 ($0.8 million), (c) higher capitalized interest ($0.2 million), and (d) higher average debt outstanding ($0.2 million).

Depreciation and amortization

Depreciation and amortization of deferred leasing costs decreased by $0.9 million in 2021 compared to 2020 primarily due to lower amortization of deferred leasing costs during the period ($0.6 million).

General and administrative

General and administrative costs increased $1.1 million in 2021 compared to 2020 primarily due to (a) higher employee costs ($0.9 million) and (b) higher loan administration costs ($0.2 million).

Same property revenue and same property operating income

Same property revenue and same property operating income are non-GAAP financial measures of performance and improve the comparability of these measures by excluding the results of properties which were not in operation for the entirety of the comparable reporting periods.

We define same property revenue as total revenue minus the revenue of properties not in operation for the entirety of the comparable reporting periods, and we define same property operating income as net income plus (a) interest expense, net and amortization of deferred debt costs, (b) depreciation and amortization of deferred leasing costs, (c) general and administrative expenses, and (d) change in fair value of derivatives, minus (e) gains on sale of property and (f) the operating income of properties which were not in operation for the entirety of the comparable periods.

Other REITs may use different methodologies for calculating same property revenue and same property operating income. Accordingly, our same property revenue and same property operating income may not be comparable to those of other REITs.

Same property revenue and same property operating income are used by management to evaluate and compare the operating performance of our properties, and to determine trends in earnings, because these measures are not affected by the cost of our funding, the impact of depreciation and amortization expenses, gains or losses from the acquisition and sale of operating real estate assets, general and administrative expenses or other gains and losses that relate to ownership of our properties. We believe the exclusion of these items from revenue and operating income is useful because the resulting measures capture the actual revenue generated and actual expenses incurred by operating our properties.

Same property revenue and same property operating income are measures of the operating performance of our properties but do not measure our performance as a whole. Such measures are therefore not substitutes for total revenue, net income or operating income as computed in accordance with GAAP.

The tables below provide reconciliations of property revenue and property operating income under GAAP to same property revenue and same property operating income for the indicated periods. The same property results include 50 Shopping Centers and six Mixed-Use properties for each period.

Same property revenue

(in thousands)	Year ended December 31,	
	2021	2020
Total revenue	$ 239,225	$ 225,207
Less: Acquisitions, dispositions and development properties	(15,596)	(4,790)
Total same property revenue	$ 223,629	$ 220,417
Shopping centers	$ 169,681	$ 161,854
Mixed-Use properties	53,948	58,563
Total same property revenue	$ 223,629	$ 220,417
Total Shopping Center revenue	$ 169,681	$ 161,854
Less: Shopping Center acquisitions, dispositions and development properties	—	—
Total same Shopping Center revenue	$ 169,681	$ 161,854
Total Mixed-Use property revenue	$ 69,544	$ 63,353
Less: Mixed-Use acquisitions, dispositions and development properties	(15,596)	(4,790)
Total same Mixed-Use revenue	$ 53,948	$ 58,563

The $3.2 million increase in same property revenue in 2021 compared to 2020 was due to (a) lower credit losses on operating lease receivables and corresponding reserves (collectively, $6.3 million) and (b) higher base rent at Ashbrook Marketplace ($1.1 million), partially offset by (c) lower base rent in the Mixed-Used portfolio ($4.3 million).

Same property operating income

(In thousands)	Year Ended December 31, 2021	2020
Net income	$ 61,649	$ 50,316
Add: Interest expense, net and amortization of deferred debt costs	45,424	46,519
Add: Depreciation and amortization of deferred leasing costs	50,272	51,126
Add: General and administrative	20,252	19,107
Less: Gain on sale of property	—	(278)
Property operating income	177,597	166,790
Less: Acquisitions, dispositions and development properties	(9,312)	(1,271)
Total same property operating income	$ 168,285	$ 165,519
Shopping Centers	$ 133,897	$ 126,656
Mixed-Use properties	34,388	38,863
Total same property operating income	$ 168,285	$ 165,519
Shopping Center operating income	$ 133,897	$ 126,656
Less: Shopping Center acquisitions, dispositions and development properties	—	—
Total same Shopping Center operating income	$ 133,897	$ 126,656
Mixed-Use property operating income	$ 43,700	$ 40,134
Less: Mixed-Use acquisitions, dispositions and development properties	(9,312)	(1,271)
Total same Mixed-Use property operating income	$ 34,388	$ 38,863

Same property operating income increased $2.8 million in 2021 compared to 2020 due primarily to (a) lower credit losses on operating lease receivables and corresponding reserves (collectively, $6.3 million), (b) higher base rent at Ashbrook Marketplace ($1.1 million), and (c) higher percentage rent ($0.6 million), partially offset by (d) lower base rent in the Mixed-Used portfolio ($4.3 million), and (e) lower expense recoveries, net ($0.9 million).

Impact of Inflation

The impact of rising operating expenses due to inflation on the operating performance of the Company’s portfolio is partially mitigated by terms in substantially all of the Company’s leases, which contain provisions designed to increase revenues to offset the adverse impact of inflation on the Company’s results of operations. These provisions include upward periodic adjustments in base rent due from tenants, usually based on a stipulated increase, and, to a lesser extent, on the change in the consumer price index, commonly referred to as the CPI.

In addition, substantially all of the Company’s properties are leased to tenants under long-term leases, which provide for reimbursement of operating expenses by tenants. These leases tend to reduce the Company’s exposure to rising property expenses due to inflation. Inflation and increased costs may have an adverse impact on the Company’s tenants if increases in their operating expenses exceed increases in their revenue.

Liquidity and Capital Resources

Cash and cash equivalents were $14.6 million and $26.9 million at December 31, 2021 and 2020, respectively. The changes in cash and cash equivalents during the years ended December 31, 2021 and 2020 were attributable to operating, investing and financing activities, as described below.

(in thousands)	Year Ended December 31,	
	2021	2020
Net cash provided by operating activities	$ 118,381	$ 78,383
Net cash used in investing activities	(55,872)	(56,168)
Net cash used in financing activities	(74,771)	(9,264)
Increase (decrease) in cash and cash equivalents	$ (12,262)	$ 12,951

Operating Activities

Net cash provided by operating activities represents cash received primarily from rental revenue, plus other revenue, less property operating expenses, leasing costs, normal recurring general and administrative expenses and interest payments on outstanding debt.

Investing Activities

Net cash used in investing activities includes property acquisitions, developments, redevelopments, tenant improvements and other property capital expenditures. The $0.3 million decrease in cash used in investing activities is primarily due to (a) lower development expenditures ($8.8 million) and (b) lower additions to real estate investments throughout the portfolio ($0.8 million), partially offset by (c) higher acquisitions of real estate investments ($9.0 million).

Financing Activities

Net cash provided by (used in) financing activities represents (a) cash received from loan proceeds and issuance of common stock, preferred stock and limited partnership units minus (b) cash used to repay and curtail loans, redeem preferred stock and pay dividends and distributions to holders of common stock, preferred stock and limited partnership units. See note 5 to the Consolidated Financial Statements for a discussion of financing activity.

Liquidity Requirements

Short-term liquidity requirements consist primarily of normal recurring operating expenses and capital expenditures, debt service requirements (including debt service relating to additional and replacement debt), distributions to common and preferred stockholders, distributions to unit holders and amounts required for expansion and renovation 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 expects to meet these short-term liquidity requirements (other than amounts required for additional property acquisitions and developments) through cash provided from operations, available cash and its existing line of credit.

Long-term liquidity requirements consist primarily of obligations under our long-term debt and dividends paid to our preferred shareholders. The Company anticipates that long-term liquidity requirements will also include amounts required for property acquisitions and developments. The Company is currently developing Phase I of Twinbrook Quarter, a project that includes an 80,000 square foot Wegmans, and approximately 25,000 square feet of small shop space, and 450 apartments, which are currently under construction. Located in Rockville, Maryland, Phase I also includes a planned 230,000 square foot office building that is not under construction at this time. In November 2021, the Company closed on a $145.0 million construction-to-permanent loan, the proceeds of which will be used to partially finance the residential and retail portions of Phase I. The Company has completed development plans for Hampden House, for the development of up to 366 apartment units and 10,100 square feet of

retail space, and is in the process of demolishing the existing structure to prepare the site for future development. On February 23, 2022, the Company closed on a $133.0 million construction-to-permanent loan, the proceeds of which will be used to partially finance the project. Demolition began in the fourth quarter of 2021 to prepare the site for future development. The Company has entered into a contract with a general contractor and construction is expected to be completed during 2025. The Company may also redevelop certain of the Current Portfolio Properties and may develop additional freestanding outparcels or expansions within certain of the Shopping Centers.

Acquisition and development of properties are undertaken only after careful analysis and review, and management's determination that such properties are expected to provide long-term earnings and cash flow growth. During the coming year, developments, expansions or acquisitions (if any) are expected to be funded with available cash, bank borrowings from the Company's credit line, construction and permanent financing, proceeds from the operation of the Company's dividend reinvestment plan or other external debt or equity capital resources available to the Company. Any future 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. The availability and terms of any such financing will depend upon market and other conditions.

Management believes that the Company's capital resources, which at December 31, 2021 included cash balances of approximately $14.6 million and borrowing availability of approximately $219.8 million under its unsecured revolving credit facility, provide sufficient liquidity and flexibility to meet the needs of the Company's operations as the effects of the COVID-19 pandemic continue to evolve.

Contractual Payment Obligations

As of December 31, 2021, the Company had unfunded contractual payment obligations of approximately $193.8 million, excluding operating obligations, due within the next 12 months. The table below shows the total contractual payment obligations as of December 31, 2021.

	Payments Due By Period		
(Dollars in thousands)	One Year or Less	More Than One Year	Total
Notes Payable:			
Interest	$ 45,138	$ 279,299	$ 324,437
Scheduled Principal	31,033	206,377	237,410
Balloon Payments	36,502	881,116	917,618
Subtotal	112,673	1,366,792	1,479,465
Corporate Headquarters Lease (1)	146	—	146
Development and Predevelopment Obligations	66,735	159,728	226,463
Tenant Improvements	14,236	2,842	17,078
Total Contractual Obligations	$ 193,790	$ 1,529,362	$ 1,723,152

(1) See Note 7 to Consolidated Financial Statements. Corporate Headquarters Lease amounts represent an allocation to the Company based upon employees' time dedicated to the Company's business as specified in the Shared Services Agreement. Future amounts are subject to change as the number of employees employed by each of the parties to the lease fluctuates.

Dividend Reinvestments

In December 1995, the Company established a Dividend Reinvestment Plan (the "Plan") to allow its common stockholders and holders of limited partnership interests an opportunity to buy additional shares of common stock by reinvesting all or a portion of their dividends or distributions. The Plan provides for investing in newly issued shares of common stock at a 3% discount from market price without payment of any brokerage commissions, service charges or other expenses. All expenses of the Plan are paid by the Company. The Company issued 287,239 and 220,863 shares under the Plan at a weighted average discounted price of $39.17 and $33.94 per share during the years ended December 31, 2021 and 2020, respectively. The Company issued 61,009 and 51,579 limited partnership units under the Plan at a weighted average price of $39.74 and $32.99 per unit during the years ended December 31, 2021 and 2020, respectively. The Company also credited 6,376 and 7,635 shares to directors pursuant to the reinvestment of dividends specified by the Directors' Deferred Compensation Plan at a weighted average discounted price of $39.31 and $31.18 per share, during the years ended December 31, 2021 and 2020, respectively.

Capital Strategy and Financing Activity

As a general policy, the Company intends to maintain a ratio of its total debt to total asset value of 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. Asset value is the aggregate fair market value of the Current Portfolio Properties and any subsequently acquired properties as reasonably determined by management by reference to the properties' aggregate cash flow. Given the Company's current debt level, it is management's belief that the ratio of the Company's debt to total asset value was below 50% as of December 31, 2021.

The organizational documents of the Company do not limit the absolute amount or percentage of indebtedness that it may incur. The Board of Directors may, from time to time, reevaluate the Company's debt capitalization policy in light of current economic conditions, relative costs of capital, market values of the Company property portfolio, opportunities for acquisition, development or expansion, and such other factors as the Board of Directors then deems relevant. The Board of Directors may modify the Company's debt capitalization policy based on such a reevaluation without shareholder approval and may increase or decrease the Company's debt to total asset ratio above or below 50% or may waive the policy for certain periods of time. The Company continues to refinance or renegotiate the terms of its outstanding debt in order to extend maturities and obtain generally more favorable loan terms, whenever management determines the financing environment is favorable.

The Company's financing activity is described within note 5 to the Consolidated Financial Statements. The following is a summary of notes payable as of December 31, 2021 and 2020.

Notes Payable	Year Ended December 31,		Interest	Scheduled
(Dollars in thousands)	2021	2020	Rate*	Maturity*
Fixed rate mortgages:				
Jamestown Place	$ —	$ 6,110	5.81 %	Feb-2021
Hunt Club Corners	—	5,109	6.01 %	Aug-2021
Lansdowne Town Center	28,533	29,657	5.62 %	Jun-2022
Orchard Park	8,812	9,136	6.08 %	Sep-2022
BJ's Wholesale Club	9,692	10,018	6.43 %	Apr-2023
Great Falls Center	8,651	9,788	6.61 %	Feb-2024
Leesburg Pike Center	13,213	13,836	7.35 %	Jun-2024
Village Center	11,528	12,061	7.60 %	Jun-2024
White Oak	20,874	21,704	6.89 %	Jul-2024
Avenel Business Park	24,108	25,224	7.45 %	Jul-2024
Ashburn Village	24,186	25,253	7.30 %	Jan-2025
Ravenwood	12,553	13,095	6.18 %	Jan-2026
Clarendon Center	90,600	94,712	5.31 %	Apr-2026
Severna Park Marketplace	27,197	28,480	4.30 %	Oct-2026
Kentlands Square II	31,155	32,585	4.53 %	Nov-2026
Cranberry Square	14,634	15,290	4.70 %	Dec-2026
Seven Corners	56,413	58,607	5.84 %	May-2027
Hampshire-Langley	12,868	13,480	4.04 %	Apr-2028
Beacon Center	32,170	34,223	3.51 %	Jun-2028
Seabreeze Plaza	13,897	14,469	3.99 %	Sep-2028
Shops at Fairfax / Boulevard	24,398	25,318	3.69 %	Mar-2030
Northrock	13,108	13,626	3.99 %	Apr-2030
Burtonsville Town Square	34,558	35,836	3.39 %	Feb-2032
Park Van Ness	64,661	66,420	4.88 %	Sep-2032
Washington Square	53,745	55,398	3.75 %	Dec-2032
Broadlands Village	29,613	30,467	4.41 %	Nov-2033
The Glen	21,393	21,933	4.69 %	Jan-2034
Olde Forte Village	20,682	21,204	4.65 %	Feb-2034
Olney	12,299	12,125	8.00 %	Apr-2034
Shops at Monocacy	27,143	27,836	4.14 %	Dec-2034
Ashbrook Marketplace	21,329	21,922	3.80 %	Aug-2035
Kentlands	28,899	29,746	3.43 %	Aug-2035
The Waycroft	156,116	146,083	4.67 %	Sep-2035
Total fixed rate	949,028	980,751	4.93 %	8.30 years
Variable rate loans:				
Revolving credit facility	106,000	104,500	LIBOR + 1.35 %	Aug-2025
Term loan facility	100,000	75,000	LIBOR + 1.30 %	Feb-2027
Total variable rate	206,000	179,500	1.43 %	4.39 years
Total notes payable	$ 1,155,028	$ 1,160,251	4.30 %	7.60 years

* *Interest rate and scheduled maturity data presented as of December 31, 2021. Totals computed using weighted averages.*

On January 5, 2021, the Company repaid in full the remaining principal balance of $6.1 million of the mortgage loan secured by Jamestown Place, which was scheduled to mature in February 2021.

On June 11, 2021, the Company repaid in full the remaining principal balance of $5.0 million of the mortgage loan secured by Hunt Club Corners, which was scheduled to mature in August 2021.

On August 31, 2021, the Company replaced its credit facility. The new credit facility, which can be used for working capital, property acquisitions, development projects or letters of credit, totals $525.0 million (the "New Facility"), of which $425.0 million is a revolving credit facility (the "Revolving Line") and $100.0 million is a term loan (the "Term Loan"). As of December 31, 2021, the applicable spread for borrowings was 135 basis points under the Revolving Line and 130 basis points under the Term Loan. Saul Centers and certain consolidated subsidiaries of the Operating Partnership have guaranteed the payment obligations of the Operating Partnership under the New Facility. Letters of credit may be issued under the revolving credit facility. As of December 31, 2021, based on the value of the Company's unencumbered properties, approximately $219.8 million was available under the Revolving Line, $106.0 million was outstanding and approximately $185,000 was committed for letters of credit.

The facility requires the Company and its subsidiaries to maintain compliance with certain financial covenants. The material covenants require the Company, on a consolidated basis, to:

- limit the amount of debt as a percentage of gross asset value, as defined in the loan agreement, to less than 60% (leverage ratio);
- limit the amount of debt so that interest coverage will exceed 2.0x on a trailing four-quarter basis (interest expense coverage); and
- limit the amount of debt so that interest, scheduled principal amortization and preferred dividend coverage exceeds 1.4x on a trailing four-quarter basis (fixed charge coverage).

As of December 31, 2021, the Company was in compliance with all such covenants.

On November 19, 2021, the Company closed on a $145.0 million construction-to-permanent loan, the proceeds of which will be used to partially fund Phase I of the Twinbrook Quarter development project. The loan matures in 2041, bears interest at a fixed rate of 3.83%, and requires interest only payments, which will be funded by the loan, until conversion to permanent. The conversion is expected in the fourth quarter of 2026, and thereafter, monthly principal and interest payments based on a 25-year amortization schedule will be required.

On February 23, 2022, the Company closed on a $133.0 million construction-to-permanent loan, the proceeds of which will be used to partially fund Hampden House. The loan matures in 2040, bears interest at a fixed rate of 3.90%, and requires interest only payments, which will be funded by the loan, until conversion to permanent. The conversion is expected in the first quarter of 2026, and thereafter, monthly principal and interest payments based on a 25-year amortization schedule will be required.

Funds From Operations

In 2021, the Company reported Funds From Operations ("FFO")[1] available to common stockholders and noncontrolling interests of $100.7 million, a 12.0% increase from 2020 FFO available to common stockholders and noncontrolling interests of $90.0 million. The following table presents a reconciliation from net income to FFO available to common stockholders and noncontrolling interests for the periods indicated:

	Year ended December 31,		
(Dollars in thousands)	2021	2020	2019
Net income	$ 61,649	$ 50,316	$ 64,196
Subtract:			
Gain on sale of property	—	(278)	—
Add:			
Real estate depreciation and amortization	50,272	51,126	46,333
FFO	111,921	101,164	110,529
Subtract:			
Preferred stock dividends	(11,194)	(11,194)	(12,235)
Extinguishment of issuance costs upon redemption of preferred shares	—	—	(3,235)
FFO available to common stockholders and noncontrolling interests	$ 100,727	$ 89,970	$ 95,059
Weighted average shares and units:			
Basic	32,029	31,266	30,869
Diluted [2]	33,098	31,267	30,913
Basic FFO per share available to common stockholders and noncontrolling interests	$ 3.14	$ 2.88	$ 3.08
Diluted FFO per share available to common stockholders and noncontrolling interests.	$ 3.04	$ 2.88	$ 3.08

[1] The National Association of Real Estate Investment Trusts (NAREIT) developed FFO as a relative non-GAAP financial measure of performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO is defined by NAREIT as net income, computed in accordance with GAAP, plus real estate depreciation and amortization, and excluding impairment charges on depreciable real estate assets and gains or losses from property dispositions. 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 Company’s 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, 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 meaningful supplemental measure of operating performance because it primarily excludes the assumption that the value of the real estate assets diminishes predictably over time (i.e. depreciation), which is contrary to what we believe occurs with our assets, and because industry analysts have accepted it as a performance measure. FFO may not be comparable to similarly titled measures employed by other REITs.

[2] Beginning March 5, 2021, fully diluted shares and units includes 1,416,071 limited partnership units held in escrow related to the contribution of Twinbrook Quarter by 1592 Rockville Pike. Half of the units held in escrow were released on October 18, 2021. The remaining units held in escrow are scheduled to be released on October 18, 2023.

Acquisitions and Redevelopments

Management anticipates that during the coming year, the Company may redevelop certain of the Current Portfolio Properties and may develop additional freestanding outparcels or expansions within certain of the Shopping Centers. Acquisition and development of properties are undertaken only after careful analysis and review, and management's determination that such properties are expected to provide long-term earnings and cash flow growth. During the coming year, any developments, 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 has been selectively involved in acquisition, development, redevelopment and renovation activities. It continues to evaluate the acquisition of land parcels for retail and mixed-use development and acquisitions of operating properties for opportunities to enhance operating income and cash flow growth. The Company also continues to analyze redevelopment, renovation and expansion opportunities within the portfolio.

Portfolio Leasing Status

The following chart sets forth certain information regarding commercial leases at our properties for the periods indicated. This section generally discusses 2021 and 2020 items and year-to-year comparisons between 2021 and 2020. Discussions of 2019 items and year-to-year comparisons between 2020 and 2019 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed on February 25, 2021.

	Total Properties		Total Square Footage		Percentage Leased	
As of December 31,	Shopping Centers	Mixed-Use	Shopping Centers	Mixed-Use	Shopping Centers	Mixed-Use
2021	50	7	7,874,130	1,136,937	93.4 %	82.3 %
2020	50	7	7,876,692	1,136,937	93.0 %	88.4 %

On a same property basis, which excludes the impact of properties not in operation for the entirety of the comparable periods, the Shopping Center leasing percentage increased to 93.4% from 93.1% and the Mixed-Use leasing percentage decreased to 82.3% from 88.3% The overall portfolio leasing percentage, on a comparative same property basis, decreased to 92.0% at December 31, 2021 from 92.5% at December 31, 2020.

The Residential portfolio was 97.1% leased at December 31, 2021, compared to 85.5% at December 31, 2020. The increase in Residential portfolio occupancy is primarily due to completion in 2021 of the initial lease up of The Waycroft, which opened in April 2020.

The following table shows selected data for leases executed in the indicated periods. The information is based on executed leases without adjustment for the timing of occupancy, tenant defaults, or landlord concessions. The base rent for an expiring lease is the annualized contractual base rent, on a cash basis, as of the expiration date of the lease. The base rent for a new or renewed lease is the annualized contractual base rent, on a cash basis, as of the expected rent commencement date. Because tenants that execute leases may not ultimately take possession of their space or pay all of their contractual rent, the changes presented in the table provide information only about trends in market rental rates. The actual changes in rental income received by the Company may be different.

Commercial Property Leasing Activity			Base Rent per Square Foot	
Year ended December 31,	Square Feet	Number of Leases	New/Renewed Leases	Expiring Leases
2021	1,353,543	285	$ 21.07	$ 21.59
2020	1,371,377	247	24.70	25.15

Additional information about commercial leasing activity during the three months ended December 31, 2021, is set forth below. The below information includes leases for space which had not been previously leased during the period of the Company's ownership, either as a result of acquisition or development.

	Commercial Property Leasing Activity		
	New Leases	First Generation/Development Leases	Renewed Leases
Number of leases	20	—	54
Square feet	106,450	—	249,335
Per square foot average annualized:			
Base rent	$ 18.73	$ —	$ 22.16
Tenant improvements	(1.95)	—	(2.10)
Leasing costs	(0.62)	—	(1.66)
Rent concessions	(0.44)	—	(0.04)
Effective rents	$ 15.72	$ —	$ 18.36

During 2021, the Company entered into 694 new or renewed apartment leases. The monthly rent per square foot for these leases decreased to $3.22 from $3.28. During 2020, excluding The Waycroft residential property, the Company entered into 392 new or renewed apartment leases. The monthly rent per square foot for these leases decreased to $3.30 from $3.51.

As of December 31, 2021, 843,842 square feet of Commercial space was subject to leases scheduled to expire in 2022. Below is information about existing and estimated market base rents per square foot for that space.

Expiring Commercial Property Leases:	Total
Square feet	843,842
Average base rent per square foot	$ 22.34
Estimated market base rent per square foot	$ 22.97

Item 7A. 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 is exposed to interest rate fluctuations which will affect the amount of interest expense of its variable rate debt and the fair value of its fixed rate debt. As of December 31, 2021, the Company had variable rate indebtedness totaling $206.0 million. If the interest rates on the Company's variable rate debt instruments outstanding at December 31, 2021 had been one percent higher, our annual interest expense relating to these debt instruments would have increased by $2.1 million, based on those balances. As of December 31, 2021, the Company had fixed-rate indebtedness totaling $949.0 million with a weighted average interest rate of 4.93%. If interest rates on the Company's fixed-rate debt instruments at December 31, 2021 had been one percent higher, the fair value of those debt instruments on that date would have decreased by approximately $47.7 million.

The Company may, where appropriate, employ derivative financial instruments, such as interest rate swaps to mitigate the risk of interest rate fluctuations. At December 31, 2021, the Company had no such derivative financial instruments.

Item 8. Financial Statements and Supplementary Data

The financial statements of the Company and its consolidated subsidiaries are included in this report on the pages indicated, and are incorporated herein by reference:

Page	
F-1	(a) Reports of Independent Registered Public Accounting Firm – Deloitte & Touche LLP (PCAOB ID Number 34).
F-4	(b) Consolidated Balance Sheets - December 31, 2021 and 2020.
F-5	(c) Consolidated Statements of Operations - Years ended December 31, 2021, 2020, and 2019.
F-6	(d) Consolidated Statements of Comprehensive Income – Years ended December 31, 2021, 2020, and 2019.
F-7	(e) Consolidated Statements of Equity - Years ended December 31, 2021, 2020, and 2019.
F-8	(f) Consolidated Statements of Cash Flows - Years ended December 31, 2021, 2020, and 2019.
F-9	(g) Notes to Consolidated Financial Statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Quarterly Assessment.

The Company carried out an assessment as of December 31, 2021 of the effectiveness of the design and operation of its disclosure controls and procedures and its internal control over financial reporting. This assessment was done under the supervision and with the participation of management, including the Company's Chairman and Chief Executive Officer, its Senior Vice President-Chief Financial Officer, and its Senior Vice President-Chief Accounting Officer and Treasurer as appropriate. Rules adopted by the SEC require that the Company present the conclusions of the Company's Chairman and Chief Executive Officer, and its Senior Vice President-Chief Financial Officer about the effectiveness of the Company's disclosure controls and procedures and the conclusions of the Company's management about the effectiveness of its internal control over financial reporting as of the end of the period covered by this Annual Report on Form 10-K.

CEO and CFO Certifications.

Included as Exhibits 31 to this Annual Report on Form 10-K are forms of "Certification" of the Company's Chairman and Chief Executive Officer, and its Senior Vice President-Chief Financial Officer. The forms of Certification are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This section of the Annual Report on Form 10-K that you are currently reading is the information concerning the assessment referred to in the Section 302 certifications and this information should be read in conjunction with the Section 302 certifications for a more complete understanding of the topics presented.

Disclosure Controls and Procedures and Internal Control over Financial Reporting.

Management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal control over financial reporting. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to provide reasonable assurance that such information is accumulated and communicated to the Company's management, including the Company's Chairman and Chief Executive Officer, its Senior Vice President-Chief Financial Officer,

and its Senior Vice President-Chief Accounting Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting is a process designed by, or under the supervision of the Company's Chairman and Chief Executive Officer, its Senior Vice President-Chief Financial Officer, and its Senior Vice President-Chief Accounting Officer and Treasurer, and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U. S. GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U. S. GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of management or the Company's Board of Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material adverse effect on the Company's financial statements.

Limitations on the Effectiveness of Controls.

Management, including the Company's Chairman and Chief Executive Officer, its Senior Vice President-Chief Financial Officer, and its Senior Vice President-Chief Accounting Officer and Treasurer, does not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no assessment of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management's override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Scope of the Assessments.

The assessment by the Company's Chairman and Chief Executive Officer, its Senior Vice President-Chief Financial Officer, and its Senior Vice President-Chief Accounting Officer and Treasurer of the Company's disclosure controls and procedures and the assessment by the Company's management of the Company's internal control over financial reporting included a review of procedures and discussions with the Company's Disclosure Committee and others in the Company. In the course of the assessments, management sought to identify data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken. Management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013 Framework) to assess the effectiveness of the Company's internal control over financial reporting. The evaluation of the Company's disclosure controls and procedures and internal control over financial reporting is done on a quarterly basis so that the conclusions concerning the effectiveness of disclosure controls can be reported in the Company's Quarterly Reports on Form 10-Q and Annual Report on Form 10-K.

The Company's internal control over financial reporting is also evaluated on an ongoing basis by management, other personnel in the Company's accounting department and the Company's internal audit function. The effectiveness of the Company's internal control over financial reporting is audited by the Company's independent registered public accounting firm. We consider the results of these various assessment activities as we monitor the Company's disclosure controls and procedures and internal control over financial reporting and when deciding to make modifications as necessary. Management's intent in this regard is that the disclosure controls and procedures and the internal control over financial reporting will be maintained and updated (including improvements and corrections) as conditions warrant.

Assessment of Effectiveness of Disclosure Controls and Procedures

Based upon the assessments, the Company's Chairman and Chief Executive Officer, its Senior Vice President-Chief Financial Officer, and its Senior Vice President-Chief Accounting Officer and Treasurer have concluded that, as of December 31, 2021, the Company's disclosure controls and procedures were effective.

Assessment of Effectiveness of Internal Control Over Financial Reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013 Framework) to assess the effectiveness of the Company's internal control over financial reporting. Based upon the assessments, the Company's management has concluded that, as of December 31, 2021, the Company's internal control over financial reporting was effective. The Company's independent registered public accounting firm has issued a report on the effectiveness of the Company's internal control over financial reporting, which appears on page F-2 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting.

During the three months ended December 31, 2021, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information this Item requires is incorporated by reference to the information under the captions “The Board of Directors,” “Corporate Governance – Ethical Conduct Policy and Senior Financial Officer Code of Ethics,” “Delinquent Section 16(a) Reports,” “Corporate Governance – Nominating and Corporate Governance Committee – Selection of Director Nominees,” and “Corporate Governance – Audit Committee” of the Company’s Proxy Statement to be filed with the SEC for its annual stockholders’ meeting to be held on May 13, 2022 (the “Proxy Statement”).

Item 11. Executive Compensation

The information this Item requires is incorporated by reference to the information under the captions “Corporate Governance – Compensation of Directors,” “Report of the Compensation Committee,” and “Executive Compensation” of the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information this Item requires is incorporated by reference to the information under the captions “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management” of the Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information this Item requires is incorporated by reference to the information under the captions “Certain Relationships and Transactions” and “Corporate Governance – Board of Directors” of the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information this Item requires is incorporated by reference to the information contained in the Proxy Statement under the caption “Audit Committee Report – 2021 and 2020 Independent Registered Public Accounting Firm Fee Summary” of the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1 Financial Statements

The following financial statements of the Company and their consolidated subsidiaries are incorporated by reference in Part II, Item 8.

(a)	Reports of Independent Registered Public Accounting Firm – Deloitte & Touche LLP — PCAOB ID Number	34
(b)	Consolidated Balance Sheets - December 31, 2021 and 2020	
(c)	Consolidated Statements of Operations - Years ended December 31, 2021, 2020, and 2019.	
(d)	Consolidated Statements of Comprehensive Income – Years ended December 31, 2021, 2020, and 2019.	
(e)	Consolidated Statements of Equity - Years ended December 31, 2021, 2020, and 2019.	
(f)	Consolidated Statements of Cash Flows - Years ended December 31, 2021, 2020, and 2019.	
(g)	Notes to Consolidated Financial Statements	

2. Financial Statement Schedule and Supplementary Data

(a) Selected Quarterly Financial Data for the Company are incorporated by reference in Part II, Item 8

(b) Schedule of the Company:

Schedule III - Real Estate and Accumulated Depreciation

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

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, 1994 and filed as Exhibit 3.(a) of the 1993 Annual Report of the Company on Form 10-K are hereby incorporated by reference. Articles of Amendment to the First Amended and Restated Articles of Incorporation of Saul Centers, Inc., filed with the Maryland Department of Assessments and Taxation on May 28, 2004 and filed as Exhibit 3.(a) of the June 30, 2004 Quarterly Report of the Company is hereby incorporated by reference. Articles of Amendment to the First Amended and Restated Articles of Incorporation of Saul Centers, Inc., filed with the Maryland Department of Assessments and Taxation on May 26, 2006 and filed as Exhibit 3.(a) of the Company's Current Report on Form 8-K filed May 30, 2006 is hereby incorporated by reference. Articles of Amendment to the First Amended and Restated Articles of Incorporation of Saul Centers, Inc., filed with the Maryland State Department of Assessments and Taxation on May 14, 2013 and filed as Exhibit 3.(a) of the Company's Current Report on Form 8-K filed May 14, 2013, is hereby incorporated by reference.
	(b)	Second Amended and Restated Bylaws of Saul Centers, Inc. as in effect at and after June 22, 2017 and filed as Exhibit 3.(b) of the Company's Current Report on Form 8-K filed June 28, 2017 is hereby incorporated by reference.
	(c)	Articles Supplementary to First Amended and Restated Articles of Incorporation of the Company, dated January 19, 2018, filed as Exhibit 3.3 of the Company's Registration Statement on Form 8-A filed January 23, 2018 is hereby incorporated by reference.
	(d)	Articles Supplementary to First Amended and Restated Articles of Incorporation of the Company, dated September 12, 2019, filed as Exhibit 3.2 of the Company's Registration Statement on Form 8-A filed September 17, 2019 is hereby incorporated by reference.
4.	(a)	Deposit Agreement, dated January 23, 2018, among the Company, Continental Stock Transfer & Trust Company, as Depositary, and the holders of depositary receipts, filed as Exhibit 4.2 of the Registrant's Registration Statement on Form 8-A filed January 23, 2018 is hereby incorporated by reference.
	(b)	Specimen certificate representing the 6.125% Series D Cumulative Redeemable Preferred Stock, par value $0.01 per share, of the Company, filed as Exhibit 4.4 of the Company's Registration Statement on Form 8-A filed January 23, 2018 is hereby incorporated by reference.
	(c)	Deposit Agreement, dated September 17, 2019, among the Company, Continental Stock Transfer & Trust Company, as Depositary, and the holders of depositary receipts, filed as Exhibit 4.1 of the Registrant's Registration Statement on Form 8-A filed September 17, 2019 is hereby incorporated by reference.
	(d)	Specimen certificate representing the 6.000% Series E Cumulative Redeemable Preferred Stock, par value $0.01 per share, of the Company, filed as Exhibit 4.2 of the Company's Registration Statement on Form 8-A filed September 17, 2019 is hereby incorporated by reference.
	(e)	Description of Registrant's Securities, filed as Exhibit 4.(h) of the 2019 Annual Report of the Company on Form 10-K is 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. The Sixth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.(a) of the September 30, 2003 Quarterly Report of the Company on Form 10-Q is hereby incorporated by reference. The Seventh Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.(a) of the December 31, 2003 Annual Report of the Company on Form 10-K is hereby incorporated by reference. The Eighth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.(a) of the December 31, 2007 Annual Report of the Company on Form 10-K is hereby incorporated by reference. The Ninth 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, 2008 Quarterly Report of the Company on Form 10-Q is hereby incorporated by reference. The Tenth 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, 2008 Quarterly Report of the Company on Form 10-Q is hereby incorporated by reference. The Eleventh Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.(a) of the September 30, 2011 Quarterly Report of the Company on Form 10-Q is hereby incorporated by reference. The Twelfth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.1 of the Current Report of the Company on Form 8-K dated February 12, 2013 is hereby incorporated by reference. The Thirteenth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.1 of the Current Report of the Company on Form 8-K dated November 12, 2014, is hereby incorporated by reference. The Fourteenth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Saul Holdings Limited Partnership, filed as Exhibit 10.1 of the Current Report of the Company on Form 8-K dated January 23, 2018, is hereby incorporated by reference. The Fifteenth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Saul Holdings Limited Partnership, filed as Exhibit 10.1 of the Current Report of the Company on Form 8-K dated May 14, 2018, is hereby incorporated by reference. The Sixteenth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Saul Holdings Limited Partnership, filed as Exhibit 10.1 of the Current Report of the Company on Form 8-K dated September 17, 2019, is hereby incorporated by reference. The Seventeenth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership, filed as Exhibit 10.(a) of the June 30, 2021 Quarterly Report of the Company on Form 10-Q is hereby incorporated by reference The Eighteenth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership, filed as Exhibit 10.(a) of the September 30, 2021 Quarterly Report of the Company on Form 10-Q 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. The Third Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary II Limited Partnership filed as exhibit 10.(c) of the 2006 Annual Report of the Company on Form 10-K are hereby incorporated by reference. The Fourth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary II Limited Partnership as filed as Exhibit 10.(c) of the 2009 Annual Report of the Company on Form 10-K is hereby incorporated by reference. The Fifth Amendment to our First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary II Limited Partnership filed as Exhibit 10.(c) of the September 30, 2016 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) 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.

(i) Deferred Compensation Plan for Directors, dated as of April 23, 2004 and filed as Exhibit 10.(k) of the June 30, 2004 Quarterly Report of the Company is hereby incorporated by reference.*

(j) Credit Agreement dated January 26, 2018, by and among: the Saul Holdings Limited Partnership, as Borrower; Wells Fargo Bank, National Association, as Administrative Agent; Capital One, National Association, as Syndication Agent; TD Bank, N.A. and U.S. Bank National Association,, as Documentation Agents; and Wells Fargo, Capital One, TD Bank, U.S. Bank, Regions Bank and Associated Bank, National Association, as Lenders and filed as Exhibit 10.1 of the Current Report of the Company on Form 8-K dated January 26, 2018, is hereby incorporated by reference.

(k) Guaranty dated January 26, 2018, by and between: Saul Centers, Inc.; Saul Subsidiary I Limited Partnership; Saul Subsidiary II Limited Partnership; Briggs Chaney Plaza, LLC; Kentlands Lot 1, LLC; 11503 Rockville Pike LLC; Rockville Pike Holdings LLC; 1500 Rockville Pike LLC; Smallwood Village Center LLC; Westview Village Center LLC; Avenel VI, Inc.; Metro Pike Center LLC; and Washington Square Center, LLC, as Guarantors; in favor of Wells Fargo Bank, National Association, as Administrative Agent for the lenders from time to time party to that certain Credit Agreement dated January 26, 2018 and filed as Exhibit 10.2 of the Current Report of the Company on Form 8 K dated January 26, 2018, is hereby incorporated by reference.

(l) Credit Agreement dated August 31, 2021, by and among: the Partnership, as Borrower; Wells Fargo Bank, National Association, as Administrative Agent; Capital One, National Association, as Syndication Agent; TD Bank, N.A. and U.S. Bank National Association, as Documentation Agents; and Wells Fargo, Capital One, TD Bank, U.S. Bank, Regions Bank, PNC Bank and Associated Bank, National Association, as Lenders and filed as Exhibit 10.1 to the Current Report of the Company on Form 8-K dated September 1, 2021, is hereby incorporated by reference.

(m) Guaranty dated August 31, 2021, by and between: Saul Centers, Inc.; Saul Subsidiary I Limited Partnership; Saul Subsidiary II Limited Partnership; Briggs Chaney Plaza, LLC; Kentlands Lot 1, LLC; 11503 Rockville Pike LLC; Rockville Pike Holdings LLC; 1500 Rockville Pike LLC; Smallwood Village Center LLC; Westview Village Center LLC; Avenel VI, Inc.; Metro Pike Center LLC; and Washington Square Center LLC, as Guarantors; in favor of Wells Fargo Bank, National Association, as Administrative Agent for the lenders from time to time party to that certain Credit Agreement dated August 31, 2021 and filed as Exhibit 10.1 to the Current Report of the Company on Form 8-K dated September 1, 2021, is hereby incorporated by reference.

(n) The Saul Centers, Inc. 2004 Stock Plan, as amended on April 25, 2008, May 10, 2013 and May 3, 2019, is hereby incorporated by reference.

(o) Form of Director Stock Option Agreements, as filed as Exhibit 10.(j) of the September 30, 2004 Quarterly Report of the Company, is hereby incorporated by reference.*

	(p)	Form of Officer Stock Option Grant Agreements, as filed as Exhibit 10.(k) of the September 30, 2004 Quarterly Report of the Company, is hereby incorporated by reference.*
	(q)	Amended and Restated Shared Services Agreement dated as of January 1, 2018, between B. F. Saul Company and Saul Centers, Inc., filed as Exhibit 10.(s) of the 2017 Annual Report of the Company on Form 10-K is hereby incorporated by reference.
	(r)	Purchase Agreement, dated as of August 9, 2011, by and among the Company, Saul Holdings Limited Partnership and B. F. Saul Real Estate Investment Trust and filed as Exhibit 10.(r) of the September 30, 2011 Quarterly Report of the Company is hereby incorporated by reference.
	(s)	First Amendment to Amended and Restated Shared Services Agreement effective as of January 1, 2019 , between B. F. Saul Company and Saul Centers, Inc. filed as Exhibit 10.(1) of the June 30, 2019 Quarterly Report of the Company, is hereby incorporated by reference.
	(t)	Contribution Agreement, dated as of November 5, 2019, by and between Saul Holdings Limited Partnership and 1592 Rockville Pike LLC filed as Exhibit 10(u) of the December 31, 2020 Annual Report of the Company is hereby incorporated by reference.
	(u)	First Amendment to the Contribution Agreement, entered into on March 5, 2021, by and between Saul Holdings Limited Partnership and 1592 Rockville Pike LLC, as filed as Exhibit 10.(a) of the March 31, 2021 Quarterly Report of the Company is hereby incorporated by reference.
21.		Subsidiaries of Saul Centers, Inc. is filed herewith.
23.1		Consent of Independent Registered Public Accounting Firm is filed herewith.
24.		Power of Attorney (included on signature page).
31.		Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer and Chief Financial Officer are filed herewith.**
32.		Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer are filed herewith.**
101.		The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Extensible Business Reporting Language ("XBRL"): (i) consolidated balance sheets, (ii) consolidated statements of operations, (iii) consolidated statements of changes in stockholders' equity and comprehensive income, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements.
104.1.		Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

* - Management Contract of Compensatory Plan or Agreement
** - In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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:	February 24, 2022	/s/ B. Francis Saul II B. Francis Saul II Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons in the capacities indicated. Each person whose signature appears below hereby constitutes and appoints each of B. Francis Saul II and Carlos L. Heard as his attorney-in-fact and agent, with full power of substitution and resubstitution for him in any and all capacities, to sign any or all amendments to this Report and to file same, with exhibits thereto and other documents in connection therewith, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that such attorney-in-fact and agent or his substitutes may do or cause to be done by virtue hereof.

Date:	February 24, 2022	/s/ Philip D. Caraci Philip D. Caraci, Vice Chairman
Date:	February 24, 2022	/s/ D. Todd Pearson D. Todd Pearson President and Chief Operating Officer
Date:	February 24, 2022	/s/ Carlos L. Heard Carlos L. Heard, Senior Vice President and Chief Financial Officer (Principal Financial Officer)
Date:	February 24, 2022	/s/ Joel A. Friedman Joel A. Friedman, Senior Vice President-Chief Accounting Officer and Treasurer (Principal Accounting Officer)
Date:	February 24, 2022	John E. Chapoton, Director
Date:	February 24, 2022	/s/ G. Patrick Clancy, Jr. G. Patrick Clancy, Jr., Director
Date:	February 24, 2022	/s/ J. Page Lansdale J. Page Lansdale, Director

Date:	February 24, 2022	/s/ Willoughby B. Laycock Willoughby B. Laycock, Director
Date:	February 24, 2022	/s/ H. Gregory Platts H. Gregory Platts, Director
Date:	February 24, 2022	/s/ Earl A. Powell III Earl A. Powell III, Director
Date:	February 24, 2022	/s/ Andrew M. Saul II Andrew M. Saul II Director
Date:	February 24, 2022	/s/ Mark Sullivan III Mark Sullivan III, Director
Date:	February 24, 2022	/s/ John R. Whitmore John R. Whitmore, Director

Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Saul Centers, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Saul Centers, Inc. and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and the schedule listed in the Index at Item 15(a)2(b) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Collectability of Operating Lease Receivables — Refer to Note 2 to the financial statements

Critical Audit Matter Description

Accounts receivable are primarily comprised of rental and reimbursement billings due from tenants, and straight-line rent receivables representing the cumulative amount of future adjustments necessary to present rental income on a straight-line basis. Individual leases are assessed for collectability and upon the determination that the collection of

rents is not probable, accrued rent and accounts receivable are charged off, and the charge off is reflected as an adjustment to rental revenue. Revenue from leases where collection is not probable is recorded on a cash basis until collectability is determined to be probable. The Company also assessed whether operating lease receivables, at the portfolio level, are appropriately valued based upon an analysis of balances outstanding, effects of tenant bankruptcies, historical levels of bad debt and current economic trends. For the year-ended December 31, 2021, the Company reduced rental revenue by $0.8 million due to lease-related reserves and charge offs.

We identified the Company's evaluation of collectability of lease receivables as a critical audit matter because of the significant assumptions management makes when determining whether the collection of operating lease receivables is probable. Management's evaluation is based on the best information available to the Company at the time of preparing the financial statements and takes into consideration the types of business conducted by tenants and current discussions with the tenants, as well as recent rent collection experience. Auditing management's assessment of collectability of lease receivables required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's analysis and assessment of collectability.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the collectability of operating lease receivables included the following, among others:

- We tested the effectiveness of controls over management's evaluation of tenant-level considerations that may indicate that the collection of operating lease receivables is not probable including management's review of its accounts receivable aging schedule.
- We obtained management's analysis of the collectability of tenant accounts receivables and performed the following procedures, among others:
    - Tested the completeness and accuracy of the accounts receivable aging schedule as of December 31, 2021, by obtaining tenant agreements, monthly charge statements, and evidence of cash collections subsequent to year end; and
    - For a selected sample of tenants with outstanding receivables as of December 31, 2021, evaluated the reasonableness of management's assumptions regarding collection probability by inspecting tenant correspondence, historical payment patterns and subsequent cash collections, evidence of lease modification negotiations, including rent deferrals or abatements, evidence of tenant bankruptcy or liquidity constraints, and performing corroborating inquiries of management, including the Collections Department.

/s/ Deloitte & Touche LLP

McLean, Virginia
February 24, 2022

We have served as the Company's auditor since 2018.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Saul Centers, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Saul Centers, Inc. and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 24, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Assessment of Effectiveness of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

McLean, Virginia
February 24, 2022

Saul Centers, Inc.

CONSOLIDATED BALANCE SHEETS

	December 31,	
(Dollars in thousands, except per share amounts)	2021	2020
Assets		
Real estate investments		
Land	$ 511,529	$ 511,482
Buildings and equipment	1,566,686	1,543,837
Construction in progress	205,911	69,477
	2,284,126	2,124,796
Accumulated depreciation	(650,113)	(607,706)
	1,634,013	1,517,090
Cash and cash equivalents	14,594	26,856
Accounts receivable and accrued income, net	58,659	64,917
Deferred leasing costs, net	24,005	26,872
Other assets	15,490	9,837
Total assets	$ 1,746,761	$ 1,645,572
Liabilities		
Mortgage notes payable	$ 941,456	$ 827,603
Term loan facility payable	99,233	74,791
Revolving credit facility payable	103,167	103,913
Construction loan payable	—	144,607
Dividends and distributions payable	21,672	19,448
Accounts payable, accrued expenses and other liabilities	25,558	24,384
Deferred income	25,188	23,293
Total liabilities	1,216,274	1,218,039
Equity		
Preferred stock, 1,000,000 shares authorized:		
Series D Cumulative Redeemable, 30,000 shares issued and outstanding	75,000	75,000
Series E Cumulative Redeemable, 44,000 shares issued and outstanding	110,000	110,000
Common stock, $0.01 par value, 42,000,000 and 40,000,000 shares authorized, respectively, 23,840,471 and 23,476,626 shares issued and outstanding, respectively	238	235
Additional paid-in capital	436,609	420,625
Partnership units in escrow	39,650	—
Distributions in excess of accumulated earnings	(256,448)	(241,535)
Total Saul Centers, Inc. equity	405,049	364,325
Noncontrolling interests	125,438	63,208
Total equity	530,487	427,533
Total liabilities and equity	$ 1,746,761	$ 1,645,572

The Notes to Financial Statements are an integral part of these statements.

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)	For The Year Ended December 31, 2021	2020	2019
Revenue			
Rental revenue	$ 234,515	$ 220,281	$ 223,352
Other	4,710	4,926	8,173
Total revenue	239,225	225,207	231,525
Expenses			
Property operating expenses	32,881	28,857	29,946
Real estate taxes	28,747	29,560	27,987
Interest expense, net and amortization of deferred debt costs	45,424	46,519	41,834
Depreciation and amortization of deferred leasing costs	50,272	51,126	46,333
General and administrative	20,252	19,107	20,793
Total expenses	177,576	175,169	166,893
Change in fair value of derivatives	—	—	(436)
Gain on sale of property	—	278	—
Net Income	61,649	50,316	64,196
Noncontrolling interests			
Income attributable to noncontrolling interests	(13,260)	(9,934)	(12,473)
Net income attributable to Saul Centers, Inc.	48,389	40,382	51,723
Preferred stock dividends	(11,194)	(11,194)	(12,235)
Extinguishment of issuance costs upon redemption of preferred shares	—	—	(3,235)
Net income available to common stockholders	$ 37,195	$ 29,188	$ 36,253
Per share net income available to common stockholders			
Basic:			
Basic	$ 1.57	$ 1.25	$ 1.58
Diluted	$ 1.57	$ 1.25	$ 1.57

The Notes to Financial Statements are an integral part of these statements.

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)	For The Year Ended December 31, 2021	2020	2019
Net income	$ 61,649	$ 50,316	$ 64,196
Other comprehensive income			
Unrealized gain on cash flow hedge	—	—	93
Total comprehensive income	61,649	50,316	64,289
Comprehensive income attributable to noncontrolling interests	(13,260)	(9,934)	(12,561)
Total comprehensive income attributable to Saul Centers, Inc.	48,389	40,382	51,728
Preferred stock dividends	(11,194)	(11,194)	(12,235)
Extinguishment of issuance costs upon redemption of preferred shares	—	—	(3,235)
Total comprehensive income available to common stockholders	$ 37,195	$ 29,188	$ 36,258

The Notes to Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF EQUITY

(Dollars in thousands, except per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Partnership Units in Escrow	Distributions in Excess of Accumulated Earnings	Accumulated Other Comprehensive (Loss)	Total Saul Centers, Inc.	Noncontrolling Interests	Total
Balance, December 31, 2018	$ 180,000	$ 227	$ 384,533	$ —	$ (208,593)	$ (255)	$ 355,912	$ 69,308	$ 425,220
Issuance of 44,000 shares of Series E Cumulative preferred stock	110,000	—	(3,735)	—	—	—	106,265	—	106,265
Redemption of 42,000 shares of Series C Cumulative preferred stock	(105,000)	—	3,235	—	(3,235)	—	(105,000)	—	(105,000)
Issuance of common stock:									
430,462 shares pursuant to dividend reinvestment plan	—	4	22,494	—	—	—	22,498	—	22,498
61,571 shares due to exercise of employee stock options and issuance of directors' deferred stock	—	1	4,399	—	—	—	4,400	—	4,400
Issuance of 60,936 partnership units	—	—	—	—	—	—	—	3,180	3,180
Net income	—	—	—	—	51,723	—	51,723	12,473	64,196
Change in unrealized loss on cash flow hedge	—	—	—	—	—	255	255	88	343
Preferred stock distributions:									
Series C	—	—	—	—	(5,736)	—	(5,736)	—	(5,736)
Series D	—	—	—	—	(3,444)	—	(3,444)	—	(3,444)
Series E	—	—	—	—	(257)	—	(257)	—	(257)
Common stock distributions	—	—	—	—	(36,562)	—	(36,562)	(12,494)	(49,056)
Distributions payable on Series D preferred stock, $38.28 per share	—	—	—	—	(1,148)	—	(1,148)	—	(1,148)
Distributions payable on Series E preferred stock, $37.50 per share	—	—	—	—	(1,650)	—	(1,650)	—	(1,650)
Distributions payable common stock ($0.53/share) and partnership units ($0.53/unit)	—	—	—	—	(12,275)	—	(12,275)	(4,180)	(16,455)
Balance, December 31, 2019	185,000	232	410,926	—	(221,177)	—	374,981	68,375	443,356

CONSOLIDATED STATEMENTS OF EQUITY *(continued)*

(Dollars in thousands, except per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Partnership Units in Escrow	Distributions in Excess of Accumulated Earnings	Accumulated Other Comprehensive (Loss)	Total Saul Centers, Inc.	Noncontrolling Interests	Total
Issuance of common stock:									
228,498 shares pursuant to dividend reinvestment plan	—	3	7,732	—	—	—	7,735	—	7,735
16,887 shares due to exercise of employee stock options and issuance of directors' deferred stock	—	—	1,967	—	—	—	1,967	—	1,967
Issuance of 51,579 partnership units	—	—	—	—	—	—	—	1,677	1,677
Net income	—	—	—	—	40,382	—	40,382	9,934	50,316
Preferred stock distributions:									
Series D	—	—	—	—	(3,446)	—	(3,446)	—	(3,446)
Series E	—	—	—	—	(4,950)	—	(4,950)	—	(4,950)
Common stock distributions	—	—	—	—	(37,108)	—	(37,108)	(12,571)	(49,679)
Distributions payable on Series D preferred stock, $38.28 per share	—	—	—	—	(1,148)	—	(1,148)	—	(1,148)
Distributions payable on Series E preferred stock, $37.50 per share	—	—	—	—	(1,650)	—	(1,650)	—	(1,650)
Distributions payable common stock ($0.53/share) and partnership units ($0.53/unit)	—	—	—	—	(12,438)	—	(12,438)	(4,207)	(16,645)
Balance, December 31, 2020	185,000	235	420,625	—	(241,535)	—	364,325	63,208	427,533

CONSOLIDATED STATEMENTS OF EQUITY *(continued)*

(Dollars in thousands, except per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Partnership Units in Escrow	Distributions in Excess of Accumulated Earnings	Accumulated Other Comprehensive (Loss)	Total Saul Centers, Inc.	Noncontrolling Interests	Total
Issuance of common stock:									
293,615 shares pursuant to dividend reinvestment plan	—	3	11,497	—	—	—	11,500	—	11,500
70,231 shares due to exercise of employee stock options and issuance of directors' deferred stock	—	—	4,487	—	—	—	4,487	—	4,487
Issuance of partnership units:									
61,009 pursuant to dividend reinvestment plan	—	—	—	—	—	—	—	2,398	2,398
469,740 pursuant to the acquisition of Twinbrook leasehold interest	—	—	—	—	—	—	—	21,500	21,500
93,674 for the Ashbrook bonus value pursuant to the Ashbrook Contribution	—	—	—	—	—	—	—	4,320	4,320
1,416,071 restricted units pursuant to the Twinbrook Contribution Agreement	—	—	—	79,300	—	—	79,300	—	79,300
708,036 restricted units released from escrow pursuant to the Twinbrook Contribution Agreement	—	—	—	(39,650)	—	—	(39,650)	39,650	—
Net income	—	—	—	—	48,389	—	48,389	13,260	61,649
Preferred stock distributions:									
Series D	—	—	—	—	(3,445)	—	(3,445)	—	(3,445)

Series E	—	—	—	—	(4,950)	—	(4,950)	—	(4,950)
Common stock distributions	—	—	—	—	(38,525)	—	(38,525)	(13,614)	(52,139)
Distributions payable on Series D preferred stock, $38.28 per share	—	—	—	—	(1,149)	—	(1,149)	—	(1,149)
Distributions payable on Series E preferred stock, $37.50 per share	—	—	—	—	(1,650)	—	(1,650)	—	(1,650)
Distributions payable common stock ($0.57/share) and partnership units ($0.57/unit)	—	—	—	—	(13,583)	—	(13,583)	(5,284)	(18,867)
Balance, December 31, 2021	$ 185,000	$ 238	$ 436,609	$ 39,650	$ (256,448)	$ —	$ 405,049	$ 125,438	$ 530,487

The Notes to Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	For The Year Ended December 31, 2021	2020	2019
Cash flows from operating activities:			
Net income	$ 61,649	$ 50,316	$ 64,196
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in fair value of derivatives	—	—	436
Gain on sale of property	—	(278)	—
Depreciation and amortization of deferred leasing costs	50,272	51,126	46,333
Amortization of deferred debt costs	1,710	1,570	1,518
Non cash compensation costs of stock grants and options	1,562	1,438	1,859
Credit losses on operating lease receivables	812	5,212	1,226
(Increase) decrease in accounts receivable and accrued income	5,446	(17,818)	339
Additions to deferred leasing costs	(1,814)	(8,050)	(1,843)
(Increase) decrease in other assets	(2,820)	5	706
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(331)	875	158
Increase (decrease) in deferred income	1,895	(6,013)	455
Net cash provided by operating activities	118,381	78,383	115,383
Cash flows from investing activities:			
Acquisitions of real estate investments (1) (2) (3)	(9,011)	—	—
Additions to real estate investments	(18,636)	(19,484)	(21,891)
Additions to development and redevelopment projects	(28,225)	(37,060)	(113,772)
Proceeds from sale of property	—	376	—
Net cash used in investing activities	(55,872)	(56,168)	(135,663)
Cash flows from financing activities:			
Proceeds from mortgage notes payable	—	52,100	50,600
Repayments on mortgage notes payable	(42,641)	(45,654)	(109,235)
Proceeds from term loan facility	25,000	—	—
Proceeds from revolving credit facility	46,000	90,000	152,500
Repayments on revolving credit facility	(44,500)	(73,000)	(112,000)
Proceeds from construction loans payable	10,917	35,883	86,868
Additions to deferred debt costs	(6,393)	(1,206)	(1,010)
Proceeds from the issuance of:			
Common stock	14,425	8,264	25,039
Partnership units (1) (2) (3)	2,398	1,677	3,180
Series E preferred stock	—	—	106,265
Series C preferred stock redemption	—	—	(105,000)
Distributions to:			
Series C preferred stockholders	—	—	(7,541)
Series D preferred stockholders	(4,593)	(4,594)	(4,592)
Series E preferred stockholders	(6,600)	(6,600)	(257)
Common stockholders	(50,963)	(49,383)	(48,568)
Noncontrolling interests	(17,821)	(16,751)	(16,642)
Net cash provided by (used in) financing activities	(74,771)	(9,264)	19,607
Net increase (decrease) in cash and cash equivalents	(12,262)	12,951	(673)
Cash and cash equivalents, beginning of year	26,856	13,905	14,578
Cash and cash equivalents, end of year	$ 14,594	$ 26,856	$ 13,905
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 44,575	$ 44,990	$ 40,434
Increase (decrease) in accrued real estate investments and development costs	$ 1,626	$ (11,690)	$ 303

(1) The 2021 acquisition of real estate and proceeds from the issuance of partnership units each excludes $79,300 in connection with the contribution of Twinbrook Quarter by the B. F. Saul Real Estate Investment Trust in exchange for limited partnership units, half of which units remain in escrow. See Notes 3 and 4 to the Consolidated Financial Statements.
(2) The 2021 acquisition of real estate and proceeds from the issuance of partnership units each excludes $21,500 in connection with the contribution of the Twinbrook Quarter leasehold interest in exchange for limited partnership units. See Notes 3 and 4 to the Consolidated Financial Statements.
(3) The 2021 acquisition of real estate and proceeds from the issuance of partnership units each excludes $4,320 in connection with the issuance of additional limited partnership units to B. F. Saul Real Estate Investment Trust as additional consideration pursuant to the terms of the 2016 contribution agreement, as amended, related to Ashbrook Marketplace. See Note 7 to the Consolidated Financial Statements.
The Notes to Financial Statements are an integral part of these statements.

SAUL CENTERS, INC.
Notes to Consolidated Financial Statements

1. ORGANIZATION, BASIS OF PRESENTATION

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”). The Company is required to annually distribute at least 90% of its REIT taxable income (excluding net capital gains) to its stockholders and meet 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 "Saul Trust"), the B. F. Saul Company and certain other affiliated entities, each of which is controlled by B. Francis Saul II and his family members (collectively, the “Saul Organization”). On August 26, 1993, members of 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 Centers and Mixed-Used Properties, and the management functions related to the transferred properties. Since its formation, the Company has developed and purchased additional properties.

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 mixed-used properties, primarily in the Washington, DC/Baltimore metropolitan area.

Because the properties are located primarily in the Washington, DC/Baltimore metropolitan area, a disproportionate economic downturn in the local economy would have a greater negative impact on our overall financial performance than on the overall financial performance of a company with a portfolio that is more geographically diverse. A majority of the Shopping Centers are anchored by several major tenants. As of December 31, 2021, 33 of the Shopping Centers were anchored by a grocery store and offer primarily day-to-day necessities and services. One retail tenant, Giant Food (5.3%), a tenant at 11 Shopping Centers, individually accounted for 2.5% or more of the Company’s total revenue for the year ended December 31, 2021.

As of December 31, 2021, the Current Portfolio Properties consisted of 50 Shopping Centers, seven Mixed-Use Properties, and four (non-operating) development properties.

The accompanying consolidated financial statements of the Company include the accounts of Saul Centers and its subsidiaries, including the Operating Partnership and Subsidiary Partnerships, which are majority owned by Saul Centers. Substantially all assets and liabilities of the Company as of December 31, 2021 and December 31, 2020, are comprised of the assets and liabilities of the Operating Partnership. The debt arrangements which are subject to recourse are described in Note 5. All significant intercompany balances and transactions have been eliminated in consolidation.

The Operating Partnership is a variable interest entity ("VIE") of the Company because the limited partners do not have substantive kick-out or participating rights. The Company is the primary beneficiary of the Operating Partnership because it has the power to direct the activities of the Operating Partnership and the rights to absorb 71.9% of the net income of the Operating Partnership. Because the Operating Partnership was already consolidated into the financial statements of the Company, the identification of it as a VIE has no impact on the consolidated financial statements of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates and assumptions relate to impairment of real estate properties and collectability of operating lease receivables. Actual results could differ from those estimates.

Real Estate Investment Properties

Real estate investment properties are stated at historic cost less depreciation. Although the Company intends to own its real estate investment properties over a long term, from time to time it will evaluate its market position, market conditions, and other factors and may elect to sell properties that do not conform to the Company's investment profile. Management believes that the Company's real estate assets have generally appreciated in value since their acquisition or development 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 the financial statements. Because the financial statements are prepared in conformity with GAAP, they do not report the current value of the Company's real estate investment properties.

If there is an event or change in circumstance that indicates a potential impairment in the value of a real estate investment property, the Company prepares an analysis to determine whether the carrying value of the real estate investment property exceeds its estimated fair value. The Company considers both quantitative and qualitative factors including recurring operating losses, significant decreases in occupancy, and significant adverse changes in legal factors and business climate. If impairment indicators are present, the Company compares the projected cash flows of the property over its remaining useful life, on an undiscounted basis, to the carrying value of that property. The Company assesses its undiscounted projected cash flows based upon estimated capitalization rates, historic operating results and market conditions that may affect the property. If the carrying value is greater than the undiscounted projected cash flows, the Company would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to its then estimated fair value. The fair value of any property is sensitive to the actual results of any of the aforementioned estimated factors, either individually or taken as a whole. Should the actual results differ from management's projections, the valuation could be negatively or positively affected. The Company did not recognize an impairment loss on any of its real estate in 2021, 2020, or 2019.

Depreciation is calculated using the straight-line method and estimated useful lives of generally between 35 and 50 years for base buildings, or a shorter period if management determines that the building has a shorter useful life, and up to 20 years for certain other improvements that extend the useful lives. Leasehold improvements expenditures are capitalized when certain criteria are met, including when the Company supervises construction and will own the improvements. Tenant improvements are amortized, over the shorter of the lives of the related leases or the useful life of the improvement, using the straight-line method. Depreciation expense, which is included in Depreciation and amortization of deferred leasing costs in the Consolidated Statements of Operations, for the years ended December 31, 2021, 2020, and 2019, was $45.5 million, $45.9 million, and $40.5 million, respectively. Repairs and maintenance expense totaled $13.5 million, $11.1 million, and $12.5 million for 2021, 2020, and 2019, respectively, and is included in property operating expenses in the accompanying consolidated financial statements.

As of December 31, 2021, we have not identified any impairment triggering events, including the impact of COVID-19 and corresponding tenant requests for rent relief. Accordingly, under applicable GAAP guidance, no impairment charges were recorded.

Assets Held for Sale

The Company considers properties to be assets held for sale when all of the following criteria are met:

- management commits to a plan to sell a property;
- it is unlikely that the disposal plan will be significantly modified or discontinued;
- the property is available for immediate sale in its present condition;
- actions required to complete the sale of the property have been initiated;
- sale of the property is probable and the Company expects the completed sale will occur within one year; and
- the property is actively being marketed for sale at a price that is reasonable given its current market value.

The Company must make a determination as to the point in time that it is probable that a sale will be consummated, which generally occurs when an executed sales contract has no contingencies and the prospective buyer has significant funds at risk to ensure performance. Upon designation as an asset held for sale, the Company records the carrying value of each property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and ceases depreciation. As of December 31, 2021 and 2020, the Company had no assets designated as held for sale.

Revenue Recognition

Rental and interest income are accrued as earned. Recognition of rental income commences when control of the space has been given to the tenant. 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. 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 in which the expenses are incurred. Rental income based on a tenant’s revenue (“percentage rent”) is accrued when a tenant reports sales that exceed a specified breakpoint, pursuant to the terms of their respective leases.

Accounts Receivable, Accrued Income, and Allowance for Doubtful Accounts

Accounts receivable are primarily comprised of rental and reimbursement billings due from tenants, and straight-line rent receivables representing the cumulative amount of adjustments necessary to present rental income on a straight-line basis. Individual leases are assessed for collectability and, upon the determination that the collection of rents is not probable, accrued rent and accounts receivable are charged off, and the charge off is reflected as an adjustment to rental revenue. Revenue from leases where collection is not probable is recorded on a cash basis until collectability is determined to be probable. We also assess whether operating lease receivables, at the portfolio level, are appropriately valued based upon an analysis of balances outstanding, effects of tenant bankruptcies, historical levels of bad debt and current economic trends. Additionally, because of the uncertainties related to the impact of the COVID-19 pandemic, our assessment also takes into consideration the types of business conducted by tenants and current discussions with the tenants, as well as recent rent collection experience. Evaluating and estimating uncollectable lease payments and related receivables requires a significant amount of judgment by management and is based on the best information available to management at the time of evaluation. For the year-ended December 31, 2021, we reduced rental revenue by $0.8 million due to lease-related reserves and charge offs. Actual results could differ from these estimates.

At December 31, 2021 and December 31, 2020, accounts receivable was comprised of:

(In thousands)	December 31, 2021	December 31, 2020
Rents currently due	$ 8,484	$ 13,321
Deferred rents and payment plans	4,141	8,205
Straight-line rent	46,239	44,863
Other receivables	2,877	3,751
Credit losses on operating lease receivables	(3,082)	(5,223)
Total	$ 58,659	$ 64,917

Deferred Leasing Costs

Deferred leasing costs primarily consist of initial direct costs incurred in connection with successful property leasing and amounts attributed to in place leases associated with acquired properties. Such amounts are capitalized and amortized, using the straight-line method, over the term of the lease or the remaining term of an acquired lease. Initial direct costs primarily consist of leasing commissions, costs paid to external third-party brokers, and internal lease commissions that are incremental to obtaining a lease and would not have been incurred if the lease had not been obtained. Unamortized deferred costs are charged to expense if the applicable lease is terminated prior to expiration of the initial lease term. Collectively, deferred leasing costs totaled $24.0 million and $26.9 million, net of accumulated amortization of approximately $48.7 million and $44.5 million, as of December 31, 2021 and 2020, respectively. Amortization expense, which is included in Depreciation and amortization of deferred leasing costs in the Consolidated Statements of Operations, totaled approximately $4.7 million, $5.2 million, and $5.8 million, for the years ended December 31, 2021, 2020, and 2019, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments. Short-term investments include money market accounts and other investments which generally mature within three months, measured from the acquisition date, and/or are readily convertible to cash. Substantially all of the Company’s cash balances at December 31, 2021 are held in accounts at various banks. From time to time the Company may maintain deposits with financial institutions in amounts in excess of federally insured limits. The Company has not experienced any losses on such deposits and believes it is not exposed to any significant credit risk on those deposits.

Deferred Income

Deferred income consists of payments received from tenants prior to the time they are earned and recognized by the Company as revenue, including tenant prepayment of rent for future periods, real estate taxes when the taxing jurisdiction has a fiscal year differing from the calendar year reimbursements specified in the lease agreement and tenant construction work provided by the Company. In addition, deferred income includes unamortized balances that represent the fair value of certain below market leases determined as of the date of acquisition.

Derivative Financial Instruments

The Company may, when appropriate, employ derivative instruments, such as interest-rate swaps, to mitigate the risk of interest rate fluctuations. The Company does not enter into derivative or other financial instruments for trading or speculative purposes. Derivative financial instruments are carried at fair value as either assets or liabilities on the consolidated balance sheets. For those derivative instruments that qualify, the Company may designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge or a cash flow hedge. Derivative instruments that are designated as a hedge are evaluated to ensure they continue to qualify for hedge accounting. The effective portion of any gain or loss on the hedge instruments is reported as a component of accumulated other comprehensive income (loss) and recognized in earnings within the same line item associated with the forecasted transaction in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion of the change in fair value of a derivative instrument is immediately recognized in earnings.

For derivative instruments that do not meet the criteria for hedge accounting, or that qualify and are not designated, changes in fair value are immediately recognized in earnings.

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 ended December 31, 1993. A REIT generally will not be subject to federal income taxation, provided that distributions to its stockholders equal or exceed its REIT taxable income and complies with certain other requirements. Therefore, no provision has been made for federal income taxes in the accompanying consolidated financial statements.

As of December 31, 2021, the Company had no material unrecognized tax benefits and there exist no potentially significant unrecognized tax benefits which are reasonably expected to occur within the next twelve months. The Company recognizes penalties and interest accrued related to unrecognized tax benefits, if any, as general and administrative expense. No penalties and interest have been accrued in years 2021, 2020, and 2019. The tax basis of the Company's real estate investments was approximately $1.64 billion and $1.55 billion as of December 31, 2021 and 2020, respectively. With few exceptions, the Company is no longer subject to U.S. federal, state, and local tax examinations by tax authorities for years before 2018.

Legal Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business, which are generally covered by insurance. Upon determination that a loss is probable to occur and can be reasonably estimated, the estimated amount of the loss is recorded in the financial statements.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (''FASB'') issued Accounting Standards Update (''ASU'') 2016-02, ''Leases'' ("ASU 2016-02"). ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, interim periods within those years, and requires a modified retrospective transition approach for all leases existing at the date of initial application, with an option to use certain practical expedients for those existing leases. Upon adoption of ASU 2016-02 effective January 1, 2019, we elected the practical expedient for all leases with respect to lease identification, lease classification, and initial direct costs. We made a policy election not to separate lease and nonlease components and have accounted for each lease component and the related nonlease components together as a single component. There have been no significant changes to our lessor accounting for operating leases as a result of ASU 2016-02.

We lease Shopping Centers and Mixed-Use Properties to lessees in exchange for monthly payments that cover rent, and where applicable, reimbursement for property taxes, insurance, and certain property operating expenses. Our leases were determined to be operating leases and generally range in term from one to 15 years.

Some of our leases have termination options and/or extension options. Termination options allow the lessee to terminate the lease prior to the end of the lease term, provided certain conditions are met. Termination options generally require advance notification from the lessee and payment of a termination fee. Termination fees are recognized as revenue over the modified lease term. Extension options are subject to terms and conditions stated in the lease.

On January 1, 2019, a right of use asset and corresponding lease liability related to our headquarters lease were recorded in other assets and other liabilities, respectively. The lease commenced in March 2002 and expires on February 28, 2022. Negotiations are ongoing for a renewal of the Company's office space at the same location. The right of use asset and corresponding lease liability totaled $0.1 million and $0.1 million, respectively, at December 31, 2021.

Due to the business disruptions and challenges severely affecting the global economy caused by the novel strain of coronavirus ("COVID-19") pandemic, many lessees have requested rent relief, including rent

deferrals and other lease concessions. The lease modification guidance in ASU 2016-02 does not contemplate the rapid execution of concessions for multiple tenants in response to sudden liquidity constraints of lessees. In April 2020, the FASB staff issued a question and answer document that provided guidance allowing the Company to elect to either apply the lease modification accounting framework or not, with such election applied consistently to leases with similar characteristics and similar circumstances. The Company has elected to apply such relief, which, in the case of rent deferrals, results in the accrual of rent due from tenants and defers the payment of that rent to a future date, and will monitor the collectability of rent receivables.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses" ("ASU 2016-13"). ASU 2016-13 replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of information to support credit loss estimates. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, including interim periods within those years. The adoption of ASU 2016-13 effective January 1, 2020, had no material impact on our consolidated financial statements and related disclosures because the vast majority of the Company's receivables relate to operating leases which are accounted for under ASC 842.

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging” (“ASU 2017-12”). ASU 2017-12 amends financial reporting for hedging activities to better align that reporting with risk management activities. ASU 2017-12 expands and refines hedge accounting for both financial and nonfinancial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. Effective with the adoption of ASU 2017-12 on January 1, 2019, changes in the fair value of the Company’s interest rate swap related to changes in the cash flow of the hedged item are reported as a component of interest expense and amortization of deferred debt costs in the Statements of Operations.

Reclassifications

Certain reclassifications have been made to prior years to conform to the presentation used for the year ended December 31, 2021.

3. REAL ESTATE

Construction in Progress

Construction in progress includes land, preconstruction and development costs of active projects. Preconstruction costs include legal, zoning and permitting costs and other project carrying costs incurred prior to the commencement of construction. Development costs include direct construction costs and indirect costs incurred subsequent to the start of construction such as architectural, engineering, construction management and carrying costs consisting of interest, real estate taxes and insurance. The following table shows the components of construction in progress.

	December 31,	
(in thousands)	2021	2020
Twinbrook Quarter	$ 138,069	$ —
Hampden House	56,898	50,723
The Waycroft	—	8,651
Other	10,944	10,103
Total	$ 205,911	$ 69,477

Acquisitions

Twinbrook Quarter

On November 5, 2019, the Company entered into the Twinbrook Contribution Agreement to acquire from 1592 Rockville Pike, a wholly-owned subsidiary of the Saul Trust, approximately 6.8 acres of land and its leasehold interest in approximately 1.3 acres of contiguous land, together in each case with the improvements located thereon, located at the Twinbrook Metro Station in Rockville, Maryland in exchange for 1,416,071 limited partnership units in the Operating Partnership. The Contributed Property is immediately adjacent to approximately 10.3 acres owned by the Company. Title to the Contributed Property and the units were placed in escrow until certain conditions of the Twinbrook Contribution Agreement were satisfied.

The units issued to 1592 Rockville Pike will remain in escrow until the conditions of the Twinbrook Contribution Agreement, as amended, are satisfied. Half of the units held in escrow were released on October 18, 2021. The remaining units held in escrow are scheduled to be released on October 18, 2023.

On March 5, 2021, the Company entered into an amendment to the Twinbrook Contribution Agreement in which it and 1592 Rockville Pike agreed to release to the Company from escrow the deed and assignment of the leasehold interest of the Contributed Property, as of that date. The Company also reimbursed 1592 Rockville Pike for certain expenses pursuant to the Twinbrook Contribution Agreement totaling $7.4 million. Acquisition costs totaled $1.2 million. The Company recorded a finance lease right-of-use asset of $19.4 million and corresponding lease liability of $19.4 million related to the leasehold interest assumed in the transaction. The incremental borrowing rate used to calculate the lease liability was 5.63%.

On June 29, 2021, the third-party landlord under the ground lease contributed to the Company the fee simple interest in the land underlying the leasehold interest in exchange for 469,740 limited partnership units in the Operating Partnership, representing an aggregate value of $21.5 million. Acquisition costs were paid in cash and totaled $0.7 million. Accordingly, the finance lease right-of-use asset and finance lease liability were extinguished. Amortization expense and interest expense related to the lease totaled $104,000 and $362,800, respectively, for the twelve months ended December 31, 2021.

Allocation of Purchase Price of Real Estate Acquired

The Company allocates the purchase price of real estate investment properties to various components, such as land, buildings and intangibles related to in-place leases and customer relationships, based on their relative fair values.

During 2021, the Company acquired properties that had an aggregate cost of $108.3 million, including acquisition costs. The entire amount was allocated to land.

The gross carrying amount of lease intangible assets included in deferred leasing costs as of December 31, 2021 and 2020 was $11.0 million and $11.0 million, respectively, and accumulated amortization was $9.1 million and $8.6 million, respectively. Amortization expense totaled $0.5 million, $0.6 million and $0.9 million, for the years ended December 31, 2021, 2020, and 2019, respectively. The gross carrying amount of below market lease intangible liabilities included in deferred income as of December 31, 2021 and 2020 was $23.3 million and $23.7 million, respectively, and accumulated amortization was $16.2 million and $15.0 million, respectively. Accretion income totaled $1.4 million, $1.4 million, and $1.5 million, for the years ended December 31, 2021, 2020, and 2019, respectively. The gross carrying amount of above market lease intangible assets included in accounts receivable as of December 31, 2021 and 2020 was $0.6 million and $0.6 million, respectively, and accumulated amortization was $161,800 and $128,900, respectively. Amortization expense totaled $32,900, $43,600 and $109,600, for the years ended December 31, 2021, 2020 and 2019, respectively. The remaining weighted-average amortization period as of December 31, 2021 is 4.6 years, 6.8 years, and 4.9 years for lease acquisition costs, above market leases and below market leases, respectively.

As of December 31, 2021, scheduled amortization of intangible assets and deferred income related to in place leases is as follows:

(In thousands)	Lease acquisition costs	Above market leases	Below market leases
2022	$ 368	$ 33	$ 1,306
2023	317	33	1,297
2024	198	33	878
2025	153	33	601
2026	131	33	509
Thereafter	712	277	2,744
Total	$ 1,879	$ 442	$ 7,335

4. NONCONTROLLING INTERESTS - HOLDERS OF CONVERTIBLE LIMITED PARTNERSHIP UNITS IN THE OPERATING PARTNERSHIP

Saul Centers is the sole general partner of the Operating Partnership, owning a 71.9% common interest as of December 31, 2021. Noncontrolling interest in the Operating Partnership is comprised of limited partnership units owned by the Saul Organization. Noncontrolling interest reflected on the accompanying consolidated balance sheets is increased for earnings allocated to limited partnership interests and distributions reinvested in additional units, and is decreased for limited partner distributions. Noncontrolling interest reflected on the consolidated statements of operations represents earnings allocated to limited partnership interests held by the Saul Organization.

The Saul Organization holds a 26.7% limited partnership interest in the Operating Partnership represented by 8,801,214 limited partnership units, as of December 31, 2021. The units are convertible into shares of Saul Centers' common stock, at the option of the unit holder, on a one-for-one basis provided that, in accordance with the Saul Centers, Inc. Articles of Incorporation, the rights may not be exercised at any time that the Saul Organization beneficially owns, directly or indirectly, in the aggregate more than 39.9% of the value of the outstanding common stock and preferred stock of Saul Centers (the "Equity Securities"). As of December 31, 2021, approximately 540,000 units were eligible for conversion.

As of December 31, 2021, a third party investor holds a 1.4% limited partnership interest in the Operating Partnership represented by 469,740 convertible limited partnership units. At the option of the unit holder, these units are convertible into shares of Saul Centers' common stock on a one-for-one basis; provided that, in lieu of the delivery of Saul Centers' common stock, Saul Centers may, in its sole discretion, deliver cash in an amount equal to the value of such Saul Centers' common stock.

The impact of the Saul Organization's 26.7% limited partnership interest in the Operating Partnership is reflected as Noncontrolling Interests in the accompanying consolidated financial statements. Weighted average fully diluted partnership units and common stock outstanding for the years ended December 31, 2021, 2020, and 2019, were 33.1 million, 31.3 million, and 30.9 million, respectively.

The 0.7 million limited partnership units remaining in escrow after October 18, 2021, in connection with the Twinbrook Contribution Agreement, are not eligible to receive distributions from the Operating Partnership until such time as they are released from escrow.

5. MORTGAGE NOTES PAYABLE, REVOLVING CREDIT FACILITY, INTEREST EXPENSE AND AMORTIZATION OF DEFERRED DEBT COSTS

At December 31, 2021, the principal amount of outstanding debt totaled $1.2 billion, of which $949.0 million was fixed rate debt and $206.0 million was variable rate debt. The principal amount of the Company's outstanding debt totaled $1.2 billion at December 31, 2020, of which $980.8 million was fixed rate debt and $179.5 million was variable rate debt.

At December 31, 2021, the Company had a $525.0 million unsecured credit facility, which can be used for working capital, property acquisitions, development projects or letters of credit, of which $425.0 million is a Revolving Line and $100.0 million is a Term Loan. The Revolving Line matures on August 29, 2025, which term may be extended by the Company for one additional year, subject to satisfaction of certain conditions. The Term Loan matures on February 26, 2027, and may not be extended. In general, loan availability under the New Facility is primarily determined by operating income from the Company's existing unencumbered properties. Interest accrues at a rate of LIBOR plus a spread of 135 basis points to 195 basis points under the Revolving Line, and 130 basis points to 190 basis points under the Term Loan, each as determined by certain leverage tests. As of December 31, 2021, the applicable spread for borrowings is 135 basis points under the Revolving Line and 130 basis points under the Term Loan. Saul Centers and certain consolidated subsidiaries of the Operating Partnership have guaranteed the payment obligations of the Operating Partnership under the New Facility. Letters of credit may be issued under the revolving credit facility. On December 31, 2021, based on the value of the Company's unencumbered properties, approximately $219.8 million was available under the Revolving Line, $106.0 million was outstanding and approximately $185,000 was committed for letters of credit.

Saul Centers and certain consolidated subsidiaries of the Operating Partnership have guaranteed the payment obligations of the Operating Partnership under the credit facility. The Operating Partnership is the guarantor of (a) a portion of the Broadlands mortgage (approximately $3.7 million of the $29.6 million outstanding balance at December 31, 2021), (b) a portion of the Avenel Business Park mortgage (approximately $6.3 million of the $24.1 million outstanding balance at December 31, 2021), (c) a portion of The Waycroft mortgage (approximately $23.6 million of the $156.1 million outstanding balance at December 31, 2021), (d) the Ashbrook Marketplace mortgage (totaling $21.3 million at December 31, 2021), and (e) the mortgage secured by Kentlands Place, Kentlands Square I and Kentlands pad (totaling $28.9 million at December 31, 2021). All other notes payable are non-recourse. The guarantee on the Kentlands Square II mortgage loan was released on February 5, 2020. The guarantee on the Park Van Ness mortgage was released on October 1, 2021.

On February 10, 2020, the Company repaid in full the remaining principal balance of $9.2 million of the mortgage loan secured by Boca Valley Plaza, which was scheduled to mature on May 10, 2020.

On March 3, 2020, the Company repaid in full the remaining principal balance of $7.1 million of the mortgage loan secured by Palm Springs Center, which was scheduled to mature on June 1, 2020.

On July 14, 2020, the Company closed on a 15-year, $22.1 million mortgage loan secured by Ashbrook Marketplace. The loan matures in 2035, bears interest at a fixed rate of 3.80%, requires monthly principal and interest payments of $114,226 based on a 25-year amortization schedule and requires a final payment of $11.5 million at maturity. The proceeds from the loan were used to pay down the revolving credit facility.

On July 24, 2020, the Company closed on a 15-year, $30.0 million mortgage loan secured by Kentlands Place, Kentlands Square I and Kentlands Pad. The loan matures in 2035, bears interest at a fixed rate of 3.43%, requires monthly principal and interest payments of $149,064 based on a 25-year amortization schedule and requires a final payment of $15.3 million at maturity. The proceeds from the loan were used to pay down the revolving credit facility.

On January 5, 2021, the Company repaid in full the remaining principal balance of $6.1 million of the mortgage loan secured by Jamestown Place, which was scheduled to mature in February 2021.

On June 11, 2021, the Company repaid in full the remaining principal balance of $5.0 million of the mortgage loan secured by Hunt Club Corners, which was scheduled to mature in August 2021.

On November 19, 2021, the Company closed on a $145.0 million construction-to-permanent loan, the proceeds of which will be used to partially fund Phase I of the Twinbrook Quarter development project. The loan matures in 2041, bears interest at a fixed rate of 3.83%, requires interest only payments, which will be funded by the loan, until conversion to permanent. The conversion is expected in the fourth quarter of 2026, and thereafter, monthly principal and interest payments based on a 25-year amortization schedule will be required.

The carrying value of the properties collateralizing the mortgage notes payable totaled $1.1 billion and $1.2 billion, as of December 31, 2021 and 2020, respectively. The Company's credit facility requires the Company

and its subsidiaries to maintain certain financial covenants, which are summarized below. The Company was in compliance as of December 31, 2021.

- limit the amount of debt as a percentage of gross asset value, as defined in the loan agreement, to less than 60% (leverage ratio);
- limit the amount of debt so that interest coverage will exceed 2.0 x on a trailing four-quarter basis (interest expense coverage); and
- limit the amount of debt so that interest, scheduled principal amortization and preferred dividend coverage exceeds 1.4x on a trailing four-quarter basis (fixed charge coverage).

Mortgage notes payable totaling $41.0 million at each of December 31, 2021 and 2020, are guaranteed by members of the Saul Organization.

As of December 31, 2021, the scheduled maturities of all debt including scheduled principal amortization for years ended December 31 are as follows:

(in thousands)	Balloon Payments		Scheduled Principal Amortization	Total
2022	$ 36,502		$ 31,033	$ 67,535
2023	9,225		31,498	40,723
2024	66,164		30,792	96,956
2025	126,363	(a)	27,874	154,237
2026	134,088		24,347	158,435
Thereafter	545,276		91,866	637,142
Principal amount	$ 917,618		$ 237,410	1,155,028
Unamortized deferred debt costs				11,172
Net				$ 1,143,856

(a) Includes $106.0 million outstanding under the revolving facility.

Deferred Debt Costs

Deferred debt costs consist of fees and costs incurred to obtain long-term financing, construction financing and the revolving line of credit. These fees and costs are being amortized on a straight-line basis over the terms of the respective loans or agreements, which approximates the effective interest method. Deferred debt costs totaled $11.2 million and $9.3 million, net of accumulated amortization of $7.7 million and $8.7 million at December 31, 2021 and 2020, respectively, and are reflected as a reduction of the related debt in the Consolidated Balance Sheets.

The components of interest expense are set forth below.

(in thousands)	Year ended December 31,		
	2021	2020	2019
Interest incurred	$ 50,552	$ 51,705	$ 52,044
Amortization of deferred debt costs	1,710	1,570	1,518
Capitalized interest	(6,831)	(6,616)	(11,480)
Interest expense	45,431	46,659	42,082
Less: Interest income	7	140	248
Interest expense, net and amortization of deferred debt costs	$ 45,424	$ 46,519	$ 41,834

Deferred debt costs capitalized during the years ending December 31, 2021, 2020 and 2019 totaled $6.4 million, $1.2 million and $1.0 million, respectively.

6. LEASE AGREEMENTS

Lease income includes primarily base rent arising from noncancelable leases. Base rent (including straight-line rent) for the years ended December 31, 2021, 2020, and 2019, amounted to $197.9 million, $188.6 million, and $185.7 million, respectively. Future contractual payments under noncancelable leases for years ended December 31 (which exclude the effect of straight-line rents), are as follows:

(in thousands)		
2022	$	163,383
2023		147,981
2024		124,039
2025		101,482
2026		77,584
Thereafter		336,423
	$	950,892

The majority of the leases provide for rental increases based on fixed annual increases or increases in the Consumer Price Index and expense recoveries based on increases in operating expenses. The expense recoveries generally are payable in equal installments throughout the year based on estimates, with adjustments made in the succeeding year. Expense recoveries for the years ended December 31, 2021, 2020, and 2019, amounted to $34.5 million, $34.7 million, and $36.5 million, respectively. In addition, certain retail leases provide for percentage rent based on sales in excess of the minimum specified in the tenant’s lease. Percentage rent amounted to $1.5 million, $0.9 million, and $0.9 million, for the years ended December 31, 2021, 2020, and 2019, respectively.

7. LONG-TERM LEASE OBLIGATIONS

At December 31, 2021 and 2020, no properties were situated upon land subject to noncancelable long- term leases.

Flagship Center consists of two developed out parcels that are part of a larger adjacent community shopping center formerly owned by the Saul Organization and sold to an affiliate of a tenant in 1991. The Company has a 90-year ground leasehold interest which commenced in September 1991 with a minimum rent of one dollar per year. Countryside shopping center was acquired in February 2004. Because of certain land use considerations, approximately 3.4% of the underlying land is held under a 99-year ground lease. The lease requires the Company to pay minimum rent of one dollar per year as well as its pro-rata share of the real estate taxes.

The Company’s corporate headquarters space is leased by a member of the Saul Organization. The lease commenced in March 2002 and expires in February 2022. Negotiations are ongoing for a renewal of the Company’s office space at the same location. The Company and the Saul Organization entered into a Shared Services Agreement whereby each party pays an allocation of total rental payments based on a percentage proportionate to the number of employees employed by each party. The Company’s rent expense for the years ended December 31, 2021, 2020, and 2019 was $799,500, $799,300, and $806,500, respectively. Expenses arising from the lease are included in general and administrative expense (see Note 9 – Related Party Transactions).

8. EQUITY AND NONCONTROLLING INTEREST

The Consolidated Statements of Operations for the years ended December 31, 2021, 2020, and 2019 reflect noncontrolling interest of $13.3 million, $9.9 million, and $12.5 million, respectively, representing income attributable to limited partnership units not held by Saul Centers.

At December 31, 2021, the Company had outstanding 3.0 million depositary shares, each representing 1/100th of a share of 6.125% Series D Cumulative Redeemable Preferred Stock (the "Series D Stock"). The depositary shares may be redeemed at the Company’s option, in whole or in part, on or after January 23, 2023, at the $25.00 liquidation preference, plus accrued but unpaid dividends to but not including the redemption date. The depositary shares pay an annual dividend of $1.53125 per share, equivalent to 6.125% of the $25.00 liquidation preference. The Series D Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and is not convertible into any other securities of the Company except in connection with certain changes in control

or delisting events. Investors in the depositary shares generally have no voting rights, but will have limited voting rights if the Company fails to pay dividends for six or more quarters (whether or not declared or consecutive) and in certain other events.

At December 31, 2021, the Company had outstanding 4.4 million depositary shares, each representing 1/100th of a share of 6.000% Series E Cumulative Redeemable Preferred Stock (the "Series E Stock"). The depositary shares may be redeemed at the Company's option, in whole or in part, on or after September 17, 2024, at the $25.00 liquidation preference, plus accrued but unpaid dividends to but not including the redemption date. The depositary shares pay an annual dividend of $1.50 per share, equivalent to 6.000% of the $25.00 liquidation preference. The Series E Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and is not convertible into any other securities of the Company except in connection with certain changes in control or delisting events. Investors in the depositary shares generally have no voting rights, but will have limited voting rights if the Company fails to pay dividends for six or more quarters (whether or not declared or consecutive) and in certain other events.

Per Share Data

Per share data for net income (basic and diluted) is computed using weighted average shares of common stock. Convertible limited partnership units and employee stock options are the Company's potentially dilutive securities. For all periods presented, the convertible limited partnership units are anti-dilutive. The treasury stock method was used to measure the effect of the dilution.

	December 31,		
(Shares in thousands)	2021	2020	2019
Weighted average common shares outstanding - Basic	23,655	23,356	23,009
Effect of dilutive options	7	1	44
Weighted average common shares outstanding - Diluted	23,662	23,357	23,053
Average share price	$ 43.53	$ 33.84	$ 53.41
Non-dilutive options	1,360	1,439	633
Years non-dilutive options were issued	2013 through 2021	2014 through 2020	2016, 2017 and 2019

9. RELATED PARTY TRANSACTIONS

The Chairman and Chief Executive Officer, the President and Chief Operating Officer, the Executive Vice President-Chief Legal and Administrative Officer and the Senior Vice President-Chief Accounting Officer and Treasurer of the Company are also officers of various members of the Saul Organization and their management time is shared with the Saul Organization. Their annual compensation is fixed by the Compensation Committee of the Board of Directors, with the exception of the Senior Vice President-Chief Accounting Officer and Treasurer whose share of annual compensation allocated to the Company is determined by the shared services agreement (described below).

The Company participates in a multiemployer 401K plan with entities in the Saul Organization which covers those full-time employees who meet the requirements as specified in the plan. Company contributions, which are included in general and administrative expense or property operating expenses in the consolidated statements of operations, at the discretionary amount of up to 6% of the employee's cash compensation, subject to certain limits, were $404,300, $302,000, and $322,200, for 2021, 2020, and 2019, respectively. All amounts deferred by employees and contributed by the Company are fully vested.

The Company also participates in a multiemployer nonqualified deferred compensation plan with entities in the Saul Organization which covers those full-time employees who meet the requirements as specified in the plan. According to the plan, which can be modified or discontinued at any time, participating employees defer 2% of their compensation in excess of a specified amount and the Company matches those deferrals up to three times the amount deferred by employees. The Company's expense, included in general and administrative expense,

totaled $238,400, $241,300, and $345,200, for the years ended December 31, 2021, 2020, and 2019, respectively. All amounts deferred by employees and the Company are fully vested. The cumulative unfunded liability under this plan was $3.2 million and $2.9 million, at December 31, 2021 and 2020, respectively, and is included in accounts payable, accrued expenses and other liabilities in the consolidated balance sheets.

The Company has entered into a shared services agreement (the “Agreement”) with the Saul Organization that provides for the sharing of certain personnel and ancillary functions such as computer hardware, software, and support services and certain direct and indirect administrative personnel. The method for determining the cost of the shared services is provided for in the Agreement and is based upon head count, estimates of usage or estimates of time incurred, as applicable. Senior management has determined that the final allocations of shared costs are reasonable. The terms of the Agreement and the payments made thereunder are reviewed annually by the Audit Committee of the Board of Directors, which consists entirely of independent directors. Net billings by the Saul Organization for the Company’s share of these ancillary costs and expenses for the years ended December 31, 2021, 2020, and 2019, which included rental expense for the Company’s headquarters lease (see Note 7. Long Term Lease Obligations), totaled $8.0 million, $7.4 million, and $8.4 million, respectively. The amounts are expensed when incurred and are primarily reported as general and administrative expenses or capitalized to specific development projects in these consolidated financial statements. As of December 31, 2021 and 2020, accounts payable, accrued expenses and other liabilities included $1.1 million and $782,700, respectively, representing billings due to the Saul Organization for the Company’s share of these ancillary costs and expenses.

On March 5, 2021, the Company acquired from 1592 Rockville Pike, approximately 6.8 acres of land and its leasehold interest in approximately 1.3 acres of contiguous land, together in each case with the improvements located thereon, located at the Twinbrook Metro Station in Rockville, Maryland. See Notes 3 and 4.

In August 2016, the Company entered into an agreement (the "Ashbrook Contribution Agreement") to acquire from the Saul Trust approximately 13.7 acres of land located at the intersection of Ashburn Village Boulevard and Russell Branch Parkway in Ashburn, Virginia. The transaction closed on May 9, 2018, and the Company issued 176,680 limited partnership units to the Saul Trust. The Company constructed a shopping center, Ashbrook Marketplace. On June 30, 2021, the Company issued 93,674 additional limited partnership units as additional consideration to the Saul Trust in accordance with the Ashbrook Contribution Agreement, as amended.

The B. F. Saul Insurance Agency of Maryland, Inc., a subsidiary of the B. F. Saul Company and a member of the Saul Organization, is a general insurance agency that receives commissions and counter-signature fees in connection with the Company’s insurance program. Such commissions and fees amounted to approximately $397,900, $427,700, and $399,600, for the years ended December 31, 2021, 2020, and 2019, respectively.

10. STOCK OPTION PLAN

Stock Based Employee Compensation, Deferred Compensation and Stock Plan for Directors

In 2004, the Company established a stock incentive plan (the "Plan"), as amended. Under the Plan, options were granted at an exercise price not less than the market value of the common stock on the date of grant and expire ten years from the date of grant. Officer options vest ratably over four years following the grant and are charged to expense using the straight-line method over the vesting period. Director options vest immediately and are charged to expense as of the date of grant.

The Company uses the fair value method to value and account for employee stock options. The fair value of options granted is determined at the time of each award using the Black-Scholes model, a widely used method for valuing stock-based employee compensation, and the following assumptions: (1) Expected Volatility determined using the most recent trading history of the Company’s common stock (month-end closing prices) corresponding to the average expected term of the options; (2) Average Expected Term of the options is based on prior exercise history, scheduled vesting and the expiration date; (3) Expected Dividend Yield determined by management after considering the Company’s current and historic dividend yield rates, the Company’s yield in relation to other retail REITs and the Company’s market yield at the grant date; and (4) a Risk-free Interest Rate based upon the market yields of US Treasury obligations with maturities corresponding to the average expected term

of the options at the grant date. The Company amortizes the value of options granted ratably over the vesting period and includes the amounts as compensation expense in general and administrative expenses.

Pursuant to the Plan, the Compensation Committee established a Deferred Compensation Plan for Directors for the benefit of the Company's directors and their beneficiaries, which replaced a previous Deferred Compensation and Stock Plan for Directors. Annually, directors are given the ability to make an election to defer all or part of their fees and have the option to have their fees paid in cash, in shares of common stock or in a combination of cash and shares of common stock upon separation from the Board. If a director elects to their have fees paid in stock, fees earned during a calendar quarter are aggregated and divided by the closing market price of the Company's common stock on the first trading day of the following quarter to determine the number of shares to be credited to the director. During the twelve months ended December 31, 2021, 9,486 shares were credited to director's deferred fee accounts and 7,874 shares were issued. As of December 31, 2021, the director's deferred fee accounts comprise 120,240 shares.

The Compensation Committee has also approved an annual award of shares of the Company's common stock 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 awarded as of each Annual Meeting of Stockholders, and their issuance may not be deferred.

At the annual meeting of the Company's stockholders in 2004, the stockholders approved the adoption of the 2004 stock plan for the purpose of attracting and retaining executive officers, directors and other key personnel. The 2004 stock plan was subsequently amended by the Company's stockholders at the 2008 Annual Meeting, further amended at the 2013 Annual Meeting, and further amended at the 2019 Annual Meeting (the "Amended 2004 Plan"). The Amended 2004 Plan, which terminates in 2029, provides for grants of options to purchase up to 3,400,000 shares of common stock. The Amended 2004 Plan authorizes the Compensation Committee of the Board of Directors to grant options at an exercise price which may not be less than the market value of the common stock on the date the option is granted.

Effective May 3, 2019, the Compensation Committee granted options to purchase 260,000 shares (34,651 incentive stock options and 225,349 nonqualified stock options) to 23 Company officers and 11 Company Directors (the "2019 Options"), which expire on May 2, 2029. The officers' 2019 Options vest 25% per year over four years and are subject to early expiration upon termination of employment. The directors' 2019 Options were immediately exercisable. The exercise price of $55.71 per share was the closing market price of the Company's common stock on the date of award. Using the Black-Scholes model, the Company determined the total fair value of the 2019 Options to be $1.9 million, of which $1.7 million and $226,600 were assigned to the officer options and director options, respectively. Because the directors' options vested immediately, the entire $226,600 was expensed as of the date of grant. The expense for the officers' options is being recognized as compensation expense monthly during the four years the options vest.

Effective April 24, 2020, the Compensation Committee granted options to purchase 238,000 shares (29,624 incentive stock options and 208,376 nonqualified stock options) to 20 Company officers and 11 Company Directors (the "2020 Options"), which expire on April 23, 2030. The officers' 2020 Options vest 25% per year over four years and are subject to early expiration upon termination of employment. The directors' 2020 Options were immediately exercisable. The exercise price of $50.00 per share was determined by the compensation committee. The exercise price was greater than the closing market price of the Company's common stock on the date of award, which was $28.02. Using the Black-Scholes model, the Company determined the total fair value of the 2020 Options to be $0.2 million, of which $0.2 million and $23,100 were assigned to the officer options and director options, respectively. Because the directors' options vested immediately, the entire $23,100 was expensed as of the date of grant. The expense for the officers' options is being recognized as compensation expense monthly during the four years the options vest.

Effective May 7, 2021, the Compensation Committee granted options to purchase 250,500 shares (35,572 incentive stock options and 214,928 nonqualified stock options) to 21 Company officers and 11 Company Directors (the "2021 Options"), which expire on May 6, 2031. The officers' 2021 Options vest 25% per year over four years and are subject to early expiration upon termination of employment. The directors' 2021 Options were immediately exercisable. The exercise price of $43.89 per share was the closing market price of the Company's common stock on the date of award. Using the Black-Scholes model, the Company determined the total fair value of

the 2021 Options to be $1.4 million, of which $1.2 million and $173,800 were assigned to the officer options and director options, respectively. Because the directors' options vested immediately, the entire $173,800 was expensed as of the date of grant. The expense for the officers' options is being recognized as compensation expense monthly during the four years the options vest.

The following table summarizes the assumptions used in the valuation of the 2019, 2020 and 2021 option grants. During the twelve months ended December 31, 2021, stock option expense totaling $1.3 million was included in general and administrative expense in the Consolidated Statements of Operations. As of December 31, 2021, the estimated future expense related to unvested stock options was $1.7 million.

	Directors			Officers		
Grant date	May 3, 2019	April 24, 2020	May 7, 2021	May 3, 2019	April 24, 2020	May 7, 2021
Exercise price	$ 55.71	$ 50.00	$ 43.89	$ 55.71	$ 50.00	$ 43.89
Volatility	0.236	0.258	0.297	0.206	0.240	0.275
Expected life (years)	5.0	5.0	5.0	7.0	7.0	7.0
Assumed yield	3.75 %	3.80 %	4.96 %	3.80 %	3.85 %	4.97 %
Risk-free rate	2.33 %	0.36 %	0.77 %	2.43 %	0.51 %	1.24 %

The table below summarizes the option activity for the years 2021, 2020, and 2019:

	2021		2020		2019	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at January 1	1,502,670	$ 52.86	1,309,614	$ 53.38	1,114,169	$ 52.40
Granted	250,500	43.89	238,000	50.00	260,000	55.71
Exercised	(64,920)	45.07	(10,749)	49.19	(57,055)	44.53
Expired/Forfeited	(87,000)	53.60	(34,195)	54.09	(7,500)	56.07
Outstanding December 31	1,601,250	51.73	1,502,670	52.86	1,309,614	53.38
Exercisable at December 31	1,098,500	53.22	971,545	53.01	763,614	52.43

The intrinsic value of options exercised in 2021, 2020, and 2019, was $0.4 million, $0.1 million and $0.6 million, respectively. The intrinsic value of options outstanding and exercisable at year end 2021 was $4.9 million and $2.3 million, respectively. Because the closing price was less than the exercise price of all outstanding options, no option had any intrinsic value at December 31, 2020. The date of exercise was the measurement date for shares exercised during the period. The intrinsic value measures the difference between the options' exercise price and the closing share price quoted by the New York Stock Exchange as of the date of measurement. At December 31, 2021, the final trading day of calendar 2021, the closing price of $53.02 per share was used for the calculation of aggregate intrinsic value of options outstanding and exercisable at that date. The weighted average remaining contractual life of the Company's exercisable and outstanding options at December 31, 2021 are 5.3 and 6.2 years, respectively.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and floating rate debt are reasonable estimates of their fair value. The aggregate fair value of the notes payable with fixed-rate payment terms was determined using Level 3 data in a discounted cash flow approach, which is based upon management's estimate of borrowing rates and loan terms currently available to the Company for fixed rate financing, and assuming long term interest rates of approximately 3.60% and 3.40%, would be approximately $933.0 million and $981.0 million as of December 31, 2021 and 2020, respectively, compared to the principal balance of $949.0 million and $980.8 million at December 31, 2021 and 2020, respectively. A change in any of the significant inputs may lead to a change in the Company's fair value measurement of its debt.

Effective June 30, 2011, the Company determined that one of its interest-rate swap arrangements was a highly effective hedge of the cash flows under one of its variable-rate mortgage loans and designated the swap as a cash flow hedge of that mortgage. The swap was carried at fair value with changes in fair value recognized either in income or comprehensive income depending on the effectiveness of the swap. The swap was terminated on November 21, 2019.

12. COMMITMENTS AND CONTINGENCIES

Neither the Company nor the Current Portfolio Properties are subject to any material litigation, nor, to management's knowledge, is any material litigation currently threatened against the Company, other than routine litigation and administrative proceedings arising in the ordinary course of business. Management believes that these items, individually or in the aggregate, will not have a material adverse impact on the Company or the Current Portfolio Properties.

13. DISTRIBUTIONS

In December 1995, the Company established a Dividend Reinvestment and Stock Purchase Plan (the "Plan"), to allow its stockholders and holders of limited partnership interests an opportunity to buy additional shares of common stock by reinvesting all or a portion of their dividends or distributions. The Plan provides for investing in newly issued shares of common stock at a 3% discount from market price without payment of any brokerage commissions, service charges or other expenses. All expenses of the Plan are paid by the Company. The Operating Partnership also maintains a similar dividend reinvestment plan that mirrors the Plan, which allows holders of limited partnership interests the opportunity to buy either additional limited partnership units or common stock shares of the Company.

The Company paid common stock distributions of $2.16 per share in 2021, $2.12 per share in 2020, and $2.12 per share in 2019, Series C preferred stock dividends of $1.80, per depositary share in 2019, Series D preferred stock dividends of $1.53, $1.53 and $1.53, respectively, per depositary share in 2021, 2020, and 2019, and Series E preferred stock dividends of $1.50, $1.50, and $0.06, respectively, per depositary share in 2021, 2020, and 2019. Of the common stock dividends paid, $1.49 per share, $1.43 per share, and $2.00 per share, represented ordinary dividend income in 2021, 2020, and 2019, respectively, and $0.67 per share, $0.69 per share, and $0.12 per share represented return of capital to the shareholders in 2021, 2020, and 2019, respectively. All of the preferred dividends paid represented ordinary dividend income.

The following summarizes distributions paid during the years ended December 31, 2021, 2020, and 2019, and includes activity in the Plan as well as limited partnership units issued from the reinvestment of unit distributions:

	Total Distributions to			Dividend Reinvestments			
(Dollars in thousands, except per share amounts)	Preferred Stockholders	Common Stockholders	Limited Partnership Unitholders	Common Stock Shares Issued	Discounted Share Price	Limited Partnership Units Issued	Average Unit Price
Distributions during 2021							
4th Quarter	$ 2,798	$ 13,037	$ 4,702	63,970	$ 45.46	13,697	$ 45.95
3rd Quarter	2,798	12,999	4,694	65,171	44.44	13,841	44.92
2nd Quarter	2,798	12,488	4,218	68,206	41.87	13,978	42.33
1st Quarter	2,799	12,439	4,207	96,268	29.50	19,493	29.83
Total 2021	$ 11,193	$ 50,963	$ 17,821	293,615		61,009	
Distributions during 2020							
4th Quarter	$ 2,798	$ 12,371	$ 4,195	117,368	$ 24.08	23,370	$ 24.35
3rd Quarter	2,798	12,373	4,188	14,525	28.98	13,108	29.47
2nd Quarter	2,799	12,364	4,188	12,627	32.22	—	—
1st Quarter	2,799	12,275	4,180	83,978	48.59	15,101	49.40
Total 2020	$ 11,194	$ 49,383	$ 16,751	228,498		51,579	
Distributions during 2019							
4th Quarter	$ 3,531	$ 12,251	$ 4,173	104,558	$ 52.84	13,747	$ 53.73
3rd Quarter	2,953	12,195	4,166	105,753	53.66	13,406	54.56
2nd Quarter	2,953	12,116	4,155	99,804	51.38	20,041	51.99
1st Quarter	2,953	12,006	4,148	120,347	51.28	13,742	52.16
Total 2019	$ 12,390	$ 48,568	$ 16,642	430,462		60,936	

In December 2021, the Board of Directors of the Company authorized a distribution of $0.57 per common share payable in January 2022 to holders of record on January 14, 2022. As a result, $10.6 million was paid to common shareholders on January 31, 2022. Also, $5.3 million was paid to limited partnership unitholders on January 31, 2022 ($0.57 per Operating Partnership unit). The Board of Directors authorized preferred stock dividends of (a) $0.3750 per Series E depositary share and (b) $0.3828 per Series D depositary share to holders of record on January 3, 2022. As a result, $2.8 million was paid to preferred shareholders on January 18, 2022. These amounts are reflected as a reduction of stockholders' equity in the case of common stock and preferred stock dividends and noncontrolling interests deductions in the case of limited partner distributions and are included in dividends and distributions payable in the accompanying consolidated financial statements.

14. BUSINESS SEGMENTS

The Company has two reportable business segments: Shopping Centers and Mixed-Use Properties. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2). The Company evaluates performance based upon income and cash flows from real estate for the combined properties in each segment. All of our properties within each segment generate similar types of revenues and expenses related to tenant rent, reimbursements and operating expenses. Although services are provided to a range of tenants, the types of services provided to them are similar within each segment. The properties in each portfolio have similar economic characteristics and the nature of the products and services provided to our tenants and the method to distribute such services are consistent throughout the portfolio. Certain reclassifications have been made to prior year information to conform to the 2021 presentation.

(In thousands) As of or for the year ended December 31, 2021	Shopping Centers	Mixed-Use Properties		Corporate and Other	Consolidated Totals
Real estate rental operations:					
Revenue	$ 169,681	$ 69,544		$ —	$ 239,225
Expenses	(35,784)	(25,844)		—	(61,628)
Income from real estate	133,897	43,700		—	177,597
Interest expense, net and amortization of deferred debt costs	—	—		(45,424)	(45,424)
General and administrative	—	—		(20,252)	(20,252)
Depreciation and amortization of deferred leasing costs	(28,843)	(21,429)		—	(50,272)
Net income (loss)	$ 105,054	$ 22,271		$ (65,676)	$ 61,649
Capital investment	$ 12,639	$ 43,233		$ —	$ 55,872
Total assets	$ 946,993	$ 777,709		$ 22,059	$ 1,746,761
As of or for the year ended December 31, 2020					
Real estate rental operations:					
Revenue	$ 161,854	$ 63,353		$ —	$ 225,207
Expenses	(35,198)	(23,219)		—	(58,417)
Income from real estate	126,656	40,134		—	166,790
Interest expense, net and amortization of deferred debt costs	—	—		(46,519)	(46,519)
General and administrative	—	—		(19,107)	(19,107)
Depreciation and amortization of deferred leasing costs	(30,891)	(20,235)		—	(51,126)
Gain on sale of property	278	—		—	278
Net income (loss)	$ 96,043	$ 19,899		$ (65,626)	$ 50,316
Capital investment	$ 15,203	$ 40,965		$ —	$ 56,168
Total assets	$ 975,195	$ 643,503		$ 26,874	$ 1,645,572
As of or for the year ended December 31, 2019					
Real estate rental operations:					
Revenue	$ 167,888	$ 63,637		$ —	$ 231,525
Expenses	(36,119)	(21,814)		—	(57,933)
Income from real estate	131,769	41,823		—	173,592
Interest expense, net and amortization of deferred debt costs	—	—		(41,834)	(41,834)
General and administrative	—	—		(20,793)	(20,793)
Depreciation and amortization of deferred leasing costs	(29,112)	(17,221)		—	(46,333)
Change in fair value of derivatives	—	—		(436)	(436)
Net income (loss)	$ 102,657	$ 24,602	24602000	$ (63,063)	$ 64,196
Capital investment	$ 33,968	$ 101,695		$ —	$ 135,663
Total assets	$ 980,096	$ 625,183		$ 13,061	$ 1,618,340

15. IMPACT OF COVID-19

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. As a result, the COVID-19 pandemic is negatively affecting almost every industry directly or indirectly.

The actions taken by federal, state and local governments to mitigate the spread of COVID-19 by ordering closure of nonessential businesses and ordering residents to generally stay at home, and subsequent phased re-openings, have resulted in many of our tenants announcing mandated or temporary closures of their operations and/or requesting adjustments to their lease terms. While most of our tenants have re-opened their businesses, there remains significant uncertainty around the long-term economic impact of the COVID-19 pandemic, which could have a material and adverse effect on or cause disruption to our business or financial condition, results from operations, cash flows and the market value and trading price of our securities.

While the Company’s grocery stores, pharmacies, banks and home improvement stores generally remain open, restaurants, if open, are operating at limited capacity, with many offering only delivery and curbside pick-up, and most health, beauty supply and services, fitness centers, and other non-essential businesses are in various phases of re-opening depending on location. The Company is generally not charging late fees or delinquent interest on past due rent payments and, in many cases, rent deferral agreements are being negotiated to allow tenants temporary relief where needed. As of February 18, 2022, payments by tenants of contractual base rent and operating expense and real estate tax recoveries totaled approximately 99% for the fourth quarter of 2021.

The following table summarizes the Company's consolidated total collections of the first quarter, second quarter, third quarter and fourth quarter rent billings as of January 31, 2022:

	Retail	Office	Residential	Total
2021 First Quarter	99 %	100 %	99 %	99 %
2021 Second Quarter	99 %	100 %	99 %	99 %
2021 Third Quarter	99 %	100 %	99 %	99 %
2021 Fourth Quarter	98 %	100 %	99 %	99 %

16. SUBSEQUENT EVENTS

The Company has reviewed operating activities for the period subsequent to December 31, 2021 and prior to the date that financial statements are issued, February 24, 2022, and determined there are no subsequent events that are required to be disclosed.

SAUL CENTERS, INC.
Real Estate and Accumulated Depreciation
December 31, 2021
(Dollars in Thousands)

	Initial Basis	Costs Capitalized Subsequent to Acquisition	Basis at Close of Period				Accumulated Depreciation	Book Value	Related Debt (2)	Date of Construction	Date Acquired	Buildings and Improvements Depreciable Lives in Years
			Land	Buildings and Improvements	Construction in Progress	Total						
Shopping Centers												
Ashbrook Marketplace, Ashburn, VA	$ 8,938	$ 24,822	$ 13,258	$ 20,092	$ 410	$ 33,760	$ 1,187	$ 32,573	$ 21,329	2019	05/18	50
Ashburn Village, Ashburn, VA	11,431	20,570	6,764	25,237	—	32,001	15,755	16,246	24,186	1994 & 2000-6	3/94	40
Ashland Square Phase I, Dumfries, VA	1,178	5,298	1,178	5,298	—	6,476	2,661	3,815	—	2007, 2013	12/04	20 & 50
Beacon Center, Alexandria, VA	24,161	18,514	22,691	19,984	—	42,675	16,297	26,378	32,170	1960 & 1974	1/72 , 11/16	40 & 50
BJ's Wholesale Club, Alexandria, VA	22,623	—	22,623	—	—	22,623	—	22,623	9,692		3/08	—
Boca Valley Plaza, Boca Raton, FL	16,720	2,630	5,735	13,615	—	19,350	6,159	13,191	—		2/04	40
Boulevard, Fairfax, VA	4,883	4,753	3,687	5,949	—	9,636	3,686	5,950	14,639	1969, 1999 & 2009	4/94	40
Briggs Chaney MarketPlace, Silver Spring, MD	27,037	5,316	9,789	22,564	—	32,353	10,640	21,713	—		4/04	40
Broadlands Village, Ashburn, VA	5,316	35,941	5,300	35,951	6	41,257	14,808	26,449	29,613	2002-3, 2004 & 2006	3/02	40 & 50
Burtonsville Town Square, Burtonsville, MD	74,212	6,344	28,402	52,138	16	80,556	6,740	73,816	34,558	2010	1/17	20 & 45
Countryside Marketplace, Sterling, VA	28,912	4,297	7,666	25,543	—	33,209	12,193	21,016	—		2/04	40
Cranberry Square, Westminster, MD	31,578	788	6,700	25,666	—	32,366	6,834	25,532	14,634		9/11	40
Cruse MarketPlace, Cumming, GA	12,226	767	3,901	9,092	—	12,993	4,185	8,808	—		3/04	40
Flagship Center, Rockville, MD	160	409	169	400	—	569	13	556	—	1972	1/72	—
French Market, Oklahoma City, OK	5,781	16,888	1,118	21,551	—	22,669	13,455	9,214	—	1972 & 1998	3/74	50
Germantown, Germantown, MD	2,034	566	2,034	566	—	2,600	467	2,133	—	1990	8/93	40
The Glen, Woodbridge, VA	12,918	8,559	5,300	16,177	—	21,477	11,099	10,378	21,393	1993 & 2005	6/94	40
Great Falls Center, Great Falls, VA	41,750	3,215	14,766	30,199	—	44,965	11,255	33,710	8,651		3/08	40
Hampshire Langley, Takoma, MD	3,159	3,444	1,892	4,701	10	6,603	4,106	2,497	12,868	1960	1/72	40
Hunt Club Corners, Apopka, FL	12,584	4,644	4,822	12,406	—	17,228	5,742	11,486	—		6/06, 12/12	40
Jamestown Place, Altamonte Springs, FL	14,055	2,410	4,455	12,010	—	16,465	5,141	11,324	—		11/05	40
Kentlands Square I, Gaithersburg, MD	14,379	3,234	5,005	11,928	680	17,613	4,819	12,794	21,385	2002	9/02	40
Kentlands Square II, Gaithersburg, MD	76,723	3,101	23,133	56,530	161	79,824	16,654	63,170	31,155		9/11, 9/13	40
Kentlands Place, Gaithersburg, MD	1,425	7,649	1,425	7,649	—	9,074	4,641	4,433	7,514	2005	1/04	50
Lansdowne Town Center, Leesburg, VA	6,545	43,461	6,546	43,439	21	50,006	18,994	31,012	28,533	2006	11/02	50
Leesburg Pike Plaza, Baileys Crossroads, VA	2,418	6,367	1,132	7,653	—	8,785	6,372	2,413	13,213	1965	2/66	40
Lumberton Plaza, Lumberton, NJ	4,400	11,614	950	15,042	22	16,014	13,899	2,115	—	1975	12/75	40
Metro Pike Center, Rockville, MD	33,123	5,004	26,064	8,096	3,967	38,127	2,321	35,806	—		12/10	40
Shops at Monocacy, Frederick, MD	9,541	15,876	9,260	16,157	—	25,417	6,984	18,433	27,143	2003-4	11/03	50
Northrock, Warrenton, VA	12,686	15,428	12,686	15,422	6	28,114	5,862	22,252	13,108	2009	01/08	50
Olde Forte Village, Ft. Washington, MD	15,933	6,913	5,409	17,437	—	22,846	9,088	13,758	20,682	2003-4	07/03	40
Olney, Olney, MD	4,963	2,998	3,079	4,882	—	7,961	3,492	4,469	12,299	1972	11/75	40
Orchard Park, Dunwoody, GA	19,377	1,607	7,751	13,233	—	20,984	4,876	16,108	8,812		7/07	40
Palm Springs Center, Altamonte Springs, FL	18,365	2,034	5,739	14,658	2	20,399	6,532	13,867	—		3/05	40

Ravenwood, Baltimore, MD	1,245	4,428	703	4,970	—	5,673	3,542	2,131	12,553	1959 & 2006	1/72	40
11503 Rockville Pike/5541 Nicholson Lane, Rockville, MD	26,561	24	22,113	4,472	—	26,585	1,260	25,325	—		10/10, 12/12	40
1500/1580/1582 Rockville Pike, Rockville, MD	45,351	2,046	38,065	7,050	2,282	47,397	6,474	40,923	—		12/12, 1/14, 4/14	5, 10, 5
Seabreeze Plaza, Palm Harbor, FL	24,526	2,625	8,665	18,486	—	27,151	7,886	19,265	13,897		11/05	40
Market Place at Sea Colony, Bethany Beach, DE	2,920	261	1,147	2,034	—	3,181	732	2,449	—		3/08	40
Seven Corners, Falls Church, VA	4,848	46,301	4,929	46,220	—	51,149	33,039	18,110	56,413	1956 & 1997	7/73	40
Severna Park Marketplace, Severna Park, MD	63,254	714	12,700	51,214	54	63,968	13,187	50,781	27,197		9/11	40
Shops at Fairfax, Fairfax, VA	2,708	11,112	992	12,828	—	13,820	9,242	4,578	9,759	1975 & 1999	6/75	50
Smallwood Village Center, Waldorf, MD	17,819	8,289	6,402	19,706	—	26,108	10,406	15,702	—		1/06	40
Southdale, Glen Burnie, MD	18,895	25,481	15,255	29,051	70	44,376	23,742	20,634	—	1962 & 1986	1/72 , 11/16	40
Southside Plaza, Richmond, VA	6,728	11,442	1,878	16,292	—	18,170	13,508	4,662	—	1958	1/72	40
South Dekalb Plaza, Atlanta, GA	2,474	4,953	615	6,812	—	7,427	5,218	2,209	—	1970	2/76	40
Thruway, Winston-Salem, NC	7,848	27,273	7,692	27,413	16	35,121	20,564	14,557	—	1955 & 1965	5/72	40
Village Center, Centreville, VA	16,502	3,304	7,851	11,955	—	19,806	8,145	11,661	11,528	1990	8/93	40
Westview Village, Frederick, MD	6,047	25,288	6,047	25,288	—	31,335	11,361	19,974	—	2009	11/07 , 02/15	50
White Oak, Silver Spring, MD	6,277	6,134	4,649	7,561	201	12,411	6,472	5,939	20,874	1958 & 1967	1/72	40
Other Buildings / Improvements	—	182	—	182	—	182	130	52	—			
Total Shopping Centers	835,537	475,318	420,132	882,799	7,924	1,310,855	431,865	878,990	559,798			
Mixed-Use Properties												
Avenel Business Park, Gaithersburg, MD	21,459	36,528	3,756	54,231	—	57,987	41,110	16,877	24,108	1984, 1986,1990, 1998 & 2000	12/84, 8/85, 2/86, 4/98 & 10/2000	35 & 40
Clarendon Center, Arlington, VA (1)	12,753	187,200	16,287	183,666	—	199,953	56,237	143,716	90,600	2010	7/73, 1/96 & 4/02	50
Park Van Ness, Washington, DC	2,242	91,801	2,242	91,801	—	94,043	16,217	77,826	64,661	2016	7/73, 2/11	50
601 Pennsylvania Ave., Washington, DC	5,479	71,076	5,667	70,888	—	76,555	61,617	14,938	—	1986	7/73	35
The Waycroft, Arlington, VA	52,067	225,901	53,618	224,287	63	277,968	11,446	266,522	156,116	2017	8/14, 12/14, 9/15, 8/16,	50
Washington Square, Alexandria, VA	2,034	57,524	544	59,014	—	59,558	31,621	27,937	53,745	1952 & 2000	7/73	50
Total Mixed-Use Properties	96,034	670,030	82,114	683,887	63	766,064	218,248	547,816	389,230			
Development Land												
Ashland Square Phase II, Manassas, VA	5,292	4,714	7,049	—	2,957	10,006	—	10,006	—		12/04	
New Market, New Market, MD	2,088	146	2,234	—	—	2,234	—	2,234	—		9/05	
Hampden House, Bethesda, MD	39,641	17,257	—	—	56,898	56,898	—	56,898	—		10/18, 12/18	
Twinbrook, Rockville, MD	110,021	28,048	—	—	138,069	138,069	—	138,069	—		12/14, 03/21	
Total Development Land	157,042	50,165	9,283	—	197,924	207,207	—	207,207	—			
Total	$ 1,088,613	$ 1,195,513	$ 511,529	$ 1,566,686	$ 205,911	$ 2,284,126	$ 650,113	$ 1,634,013	$ 949,028			

(1) Includes the North and South Blocks and Residential
(2) Amounts do not include deferred debt and therefore will not match the Consolidated Balance Sheet

SAUL CENTERS, INC.
Real Estate and Accumulated Depreciation
December 31, 2021

Depreciation and amortization related to the real estate investments reflected in the statements of operations is calculated over the estimated useful lives of the assets as follows:

Base building	Generally 35 - 50 years or a shorter period if management determines that the building has a shorter useful life.
Building components	Up to 20 years
Tenant improvements	The shorter of the term of the lease or the useful life of the improvements

The aggregate remaining net basis of the real estate investments for federal income tax purposes was approximately $1.64 billion at December 31, 2021. Depreciation and amortization are provided on the declining balance and straight-line methods over the estimated useful lives of the assets.

The changes in total real estate investments and related accumulated depreciation for each of the years in the three year period ended December 31, 2021 are summarized as follows:

(In thousands)	2021	2020	2019
Total real estate investments:			
Balance, beginning of year	$ 2,124,796	$ 2,081,597	$ 1,948,165
Acquisitions	108,279	—	—
Improvements	54,177	45,396	135,966
Retirements	(3,126)	(2,197)	(2,534)
Balance, end of year	$ 2,284,126	$ 2,124,796	$ 2,081,597
Total accumulated depreciation:			
Balance, beginning of year	$ 607,706	$ 563,474	$ 525,518
Depreciation expense	45,487	45,865	40,490
Retirements	(3,080)	(1,633)	(2,534)
Balance, end of year	$ 650,113	$ 607,706	$ 563,474

Exhibit 21

SUBSIDIARIES OF SAUL CENTERS, INC.

1500 Rockville Pike LLC
11503 Rockville Pike LLC
7316 Wisconsin LLC
750 North Glebe LLC
Ashbrook Marketplace LLC
Ashburn Village Center LLC
Avenel Business Park LLC
Avenel VI, Inc.
Beacon Center LLC
Briggs Chaney Plaza, LLC
Broadlands Village LLC
Burtonsville Center LLC
Clarendon Center LLC
Cranberry Square LLC
Cranberry Square Subsidiary LLC
Kentlands 311 LLC
Kentlands Lot 1, LLC
Kentlands Square LLC
Kentlands Subsidiary LLC
Leesburg Pike Center LLC
Metro Pike Center LLC
Northrock Center LLC
Olde Forte Village LLC
Ravenwood Shopping Center LLC
Rockville Pike Holdings LLC
Saul Holdings Limited Partnership
Saul Monocacy, LLC
Saul Subsidiary I Limited Partnership
Saul Subsidiary II Limited Partnership
Seabreeze Plaza LLC
Seven Corners Center LLC
Severna Park MarketPlace LLC
Severna Park MarketPlace Subsidiary LLC
Shops at Fairfax LLC
Smallwood Village Center LLC
The Glen Center LLC
Thruway Shopping Center LLC
Twinbrook Quarter LLC
Twinbrook Quarter Office LLC
Twinbrook Quarter Lot 24 LLC
Twinbrook Quarter Commercial Association, Inc.
Washington Square Center
Westview Village Center LLC
White Oak Subsidiary LLC

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of Saul Centers, Inc.:

Registration Statement Number	Form	Description
333-123982	Form S-3	Common Stock to be Resold by Selling Stockholders
333-115262	Form S-8	2004 Stock Plan
333-60064	Form S-3	Common Stock to be Resold by Selling Stockholders
333-59962	Form S-8	Deferred Compensation Plan for Directors
333-41436	Form S-3	Common Stock to be Resold by Selling Stockholders
333-88127	Form S-3	Common Stock to be Resold by Selling Stockholders
333-82041	Form S-8	Deferred Compensation and Stock Plan for Directors
333-139376	Form S-3D	Dividend Reinvestment and Stock Purchase Plan
333-150785	Form S-8	Amended 2004 Stock Plan
333-151515	Form S-3	Common Stock to be Resold by Selling Stockholders
333-166751	Form S-3	Common Stock to be Resold by Selling Stockholders
333-185595	Form S-3	Shelf Registration Statement
333-187367	Form S-3D	Dividend Reinvestment and Stock Purchase Plan
333-188686	Form S-3	Common Stock to be Resold by Selling Stockholders
333-200921	Form S-3	Common Stock to be Resold by Selling Stockholders
333-216688	Form S-8	Amended 2004 Stock Plan
333-216689	Form S-8	Deferred Compensation Plan for Directors
333-222262	Form S-3ASR	Shelf Registration Statement
333-231321	Form S-8	Amended 2004 Stock Plan
333-239358	Form S-3	Shelf Registration Statement
333-261691	Form S-3D	Dividend Reinvestment and Stock Purchase Plan

of our reports dated February 24, 2022, relating to the consolidated financial statements of Saul Centers, Inc. and the effectiveness of Saul Centers, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP

McLean, Virginia
February 24, 2022

Exhibit 31

CERTIFICATIONS

I, B. Francis Saul II, certify that:

1. I have reviewed this report on Form 10-K of Saul Centers, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2022

/s/ B. Francis Saul II
B. Francis Saul II
Chairman and Chief Executive Officer

Exhibit 31

CERTIFICATIONS

I, Carlos L. Heard, certify that:

1. I have reviewed this report on Form 10-K of Saul Centers, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2022

/s/ Carlos L. Heard
Carlos L. Heard
Senior Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, B. Francis Saul II, the Chairman and Chief Executive Officer of Saul Centers, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the period ending December 31, 2021 (the "Report"). The undersigned hereby certifies that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2022 **/s/ B. Francis Saul II**

Name: B. Francis Saul II
Title: Chairman and Chief Executive Officer

Exhibit 32

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Carlos L. Heard, the Chief Financial Officer of Saul Centers, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the period ending December 31, 2021 (the "Report"). The undersigned hereby certifies that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2022 **/s/ Carlos L. Heard**

Name: Carlos L. Heard
Title: Senior Vice President and
Chief Financial Officer