Risk Factors Comparison 2024-02-29 to 2023-03-02 Form: 10-K

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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 Revenue from our properties may be reduced or limited if the **operations of our** 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 **the ability of** our **retail** tenants ~~' ability~~ to pay rent. Revenue from our properties depends primarily on the ability of our **retail** tenants to pay the full amount of rent due under their leases on a timely basis. The amount of rent we receive from our **retail** tenants generally will depend in part on the success of our **retail** tenants' ~~retail~~ operations, making us vulnerable to general economic downturns and other conditions affecting the retail industry. Some **retail** 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 **the ability of** our **retail** tenants ~~' ability~~ to pay base rent or percentage rent may adversely affect our financial condition and results of operations. Small business **retail** tenants and anchor retailers ~~which~~ **that** 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 **retail** 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~~ **4** . ~~1~~ **9** % of our total revenue for the year ended December 31, ~~2022~~ **2023** . 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 **office and retail** 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 **office and retail** 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~~ **fluctuations** 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 inflation of 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). **As a result of these and other risks, our ground- up** ~~Developments~~ - **development** ~~,~~ **projects may be unsuccessful and may have a negative impact on our results of operations and may reduce our net income.** ~~redevelopments~~ **Redevelopments** and acquisitions may fail to perform as expected. Our investment strategy includes the redevelopment and acquisition of **(i)** community and neighborhood shopping centers that are anchored by supermarkets, drugstores or high volume, value- oriented retailers that provide consumer necessities **, and (ii) transit- oriented, mixed- use properties, which are comprised of office, retail and multi- family residential uses** . 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. Over 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~~ **à** - 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 **and residential** 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 **evolve** ~~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. **Our residential properties face competition for residents from other existing or new multifamily properties, condominiums, single family homes and other living arrangements, whether owned or rental, that may attract residents from our properties or prospective residents that would otherwise choose to live with us. As a result, we may not be able to renew existing resident leases or enter into new resident leases, or if we are able to renew or enter into new leases, they may be at rates or terms that are less favorable than our current rates or terms, resulting in a material impact on our results of operations. The short- term nature of apartment leases exposes us more quickly to the effects of declining market rents, potentially making our results of operations and cash flows more volatile. Generally, our residential apartment leases are for twelve months or less. If the terms of the renewal or releasing are less favorable than current terms, then our results of operations and financial condition could be negatively affected. Given our generally shorter- term lease structure, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms. In addition, operating expenses associated with each property, such as real estate taxes, insurance, utilities, maintenance costs and employee wages and benefits, may not decline as quickly or at the same rate as revenues when circumstances might cause a reduction of those revenues at our properties.** 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 **immediately** 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 **online retailers,** 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 ~~.~~ 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 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, **Joel A. Friedman, our Executive Vice President, Chief Accounting Officer** and ~~Christine Nicolaides Kearns~~ **Treasurer, and Bettina T. Guevara** , our Executive Vice President- Chief Legal and Administrative Officer, are ~~members~~ **officers** of **certain entities within** the Saul Organization, and persons associated with the Saul Organization constitute five of the ~~eleven~~ **twelve** members of our Board of Directors. In addition, as of December 31, ~~2022~~ **2023** , Mr. B. F. Saul II had the potential to exercise control over 10, ~~739~~ **814** , ~~407~~ **706** shares of our common stock representing ~~44~~ **45** . ~~9~~ **1** % of our issued and outstanding shares of common stock. Mr. B. F. Saul II also beneficially owned, as of December 31, ~~2022~~ **2023** , ~~8~~ **9** , ~~827~~ **580** , ~~873~~ **408** 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, ~~2022~~ **2023** , Mr. B. F. Saul II and members of the Saul Organization owned common stock representing approximately ~~39~~ **38** . 0 % 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, ~~2022~~ **2023** , approximately ~~411~~ **854** , 000 of the ~~8~~ **9** , ~~827~~ **580** , ~~873~~ **408** 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~~ **officers** 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 other stockholders. **All related party transactions are reviewed and approved by the Audit Committee in accordance with the Audit Committee charter.** Except as discussed below, we do not have any **additional** 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~~ **Executive** 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~~ **Executive** 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. See Note 9 to the Consolidated Financial Statements for a discussion of related party transactions. 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, ~~2022~~ **2023** , are charges totaling $ ~~9~~ **10** . 6 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 $ ~~286~~ **562** , ~~900~~ **800** for the year ended December 31, ~~2022~~ **2023** . 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 2027. 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, ~~2022~~ **2023** was $ ~~824~~ **871** , 300. 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~~ **that** 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 other 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, ~~2022~~ **2023** , we had approximately $ 1. ~~2~~ **4** billion of debt outstanding, approximately $ 1. ~~07~~ **13** billion of which was fixed- rate debt and approximately $ ~~164~~ **276** . 0 million of which was variable- rate debt outstanding 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~~ **that** 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~~ **. Book value** 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, ~~2022~~ **2023** , 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. **SOFR may have unpredictable** ~~The phase- out of LIBOR could affect~~ **effects on** ~~interest rates under~~ our variable rate debt ~~and interest rate swap arrangements~~ . **Our** ~~The U. S. dollar London Interbank Offered Rate (“ LIBOR ”) was previously used as a reference rate for our~~ Credit Facility ~~. On July 27, 2017, the United Kingdom' s Financial Conduct Authority announced it intended 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 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~~ **references** ~~Rates Committee, which identified~~ the Secured Overnight Financing Rate (“ SOFR ”) as ~~its preferred alternative to LIBOR in derivatives and other~~ -- **the primary benchmark rate for our variable rate indebtedness** ~~financial contracts. However, SOFR and LIBOR differ in certain important respects~~ . SOFR is a **relatively new** ~~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 long term effect of any discontinuance, modification or other reforms to LIBOR or whether SOFR or another alternative~~ reference rate ~~will attain~~ **with**

a limited history, and changes in SOFR have, on occasion, been more volatile than changes in other benchmark or market ~~traction~~ **rates. As a result, the amount of interest we may pay on our variable rate indebtedness is difficult to predict. Fluctuations in SOFR could require us to make higher than expected interest payments and,** as a ~~LIBOR replacement. As of October 3, 2022, LIBOR was phased out as a reference rate under our Credit Facility and SOFR replaced it as the benchmark index. SOFR may~~ result ~~in higher interest charges than LIBOR and may result in increased volatility in markets for instruments that previously relied on LIBOR~~ , **may reduce** ~~all of which could negatively impact~~ our ~~cash flow~~ **net income** . 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~~ **of** 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, ~~2022~~ **2023** , Mr. B. F. Saul II and members of the Saul Organization owned common stock representing approximately ~~39~~ **38** . 0 % 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 **of Directors** 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 inflation,** 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. The outbreak ~~of the novel coronavirus (" COVID- 19 "), or the future outbreak~~ or pandemic of any ~~other~~ highly infectious or contagious diseases **or other public emergencies** , 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. **A** ~~The COVID- 19~~ pandemic ~~(~~ or **public health emergency** ~~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 (or~~ a ~~future~~ pandemic ~~)~~ **or public health emergency** 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 (or~~ a ~~future~~ pandemic ~~)~~ **or public health emergency** 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. 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...... particular period or over various periods. We may amend or revise our business policies without ~~your~~ **shareholder** 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.