

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2003

Commission File No. 001-13499

EQUITY ONE, INC.

(Exact Name of Registrant as Specified in its Charter)

**1696 N.E. Miami Gardens Drive
N. Miami Beach, Florida 33179**

(Address of Principal Executive Offices)

(305) 947-1664

(Issuer's Telephone Number, Including Area Code)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

52-1794271

(I.R.S. Employer
Identification No.)

Check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the past 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 is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Exchange). Yes No

Applicable only to Corporate Issuers:

As of the close of business on October 30, 2003, 68,410,331 shares of the Company's common stock, par value \$0.01 per share, were issued and outstanding.

EQUITY ONE, INC.

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements and Notes

**EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2003 AND DECEMBER 31, 2002
(UNAUDITED)
(In thousands, except per share amounts)**

	September 30, 2003	December 31, 2002
ASSETS		
PROPERTIES:		
Income producing.....	\$ 1,557,967	\$ 682,941
Less: accumulated depreciation.....	(59,274)	(40,433)
	1,498,693	642,508
Construction in progress and land held for development.....	42,185	35,923
Properties held for sale.....	10,543	-
	1,551,421	678,431
CASH AND CASH EQUIVALENTS.....	-	2,944
CASH HELD IN ESCROW.....	-	5,933
ACCOUNTS AND OTHER RECEIVABLES, NET.....	10,105	7,053
INVESTMENTS IN AND ADVANCES TO JOINT VENTURES.....	2,869	10,021
GOODWILL.....	22,535	2,276
OTHER ASSETS.....	36,244	23,411
TOTAL.....	\$ 1,623,174	\$ 730,069

(continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2003 AND DECEMBER 31, 2002
(UNAUDITED)
(In thousands, except per share amounts)

	<u>September 30,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
NOTES PAYABLE		
Mortgage notes payable	\$ 441,453	\$ 332,143
Unsecured revolving credit facilities	138,000	-
Secured revolving credit facilities	-	23,000
Unsecured senior notes payable	150,000	-
	<u>729,453</u>	<u>355,143</u>
Unamortized premium on notes payable	23,047	-
Total notes payable	752,500	355,143
OTHER LIABILITIES		
Accounts payable and accrued expenses	35,335	14,760
Tenant security deposits	7,054	4,342
Other liabilities	2,173	1,724
Total liabilities	<u>797,062</u>	<u>375,969</u>
MINORITY INTEREST	<u>12,755</u>	<u>3,869</u>
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value – 10,000 shares authorized but unissued.....	-	-
Common stock, \$0.01 par value – 100,000 shares authorized, 68,316 and 34,540 shares issued and outstanding for 2003 and 2002, respectively	683	345
Additional paid-in capital	828,147	355,450
Retained earnings.....	541	5,969
Accumulated other comprehensive loss.....	(1,994)	(46)
Unamortized restricted stock compensation	(10,413)	(4,375)
Notes receivable from issuance of common stock.....	(3,607)	(7,112)
Total stockholders' equity	<u>813,357</u>	<u>350,231</u>
TOTAL.....	<u><u>\$ 1,623,174</u></u>	<u><u>\$ 730,069</u></u>

See accompanying notes to the condensed consolidated financial statements.

(Concluded)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002
(UNAUDITED)
(In thousands, except per share amounts)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
RENTAL REVENUE:				
Minimum rents.....	\$ 39,503	\$ 19,019	\$ 105,708	\$ 54,407
Expense recoveries	10,698	5,572	29,247	16,790
Termination fees	304	284	801	518
Percentage rent payments	324	112	1,800	1,327
Total rental revenue	<u>50,829</u>	<u>24,987</u>	<u>137,556</u>	<u>73,042</u>
COSTS AND EXPENSES:				
Property operating expenses	14,136	7,414	38,416	21,554
Interest expense.....	10,167	5,208	28,598	16,616
Amortization of deferred financing fees	259	169	853	582
Rental property depreciation and amortization.....	7,535	3,428	19,576	9,953
General and administrative expenses	2,737	1,435	7,936	5,020
Total costs and expenses	<u>34,834</u>	<u>17,654</u>	<u>95,379</u>	<u>53,725</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST	15,995	7,333	42,177	19,317
OTHER INCOME AND EXPENSES:				
Investment income	66	452	940	1,257
Other income.....	48	48	138	183
Equity in loss of joint ventures	(54)	(19)	(117)	(9)
Gain (loss) on extinguishment of debt	-	1,520	(623)	1,520
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST	16,055	9,334	42,515	22,268
DISCONTINUED OPERATIONS:				
Income from operations of sold properties	212	526	953	2,245
Gain on disposal of income producing properties	1,209	1,091	3,083	8,194
Total income from discontinued operations.....	<u>1,421</u>	<u>1,617</u>	<u>4,036</u>	<u>10,439</u>
INCOME BEFORE MINORITY INTEREST	17,476	10,951	46,551	32,707
MINORITY INTEREST	(227)	(25)	(606)	(76)
NET INCOME.....	\$ 17,249	\$ 10,926	\$ 45,945	\$ 32,631

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
EARNINGS PER SHARE:				
BASIC EARNINGS PER SHARE				
Income before discontinued operations.....	\$ 0.25	\$ 0.27	\$ 0.73	\$ 0.69
Income from discontinued operations.....	0.02	0.05	0.07	0.32
Total basic earnings per share	\$ 0.27	\$ 0.32	\$ 0.80	\$ 1.01
NUMBER OF SHARES USED IN COMPUTING				
BASIC EARNINGS PER SHARE.....	63,777	33,926	57,348	32,195
DILUTED EARNINGS PER SHARE				
Income before discontinued operations.....	\$ 0.25	\$ 0.27	\$ 0.72	\$ 0.68
Income from discontinued operations	0.02	0.05	0.07	0.32
Total diluted earnings per share	\$ 0.27	\$ 0.32	\$ 0.79	\$ 1.00
NUMBER OF SHARES USED IN COMPUTING				
DILUTED EARNINGS PER SHARE.....	65,523	34,785	58,977	32,956
See accompanying notes to the condensed consolidated financial statements.				(Concluded)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
NET INCOME.....	\$ 17,249	\$ 10,926	\$ 45,945	\$ 32,631
OTHER COMPREHENSIVE INCOME (LOSS):				
Net unrealized holding gain (loss) on securities available for sale.....	-	(19)	47	9
Change in fair value of cash flow hedges.....	(1,995)	-	(1,995)	-
COMPREHENSIVE INCOME.....	<u>\$ 15,254</u>	<u>\$ 10,907</u>	<u>\$ 43,997</u>	<u>\$ 32,640</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2003
(UNAUDITED)
(In thousands, except per share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/ Income	Unamortized Restricted Stock Compensation	Notes Receivable from the Issuance of Common Stock	Total Stockholders' Equity
BALANCE, JANUARY 1, 2003.....	\$ 345	\$ 355,450	\$ 5,969	\$ (46)	\$ (4,375)	\$ (7,112)	\$ 350,231
Issuance of common stock:							
IRT transaction	175	231,562	-	-	-	-	231,737
Other issuances	163	242,795	-	-	(6,038)	3,505	240,425
Stock issuance costs.....	-	(1,660)	-	-	-	-	(1,660)
Net income	-	-	45,945	-	-	-	45,945
Dividends paid	-	-	(51,373)	-	-	-	(51,373)
Change in fair value of cash flow hedges	-	-	-	(1,995)	-	-	(1,995)
Net unrealized holding gain on securities available for sale	-	-	-	47	-	-	47
BALANCE, SEPTEMBER 30, 2003.....	<u>\$ 683</u>	<u>\$ 828,147</u>	<u>\$ 541</u>	<u>\$ (1,994)</u>	<u>\$ (10,413)</u>	<u>\$ (3,607)</u>	<u>\$ 813,357</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002
(UNAUDITED)
(In thousands, except per share amounts)

	Nine Months Ended	
	September 30,	
	2003	2002
OPERATING ACTIVITIES:		
Net income	\$ 45,945	\$ 32,631
Adjustments to reconcile net income to net cash provided by operating activities:		
Straight line rent adjustment	(1,212)	(313)
Provision for losses on accounts receivable	359	(258)
Amortization of premium on notes payable	(2,465)	-
Amortization of deferred financing fees	853	582
Rental property depreciation and amortization	19,576	9,953
Depreciation and amortization included in discontinued operations	130	351
Amortization of restricted stock	1,851	1,176
Equity in loss of joint ventures	117	9
Loss (gain) on extinguishment of debt	623	(1,520)
Gain on securities available for sale	(9)	(13)
Minority interest in earnings of consolidated subsidiaries	606	76
Gain on disposal of real estate	(3,083)	(8,194)
Changes in assets and liabilities:		
Accounts and other receivables	(1,459)	989
Other assets	(6,438)	(4,224)
Accounts payable and accrued expenses	5,975	5,704
Tenant security deposits	503	203
Other liabilities	(283)	(400)
Net cash provided by operating activities	<u>61,589</u>	<u>36,752</u>
INVESTING ACTIVITIES:		
Additions to and purchase of properties	(139,447)	(68,706)
Proceeds from disposal of properties and joint venture interests	13,733	19,468
Decrease in cash held in escrow	12,897	1,715
Distributions received from joint ventures	940	630
Proceeds from repayments of notes receivable	2,808	669
Increase in deferred leasing costs	(2,719)	(831)
Sale of securities available for sale	977	637
Cash used in the purchase of IRT	(189,382)	-
Cash acquired in the IRT acquisition	1,756	-
Net cash used in investing activities	<u>(298,437)</u>	<u>(46,418)</u>
FINANCING ACTIVITIES:		
Repayments of mortgage notes payable	(54,369)	(41,911)
Borrowings under mortgage notes payable	-	6,097
Net borrowings under revolving credit facilities	115,000	9,098
Repayment of revolving credit facility assumed in the IRT merger	(8,000)	-
Increase in deferred financing costs	(1,075)	(1,102)
Proceeds from stock subscription and issuance of common stock	232,544	65,828
Stock issuance costs	(1,660)	(1,332)
Repayment of notes receivable from issuance of common stock	3,505	-
Cash dividends paid to stockholders	(51,373)	(26,432)
Distributions to minority interest	(668)	(76)
Net cash provided by financing activities	<u>233,904</u>	<u>10,170</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,944)	504
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,944	906
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ -</u>	<u>\$ 1,410</u>

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002
(UNAUDITED)
(In thousands, except per share amounts)

	Nine Months Ended	
	September 30,	
	2003	2002
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amount capitalized	\$ 27,003	\$ 17,241
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Change in unrealized holding gain on securities available for sale.....	\$ 47	\$ 9
Change in fair value of cash flow hedges	\$ (1,995)	-
Issuance of restricted stock.....	\$ 7,534	\$ 3,900
Receivable from sale of joint venture interest.....	\$ 6,762	
Common stock issued for note receivable		\$ 1,534
Note receivable from sale of property		\$ 3,900
The Company acquired all of the outstanding common stock of IRT for \$763,047, including transaction costs:		
Fair value of assets acquired, including goodwill.....	\$ 763,047	
Assumption of liabilities, unsecured senior notes and mortgage notes payable.....	(319,598)	
Fair value adjustment of unsecured senior notes and mortgage notes payable	(22,330)	
Common stock issued.....	(231,737)	
Cash paid for IRT acquisition, including transaction costs	\$ 189,382	
The Company acquired and assumed the mortgage on the acquisition of a rental property :		
Fair value of rental property.....	\$ 50,463	
Assumption of mortgage note payable.....	(27,502)	
Fair value adjustment of mortgage note payable	(3,182)	
Cash paid for rental property	\$ 19,779	

See accompanying notes to the condensed consolidated financial statements.

(Concluded)

EQUITY ONE, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002
(UNAUDITED)
(In thousands, except per share amounts)

1. Organization

Equity One, Inc. operates as a self-managed real estate investment trust (“REIT”) that principally acquires, renovates, develops and manages community and neighborhood shopping centers located predominantly in high growth markets in the southern United States. These shopping centers are primarily anchored by supermarkets or other necessity-oriented retailers such as drug stores or discount retail stores.

The condensed consolidated financial statements include the accounts of Equity One, Inc. and its wholly-owned subsidiaries and those partnerships of which the Company has financial and operating control. Equity One, Inc. and subsidiaries are hereinafter referred to as “the consolidated companies” or “the Company.” The Company has a 50% investment in two joint ventures of which the Company is not the primary beneficiary and, accordingly, uses the equity method of accounting for these joint ventures.

As of September 30, 2003, the Company’s portfolio of neighborhood shopping centers anchored by national and regional supermarket chains and other necessity oriented retailers such as drug stores or discount stores is located in twelve states in the southern United States and consists of 182 properties, encompassing 126 supermarket-anchored shopping centers, nine drug store-anchored shopping centers, 40 other retail-anchored shopping centers, one self-storage facility, one industrial property, and five retail developments, as well as non-controlling interests in two joint ventures which own and operate commercial real estate properties.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company’s management in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (the “SEC”). Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for the three and nine-month periods ended September 30, 2003 are not necessarily indicative of the results that may be expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in this Form 10-Q and with Management’s Discussion and Analysis of Financial Condition and Results of Operations and audited financial statements and related footnotes for the year ended December 31, 2002, included in the Company’s Current Report on Form 8-K, filed with the SEC on September 19, 2003.

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

All significant intercompany transactions and balances have been eliminated in consolidation.

Certain amounts as previously reported have been reclassified to conform to the current period’s presentation.

3. IRT Merger

On February 12, 2003, the Company completed a statutory merger with IRT Property Company (“IRT”). As a result of the merger, the Company acquired 93 properties that comprise an aggregate of approximately 10,041

square feet of gross leasable area. The aggregate purchase price for the acquisition was \$763,047 (including transaction costs and assumed debt), consisting of the payment of \$189,382 in cash, the issuance of 17,490 shares of the Company's common stock valued at \$231,737 and the assumption of \$341,928 of outstanding debt, premium on notes payable, and other liabilities. The Company has recorded \$20,259 of goodwill as a result of the acquisition. The acquisition of IRT was accounted for using the purchase method and the results of IRT are included in the Company's financial statements from the date of its acquisition. The fair values assigned to the identifiable tangible and intangible assets and liabilities are preliminary as the Company is evaluating the fair values and allocation of costs. Management does not believe that any future adjustment would have a material effect on the Company's financial position or results of operations.

The following unaudited supplemental pro forma information is presented to reflect the effects of the IRT acquisition and related transactions, and the impact on the Company's results, as if the transactions had occurred on January 1, 2002. The pro forma information includes the acquisition of IRT, the issuance of common stock related to the IRT transaction, the private placement of common stock and the borrowing under the revolving credit facility. The pro forma financial information is presented for informational purposes only and may not be indicative of what the actual results of operations would have been had the acquisition occurred as indicated, nor does it purport to represent the results of the operations for future periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Pro forma revenues	\$ 50,829	\$ 47,573	\$ 148,041	\$ 140,651
Pro forma income before discontinued operations ...	\$ 15,828	\$ 15,717	\$ 44,361	\$ 41,138
Pro forma net income	\$ 17,249	\$ 19,682	\$ 48,305	\$ 54,600
Pro forma earnings per share:				
Basic earnings per share:				
Income before discontinued operations.....	\$ 0.25	\$ 0.27	\$ 0.77	\$ 0.73
Income from discontinued operations	0.02	0.07	0.07	0.24
Total basic earnings per share	\$ 0.27	\$ 0.34	\$ 0.84	\$ 0.97
Diluted earnings per share:				
Income before discontinued operations.....	\$ 0.25	\$ 0.26	\$ 0.76	\$ 0.72
Income from discontinued operations	0.02	0.07	0.07	0.23
Total diluted earnings per share	\$ 0.27	\$ 0.33	\$ 0.83	\$ 0.95

4. Rental Property

Income producing property is stated at cost and includes all costs related to acquisition, development and construction, including tenant improvements, interest incurred during development, costs of pre-development and certain direct and indirect costs of development. Costs incurred during the predevelopment stage are capitalized once management has identified a site, determined that the project is feasible and it is probable that the Company will be able to proceed with the project. Expenditures for ordinary maintenance and repairs are expensed to operations as they are incurred. Significant renovations and improvements, which improve or extend the useful life of assets, are capitalized.

Income producing properties are individually evaluated for impairment when various conditions exist that may indicate that it is probable that the sum of expected future cash flows (on an undiscounted basis) from a property is less than its historical net cost basis. Upon determination that a permanent impairment has occurred, the Company records an impairment charge equal to the excess of historical cost basis over fair value. In addition, the Company writes off costs related to predevelopment projects when it determines that it will no longer pursue the project.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Land improvements	40 years
Buildings	30-40 years
Building improvements	5-40 years
Tenant improvements	Over the terms of the related lease
Equipment	5-7 years

Total interest expense capitalized to land held for development and construction in progress was \$715 and \$576 for the three months ended September 30, 2003 and 2002, respectively, and \$1,982 and \$1,755 for the nine months ended September 30, 2003 and 2002, respectively.

Acquisitions of properties are accounted for using the purchase method and, accordingly, the results of operations are included in the Company's results of operations from the respective dates of acquisition. The Company uses various valuation methods to allocate the purchase price of acquired property between land, buildings and improvements, equipment, and other identifiable intangibles such as lease origination costs and acquired leases and any debt assumed. The Company's allocation of the purchase prices for the acquisitions consummated during 2003 is preliminary and is subject to change.

5. Property Held for Sale

As of September 30, 2003, one shopping center and two outparcels were classified as property held for sale.

6. Investments in and Advances to Joint Ventures

A summary of the Company's investments in and advances to joint ventures at September 30, 2003 and December 31, 2002 is as follows (all investments in unconsolidated entities are accounted for under the equity method):

<u>Entity</u>	<u>Location</u>	<u>Ownership</u>	<u>September 30, 2003</u>	<u>December 31, 2002</u>
PG Partners	Palm Beach Gardens, FL	50.0%	\$ 2,641	\$ 2,823
Parcel F, LLC.....	Palm Beach Gardens, FL	50.0%	228	228
Oak Square JV*	Gainesville, FL	-	-	1,243
CDG (Park Place) LLC**	Plano, TX	-	-	5,727
Total investments in and advances to joint ventures.....			<u>\$ 2,869</u>	<u>\$ 10,021</u>

* As of September 30, 2003, the Company has sold its interest in this joint venture.

** As of September 30, 2003, the property held by the joint venture has been sold.

A summary of unaudited financial information for all joint ventures being reported on the equity method of accounting is as follows:

	<u>As of September 30, 2003</u>	<u>As of December 31, 2002</u>
Assets:		
Rental properties, net.....	\$ 12,188	\$ 47,309
Cash and cash equivalents	-	690
Other assets	579	1,170
Total assets	<u>\$ 12,767</u>	<u>\$ 49,169</u>
Liabilities and Ventures' Equity:		
Mortgage notes	\$ 12,902	\$ 44,625
Other liabilities	285	651
Ventures' (deficit) equity	(420)	3,893
Total	<u>\$ 12,767</u>	<u>\$ 49,169</u>

The Company's investments in joint ventures, as reported on the condensed consolidated balance sheets, differ from its proportionate share of the joint ventures' underlying net assets due to basis differentials and advances. The basis differential of approximately \$3,000 is being depreciated over the useful lives of the related assets.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues:				
Rental revenues	\$ 965	\$ 1,769	\$ 4,753	\$ 5,376
Other revenues	1	-	4	10
Total revenues	<u>966</u>	<u>1,769</u>	<u>4,757</u>	<u>5,386</u>
Expenses:				
Operating expenses	163	425	1,090	1,250
Interest expense	377	733	1,777	2,207
Depreciation	163	304	732	931
Other expense	<u>21</u>	<u>55</u>	<u>142</u>	<u>126</u>
Total expenses	<u>724</u>	<u>1,517</u>	<u>3,741</u>	<u>4,514</u>
Net income	<u>\$ 242</u>	<u>\$ 252</u>	<u>\$ 1,016</u>	<u>\$ 872</u>
The Company's equity in income				
(loss) of joint ventures reported in:				
Continuing operations	<u>\$ (54)</u>	<u>\$ (19)</u>	<u>\$ (117)</u>	<u>\$ (9)</u>
Discontinued operations	<u>\$ 175</u>	<u>\$ 145</u>	<u>\$ 625</u>	<u>\$ 445</u>

Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company.

7. Borrowings

Each of the existing mortgage loans is secured by a mortgage on one or more of the Company's properties. Certain of the mortgage loans involving an aggregate principal balance of approximately \$209,000 contain prohibitions on transfers of ownership which may have been violated by the Company's previous issuances of common stock or in connection with past acquisitions and may be violated by transactions involving the Company's capital stock in the future. If a violation were established, it could serve as a basis for a lender to accelerate amounts due under the affected mortgage. To date, no lender has notified the Company that it intends to accelerate its mortgage. Based on discussions with various lenders, current credit market conditions and other factors, the Company believes that the mortgages will not be accelerated. Accordingly, the Company believes that the violations of these prohibitions will not have a material adverse impact on the Company's results of operations or financial condition.

On February 7, 2003, the Company entered into a \$340,000 unsecured revolving credit facility with a syndicate of banks for which Wells Fargo Bank, National Association is the sole lead arranger and administrative agent. This facility bears interest at the Company's option at (i) LIBOR plus 0.65% to 1.35%, depending on the credit ratings of the Company's senior unsecured long term notes or (ii) at the greater of (x) Wells Fargo's prime rate and (y) the Federal Funds Rate plus 0.5%. The facility also includes a competitive bid option which allows the Company to conduct auctions among the participating banks for borrowings in an amount not to exceed \$150,000, a \$25,000 swing line facility for short term borrowings, a \$20,000 letter of credit commitment and may, at the request of the Company, be increased up to a total commitment of \$400,000. The facility expires February 12, 2006 with a one year extension option. In addition, the facility contains customary covenants, including financial covenants regarding debt levels, total liabilities, interest coverage, EBITDA levels, unencumbered properties, permitted investments and others. The facility also prohibits stockholder distributions in excess of 95% of funds from operations calculated at the end of each fiscal quarter for the four fiscal quarters then ending. Notwithstanding this limitation, the Company can make stockholder distributions to avoid income taxes on asset sales. If a default under

the facility exists, the Company's ability to pay dividends would be limited to the amount necessary to maintain the Company's status as a REIT unless the default is a payment default or bankruptcy event in which case the Company would be prohibited from paying any dividends. The facility is guaranteed by most of the Company's wholly-owned subsidiaries. As of September 30, 2003, the Company had \$138,000 outstanding on this credit facility. The weighted average interest rate of as of September 30, 2003 was 2.17%, including the effect of the interest rate hedges.

As a result of the Company's merger with IRT, the Company assumed IRT's obligations relating to \$150,000 principal amount of senior notes, bearing interest at fixed interest rates ranging from 7.25% to 7.84% and maturing between 2006 and 2012. The interest rate of one series of these senior notes is subject to a 50 basis point increase if the Company does not maintain an investment grade debt rating. These notes have also been guaranteed by most of the Company's wholly-owned subsidiaries. Also, as part of the Company's merger with IRT, the Company assumed \$135,397 of mortgage notes payable.

As of September 30, 2003, the Company had a \$5,000 unsecured credit facility, none of which is outstanding, with City National Bank of Florida. This facility also provides collateral for \$1,378 in outstanding letters of credit.

8. Consolidating Financial Information

As of September 30, 2003, most of the Company's subsidiaries, including IRT Partners L.P., have guaranteed the Company's indebtedness under the unsecured senior debt. The guarantees are joint and several and full and unconditional.

Condensed Balance Sheet As of September 30, 2003	Guarantors			Non Guaran- tors	Eliminating Entries	Consolidated Equity One
	Equity One, Inc.	Combined Subsidiaries	IRT Partners, LP			
ASSETS						
Properties, net.....	\$516,904	\$ 509,446	\$ 183,649	\$ 341,422	\$ -	\$1,551,421
Investment in affiliates	435,752	-	-	-	(435,752)	-
Other assets	29,619	26,180	3,300	12,654	-	71,753
Total	<u>\$982,275</u>	<u>\$ 535,626</u>	<u>\$ 186,949</u>	<u>\$ 354,076</u>	<u>\$(435,752)</u>	<u>\$1,623,174</u>
LIABILITIES						
Mortgage notes payable.....	\$ 82,232	\$ 145,253	\$ 34,555	\$ 179,413	\$ -	\$ 441,453
Unsecured revolving credit facilities	138,000	-	-	-	-	138,000
Unsecured senior notes, net.....	150,000	-	-	-	-	150,000
Unamortized premium on notes payable.....	15,115	3,129	4,803	-	-	23,047
Other liabilities	16,420	13,952	3,426	10,764	-	44,562
Total liabilities	<u>401,767</u>	<u>162,334</u>	<u>42,784</u>	<u>190,177</u>	<u>-</u>	<u>797,062</u>
MINORITY INTEREST	-	-	-	-	12,755	12,755
STOCKHOLDER'S EQUITY						
Total stockholders' equity.....	<u>580,508</u>	<u>373,292</u>	<u>144,165</u>	<u>163,899</u>	<u>(448,507)</u>	<u>813,357</u>
Total.....	<u>\$982,275</u>	<u>\$ 535,626</u>	<u>\$ 186,949</u>	<u>\$ 354,076</u>	<u>\$(435,752)</u>	<u>\$1,623,174</u>

Condensed Statement of Operations	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
For the Three Months Ended September 30, 2003					
RENTAL REVENUE:					
Minimum rents	\$ 13,044	\$ 12,814	\$ 4,660	\$ 8,985	\$ 39,503
Expense recoveries	3,165	3,127	1,417	2,989	10,698
Termination fees	108	26	17	153	304
Percentage rent payments	194	81	23	26	324
Total rental revenue	<u>16,511</u>	<u>16,048</u>	<u>6,117</u>	<u>12,153</u>	<u>50,829</u>
COSTS AND EXPENSES:					
Property operating expenses	4,312	4,036	1,724	4,064	14,136
Interest expense	3,684	2,348	591	3,544	10,167
Amortization of deferred financing fees	149	66	-	44	259
Rental property depreciation and amortization	2,399	2,657	799	1,680	7,535
General and administrative expenses	2,630	92	15	-	2,737
Total costs and expenses	<u>13,174</u>	<u>9,199</u>	<u>3,129</u>	<u>9,332</u>	<u>34,834</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST	3,337	6,849	2,988	2,821	15,995
OTHER INCOME AND EXPENSES:					
Investment income	(67)	131	-	2	66
Other income	7	24	-	17	48
Equity in loss of joint ventures	-	(54)	-	-	(54)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST	<u>3,277</u>	<u>6,950</u>	<u>2,988</u>	<u>2,840</u>	<u>16,055</u>
DISCONTINUED OPERATIONS					
Income from operations of sold properties	-	212	-	-	212
Gain on disposal of income producing properties	-	1,209	-	-	1,209
Total income from discontinued operations	<u>-</u>	<u>1,421</u>	<u>-</u>	<u>-</u>	<u>1,421</u>
INCOME BEFORE MINORITY INTEREST	3,277	8,371	2,988	2,840	17,476
MINORITY INTEREST	-	(25)	(164)	(38)	(227)
NET INCOME	<u>\$ 3,277</u>	<u>8,346</u>	<u>\$ 2,824</u>	<u>\$ 2,802</u>	<u>\$ 17,249</u>

Condensed Statement of Operations	Equity One Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
For the Nine Months Ended September 30, 2003					
RENTAL REVENUE:					
Minimum rents	\$ 33,161	\$ 36,159	\$ 11,797	\$ 24,591	\$ 105,708
Expense recoveries	7,806	10,154	3,371	7,916	29,247
Termination fees	172	383	22	224	801
Percentage rent payments	472	419	303	606	1,800
Total rental revenue	<u>41,611</u>	<u>47,115</u>	<u>15,493</u>	<u>33,337</u>	<u>137,556</u>
COSTS AND EXPENSES:					
Property operating expenses	11,153	11,866	4,406	10,991	38,416
Interest expense	9,646	6,727	1,563	10,662	28,598
Amortization of deferred financing fees	458	246	1	148	853
Rental property depreciation and amortization	5,737	7,322	1,949	4,568	19,576
General and administrative expenses	7,845	75	16	-	7,936
Total costs and expenses	<u>34,839</u>	<u>26,236</u>	<u>7,935</u>	<u>26,369</u>	<u>95,379</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST	6,772	20,879	7,558	6,968	42,177
OTHER INCOME AND EXPENSES:					
Investment income	333	523	71	13	940
Other income	72	49	-	17	138
Equity in loss of joint ventures	-	(117)	-	-	(117)
Loss on extinguishment of debt	-	(513)	-	(110)	(623)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST	<u>7,177</u>	<u>20,821</u>	<u>7,629</u>	<u>6,888</u>	<u>42,515</u>
DISCONTINUED OPERATIONS					
Income from operations of sold properties	-	953	-	-	953
Gain on disposal of income producing properties	-	3,083	-	-	3,083
Total income from discontinued operations	-	<u>4,036</u>	-	-	<u>4,036</u>
INCOME BEFORE MINORITY INTEREST	7,177	24,857	7,629	6,888	46,551
MINORITY INTEREST	-	(488)	-	(118)	(606)
NET INCOME	<u>\$ 7,177</u>	<u>\$ 24,369</u>	<u>\$ 7,629</u>	<u>\$ 6,770</u>	<u>\$ 45,945</u>

9. Stockholders' Equity and Earnings Per Share

The following table reflects the change in number of shares of common stock outstanding for the nine months ended September 30, 2003:

	<u>Common Stock</u>	<u>Options Exercised</u>	<u>Total</u>
Board of Directors	24*	16	40*
Officers	403*	269	672*
Employees and other	35*	381	416*
Exercise of OP units	262	-	262
IRT acquisition	17,490	-	17,490
Private placement	6,911	-	6,911
Security offerings	6,000	-	6,000
Dividend Reinvestment and Stock Purchase Plan	1,986	-	1,986
Total	<u>33,111</u>	<u>666</u>	<u>33,777</u>

* Reflects shares of "restricted stock" which are subject to forfeiture and vest over periods from two to five years.

The following table sets forth the computation of basic and diluted shares used in computing earnings per share for the three and nine-month periods ended September 30, 2003 and 2002:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Denominator for basic earnings per share – weighted average shares	<u>63,777</u>	<u>33,926</u>	<u>57,348</u>	<u>32,195</u>
Walden Woods Village, Ltd	94	94	94	94
Unvested restricted stock	492	389	490	268
Convertible partnership units	734	262	619	262
Stock options (using treasury method)	426	114	426	137
Subtotal	<u>1,746</u>	<u>859</u>	<u>1,629</u>	<u>761</u>
Denominator for diluted earnings per share – weighted average shares	<u>65,523</u>	<u>34,785</u>	<u>58,977</u>	<u>32,956</u>

10. Accounting for Stock Options

The Company applies the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in measuring stock-based compensation, including options. Accordingly, no compensation expense has been recognized for options granted under the Company's compensation plan as no grants were made at less than market value. Had compensation expense been determined based upon the fair value at the grant date for awards under the Plan consistent with SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company's net income and earnings per share on a pro forma basis would have been:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2003	2002	2003	2002
Net Income	As reported.....	\$ 17,249	\$ 10,926	\$ 45,945	\$ 32,631
	Stock based employee compensation expense included in reported net income	-	-	-	-
	Total stock based employee compensation expense determined under fair value based method for all awards.....	278	419	614	557
	Pro forma	<u>\$ 16,971</u>	<u>\$ 10,507</u>	<u>\$ 45,331</u>	<u>\$ 32,074</u>
Basic earnings per share	As reported.....	<u>\$ 0.27</u>	<u>\$ 0.32</u>	<u>\$ 0.80</u>	<u>\$ 1.01</u>
	Pro forma	<u>\$ 0.27</u>	<u>\$ 0.31</u>	<u>\$ 0.79</u>	<u>\$ 1.00</u>
Diluted earnings per share	As reported.....	<u>\$ 0.27</u>	<u>\$ 0.32</u>	<u>\$ 0.79</u>	<u>\$ 1.00</u>
	Pro forma	<u>\$ 0.26</u>	<u>\$ 0.30</u>	<u>\$ 0.78</u>	<u>\$ 0.98</u>

11. Loans to Executives

As a result of certain provisions of the Sarbanes-Oxley Act of 2002, the Company is generally prohibited from making loans to directors and executive officers. Prior to the adoption of the Sarbanes-Oxley Act of 2002, the Company had loaned \$7,112 to various executives in connection with their exercise of options to purchase shares of the Company's common stock of which \$3,505 has been repaid during 2003. The notes bear interest at a rate of 5%. Interest only is payable quarterly and the principal is due between 2006 and 2009. In accordance with the provisions of the Sarbanes-Oxley Act of 2002, there have been no material modifications to any of the terms of the loans granted to our executives.

12. Minority Interest

On December 30, 1998, a wholly owned subsidiary of the Company, Equity One (Walden Woods) Inc. (the "Walden Woods General Partner"), formed a limited partnership, in which a retail shopping center was contributed by its owners (the "Walden Woods Minority Partners"), and the Walden Woods General Partner contributed 93.656 shares of Company common stock at an agreed-upon price of \$10.30 per share. Based on this per share price and the net asset value of the property contributed by the Walden Woods Minority Partners, each of the partners received 93.656 limited partnership units. The Company and the Walden Woods Minority Partners have entered into an agreement (the "Redemption Agreement") whereby the Walden Woods Minority Partners can request that the Company purchase either their limited partnership units or any shares of Company common stock which they have received in exchange for their limited partnership units at a price of \$10.30 per unit or per share no earlier than two years, nor later than fifteen years, after the exchange date of January 1, 1999. As a result of the Redemption Agreement, the minority interest has been presented in the accompanying condensed consolidated balance sheet. In addition, under the terms of the limited partnership agreement, the Walden Woods Minority Partners do not have an interest in the common stock of the Company except to the extent of dividends declared on such common stock. Accordingly, a preference in earnings has been allocated to the Walden Woods Minority Partners to the extent of the dividends declared. The 93.656 shares of common stock of the Company held by the consolidated limited partnership are not considered outstanding in the calculation of basic earnings per share.

On December 5, 2000, a wholly owned subsidiary of the Company, Equity One (North Port) Inc., entered into a limited partnership (the “Shoppes of North Port, Ltd.”) as a general partner. An income producing shopping center was contributed by its owners (the “North Port Minority Partners”) and the Company contributed an income producing property to a limited liability wholly owned by the Shoppes of North Port, Ltd. Both the North Port Minority Partners and the general partner were issued 261.850 operating partnership units (“OPUs”) based on the net value of the properties contributed. The North Port Minority Partners had the right to redeem their OPUs for the Company’s common stock on a one-for-one basis or for cash at an agreed upon price of \$11.00 per share no earlier than December 10, 2001, nor later than three and one half years thereafter. The North Port Minority Partners received a preferred quarterly distribution equal to a 9% annual return on their initial capital contribution through December 31, 2002. On January 1, 2003, the preferred distribution was reduced to a 3% annual return on their initial capital contribution. This amount is reflected as interest expense in the condensed consolidated financial statements. During July 2003, North Port Minority Partners redeemed their OPUs in exchange for 261.850 shares of the Company’s common stock.

The Company is the general partner of IRT Partners L.P. (“LP”) and maintains an indirect partnership interest through its wholly-owned subsidiary, IRT Management Company. LP was formed in order to enhance the acquisition opportunities of the Company through a downREIT structure. This structure offers potential sellers of properties the ability to make a tax-deferred sale of their real estate properties in exchange for limited partnership units (“OP Units”) of LP. As of September 30, 2003, there were 734.266 OP Units outstanding held by partners not affiliated with the Company. LP is obligated to redeem each OP Unit held by a person other than the Company, at the request of the holder, for cash equal to the fair market value of a share of the Company’s common stock at the time of such redemption, provided that the Company may elect to acquire any such OP Unit presented for redemption for one share of common stock. Such limited partnership interest of 5.59% of LP are held by persons unaffiliated with the Company and are reflected as a minority interest in the consolidated subsidiaries in the accompanying condensed consolidated balance sheets.

The Company also records a minority interest for the limited partners’ share of equity in two separate general partnerships in which it controls and is the primary beneficiary. The two partnerships in which the Company has a partnership interest are Venice Plaza (75% interest) and North Village Center (49% interest). The minority interest has been presented in the accompanying condensed consolidated balance sheet.

13. Dispositions

The Company has adopted SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, effective January 1, 2002, and has included the operations of properties sold and held for sale, as well as the gain on sale of sold properties, as discontinued operations for all periods presented. The Company expects to reclassify historical operating results whenever necessary in order to comply with the requirements of SFAS No. 144.

The following table reflects the properties being reported in discontinued operations for the three and nine-month periods ended September 30, 2003 and 2002:

<u>Property</u>	<u>Location</u>	<u>Date Sold</u>	<u>Square Feet/ Acres</u>	<u>Gross Sales Price</u>	<u>Gain On Sale</u>
2003 Dispositions					
Eckerd	Leesburg, FL	February	12,739	\$ 4,050	\$ 326
Eckerd	Melbourne, FL	February	10,908	2,715	177
First quarter 2003				<u>6,765</u>	<u>503</u>
Pompano.....	Pompano Beach,	April	80,697	3,400	470
Huntcrest-Outparcels	Huntcrest, GA	May	2.94 acres	1,686	-
Oak Square Joint Venture	Gainesville, FL	June	n/a	2,230	901
Second quarter 2003				<u>7,316</u>	<u>1,371</u>
CDG (Park Place) LLC JV.....	Plano, TX	September	n/a	4,434	1,209
Heritage Walk	Milledgeville, GA	Under contract	151,191	10,000	-
Third quarter 2003				<u>14,434</u>	<u>1,209</u>
Total				<u>\$ 28,515</u>	<u>\$ 3,083</u>

<u>Property</u>	<u>Location</u>	<u>Date Sold</u>	<u>Square Feet/ Acres</u>	<u>Gross Sales Price</u>	<u>Gain On Sale</u>
2002 Dispositions					
Equity One Office.....	Miami Beach, FL	February	28,780	\$ 6,050	\$ 4,396
Olive land.....	Miami, FL	February	6.79 acres	1,900	694
Benbrook.....	Fort Worth, TX	February	247,422	2,590	1,032
Montclair apartments.....	Miami Beach, FL	September	9,375	2,450	981
Shoppes of Westburry.....	Miami, FL	July	33,706	5,220	167
Forest Edge.....	Orlando, FL	July	68,631	3,475	561
Northwest Crossing.....	Dallas, TX	September	33,366	2,350	363
McMinn Plaza.....	Athens, TN	November	107,200	6,200	951
Woodforest.....	Houston, TX	December	12,741	1,850	119
Total.....				<u>\$ 32,085</u>	<u>\$ 9,264</u>

The Company classified the results of operations from the properties sold during 2002 and 2003 as income from discontinued operations in the accompanying condensed consolidated statements of operations. The effect of the adoption of SFAS No. 144 on the condensed consolidated statements of operations is shown below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Rental revenue.....	<u>\$ 273</u>	<u>\$ 744</u>	<u>\$ 954</u>	<u>\$ 3,271</u>
Property operating expenses.....	66	153	167	791
Interest expense.....	131	47	328	262
Amortization of deferred financing fees.....	-	59	1	67
Rental property depreciation and amortization.....	39	104	130	351
Total expenses.....	<u>236</u>	<u>363</u>	<u>626</u>	<u>1,471</u>
Equity in income of joint ventures.....	<u>175</u>	<u>145</u>	<u>625</u>	<u>445</u>
Income from discontinued operations.....	<u>\$ 212</u>	<u>\$ 526</u>	<u>\$ 953</u>	<u>\$ 2,245</u>

14. Debt Extinguishment

For the nine months ended September 30, 2003, the Company prepaid various mortgage notes payable and incurred prepayment fees of \$623. The Company has adopted SFAS No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections*, and is reporting the loss on extinguishment of debt as part of ordinary income as it no longer meets the criteria for extraordinary gain (loss) accounting treatment.

15. New Accounting Pronouncements and Changes

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections* which rescinds FASB Statement No. 4, *Reporting Gains and Losses from Extinguishment of Debt*, and an amendment of that Statement, FASB Statement No. 64, *Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements*. It also rescinds FASB Statement No. 44, *Accounting for Intangible Assets of Motor Carriers*, and amends FASB Statement No. 13, *Accounting for Leases*. Finally SFAS No. 145 amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions related to the rescission of FASB Statement No. 4 and its amendment Statement No. 64 is effective for fiscal years beginning after May 15, 2002. The Company adopted SFAS No. 145 as of July 2002 and has reflected gains (losses) from extinguishment of debt as part of ordinary income.

In November 2002, FASB issued FASB Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantee's of Indebtedness of Other's (an*

interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34). FIN 45 clarifies the requirements of FASB Statement No. 5, *Accounting for Contingencies*. It requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee regardless of whether or not the guarantor receives separate identifiable consideration (i.e., a premium). The Company adopted the new disclosure requirements, which are effective beginning with 2002 calendar year-end financials. FIN 45's provisions for initial recognition and measurement are effective on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a material impact on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*. This Statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirement of SFAS No. 123, *Accounting for Stock-Based Compensation*, to require prominent disclosure in both annual and interim financial statements about the effect of the method used on reported results. SFAS No. 148 is effective for financial statements issued for fiscal years ending after December 15, 2002 and, as it relates to Opinion No. 28, *Interim Financial Reporting*, the interim periods beginning after December 15, 2002, although earlier application is encouraged. The Company applies the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in measuring stock-based compensation. The Company has adopted the disclosure requirements of SFAS No. 148 in its financial statements.

In January 2003, FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"), an interpretation of ABR 51. FIN 46 provides guidance on identifying entities for which control is achieved through means other than through voting rights, variable interest entities ("VIE"), and how to determine when and which business enterprises should consolidate the VIE. In addition, FIN 46 requires both the primary beneficiary and all other enterprises with a significant variable interest in a VIE to make additional disclosures. The transitional disclosure requirements will take effect almost immediately and are required for all financial statements issued after January 31, 2003. The consolidated provisions of FIN 46 are effective immediately for variable interests in VIEs created after January 31, 2003. For variable interests in VIEs created before February 1, 2003, the provisions of FIN 46 are effective for the first interim or annual period ending after December 15, 2003. The Company has evaluated the effect of FIN 46 and has determined where it is the primary beneficiary and has consolidated those VIE's. Where the Company has determined it is not the primary beneficiary of the VIE, it reports the VIE under the equity method. The Company has not become a party to any VIE's during 2003.

In April 2003, FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which clarifies the accounting and reporting for derivative instruments, including derivative instruments that are embedded in contracts. This statement is effective for contracts entered into or modified after June 30, 2003. The Company adopted this pronouncement beginning July 1, 2003. The adoption of SFAS No. 149 did not have a material impact on the Company's financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. This statement establishes standards for the classification and measurement of financial instruments that possess characteristics similar to both liability and equity instruments. SFAS No. 150 also addresses the classification of certain financial instruments that include an obligation to issue equity shares. On October 29, 2003, the FASB voted to defer, for an indefinite period, the application of the guidance in FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. The FASB decided to defer the application of the aspect of Statement 150 until it could consider some of the resulting implementation issues.

16. Commitments and Contingencies

As of September 30, 2003, the Company has pledged letters of credit totaling \$1,433 as additional security for certain financings and other activities.

The Company is subject to litigation in the normal course of business, none of which in the opinion of management will have a material adverse effect on the financial condition or results of operations of the Company.

Following the execution of the merger agreement with IRT in October 2002, three IRT shareholders filed three separate purported class action and derivative suits in the Superior Court of Cobb County, State of Georgia, against IRT, IRT's board of directors and Equity One alleging claims of breach of fiduciary duty by the defendant directors, unjust enrichment and irreparable harm. The complaints sought declaratory relief, an order enjoining consummation of the merger, and unspecified damages. Although the Georgia court did not grant the plaintiffs the equitable relief requested and permitted the completion of the merger, two of these lawsuits, Greaves v. IRT Property Company, et. al. and Phillips v. IRT Property Company, et. al., were still pending following the merger. The third lawsuit was voluntarily dismissed. Following the execution in August 2003 of a settlement agreement among the parties to the lawsuits, on September 23, 2003, the superior court approved dismissals with prejudice of these two lawsuits. All settlement related costs were paid by IRT's former insurance carrier.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following discussion should be read in conjunction with the Company's unaudited Condensed Consolidated Financial Statements, including the notes thereto, which are included elsewhere herein and the Company's audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2002 and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the Company's Current Report on Form 8-K filed September 19, 2003. The results of operations for an interim period may not give a true indication of results for the year.

Unless the context otherwise requires, all references to "we," "our," "us," "Equity One," and the "Company" in this report refer collectively to Equity One Inc., and its subsidiaries, including joint ventures.

RESULTS OF OPERATIONS

On February 12, 2003, Equity One, Inc. and IRT Property Company completed a statutory merger. The transaction has been accounted for as a purchase and the results of Equity One include the activity of IRT for the period February 12, 2003 through September 30, 2003.

Three Months Ended September 30, 2003 Compared to Three Months Ended September 30, 2002

Total rental revenue increased by \$25.8 million, or 103.4%, to \$50.8 million in 2003 from \$25.0 million in 2002. The following factors accounted for this difference:

- The acquisition of IRT increased revenue by approximately \$22.9 million;
- Properties acquired during 2003 increased revenue by approximately \$2.7 million; and
- Other property rental revenue increased by \$270,000 related to an increase in expense recoveries.

Property operating expenses increased by \$6.7 million, or 90.7%, to \$14.1 million for 2003 from \$7.4 million in 2002. The following factors accounted for this difference:

- The acquisition of IRT increased operating expenses by approximately \$6.1 million;
- Properties acquired during 2003 increased operating expenses by approximately \$737,000; and
- Other property operating expenses decreased by \$153,000.

Rental property depreciation and amortization increased by \$4.1 million, or 119.8%, to \$7.5 million for 2003 from \$3.4 million in 2002. The following factors accounted for this difference:

- The acquisition of IRT increased depreciation and amortization by approximately \$3.2 million;

- Properties acquired during 2003 increased depreciation and amortization by approximately \$483,000; and
- Other property depreciation and amortization increased by approximately \$471,000.

Interest expense increased by \$5.0 million, or 95.2%, to \$10.2 million for 2003 from \$5.2 million in 2002. This difference was primarily due to:

- An increase in interest expense of \$4.3 million as a result of the assumption of mortgage loans and senior unsecured debt in the acquisition of IRT;
- Interest incurred on the debt related to the acquisition of properties during 2003 of \$784,000;
- An increase in revolving credit facility interest of \$581,000 primarily related to the acquisition of IRT and payoff of various mortgage loans; and
- These increases to interest expense were partially offset by an increase in capitalized interest of \$139,000 related to development activity and the payoff of various loans decreasing interest expense by \$526,000.

General and administrative expenses increased by \$1.3 million, or 90.7%, to \$2.7 million for 2003 from \$1.4 million in 2002. Compensation and employer related expenses increased by \$795,000 and other general office expenses increased by \$505,000. These expense increases were due to the increase in staffing resulting from the IRT acquisition.

Investment income decreased by \$386,000 due to the principal repayments received on notes receivable.

During 2002, we settled a mortgage note at a discount and recognized a gain on the extinguishment of debt of \$1.5 million.

We sold a property held in a joint venture and have one property that is held for sale for the three month period ended September 30, 2003, the operating results of \$212,000 are being reflected as income from operations of sold properties. The sale by the joint venture produced a gain of \$1.2 million for 2003. The 2002 discontinued operations reflect a reclassification of operations for properties sold during 2002 and 2003. We recognized a gain of \$1.1 million in 2002 related to a gain on the disposal of properties sold during 2002.

Minority interest increased by \$202,000 due to minority interests assumed in the acquisition of IRT.

As a result of the foregoing, net income increased by \$6.3 million, or 57.9%, to \$17.2 million for 2003 from \$10.9 million in 2002.

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Total rental revenue increased by \$64.6 million, or 88.3%, to \$137.6 million in 2003 from \$73.0 million in 2002. The following factors accounted for this difference:

- The acquisition of IRT increased revenue by approximately \$58.4 million;
- Properties acquired during 2002 increased revenue by approximately \$3.7 million;
- Properties acquired during 2003 increased revenue by approximately \$2.7 million; and
- Other property rental revenue decreased by \$243,000 related to a decrease in percentage rent and expense recoveries.

Property operating expenses increased by \$16.8 million, or 78.2%, to \$38.4 million for 2003 from \$21.6 million in 2002. The following factors accounted for this difference:

- The acquisition of IRT increased operating expenses by approximately \$16.4 million;
- Properties acquired during 2002 increased operating expenses by approximately \$1.2 million;
- Properties acquired during 2003 increased operating expenses by \$737,000; and
- Other property operating expenses decreased by \$1.4 million.

Rental property depreciation and amortization increased by \$9.6 million, or 96.7%, to \$19.6 million for 2003 from \$10.0 million in 2002. The following factors accounted for this difference:

- The acquisition of IRT increased depreciation and amortization by approximately \$7.6 million;
- Properties acquired during 2002 increased depreciation and amortization by approximately \$476,000;
- Properties acquired during 2003 increased depreciation and amortization by \$483,000; and
- Other property depreciation and amortization increased by approximately \$1.1 million.

Interest expense increased by \$12.0 million, or 72.1%, to \$28.6 million for 2003 from \$16.6 million in 2002. This difference was primarily due to:

- An increase in interest expense of \$11.2 million as a result of the assumption of mortgage loans and senior unsecured debt in the acquisition of IRT;
- Interest incurred on the debt related to the acquisition of properties made during 2002 of \$1.1 million;
- An increase in line of credit interest of \$1.4 million primarily relating to the acquisition of IRT; and
- These increases to interest expenses were partially offset by an increase in capitalized interest of \$200,000 related to development activity and the payoff of various loans decreasing interest expense by \$1.5 million.

General and administrative expenses increased by \$2.9 million, or 58.1%, to \$7.9 million for 2003 from \$5.0 million in 2002. Compensation and employer related expenses increased by \$2.5 million and other general office expenses increased by \$969,000. These expense increases were partially due to the increase in staffing resulting from the IRT acquisition. There was a decrease of \$569,000 relating to the write off of pre-acquisition costs in 2002.

Investment income decreased by \$317,000 due to the principal repayments received on notes receivable.

During 2003, we repaid various mortgage notes payable and incurred prepayment fees of \$623,000. During 2002, we settled a mortgage note at a discount and recognized a gain on the extinguishment of debt of \$1.5 million.

We sold four properties, a property held by a joint venture and a joint venture interest during 2003, the associated operating results of \$953,000 is reflected as income from operations of sold properties for the nine-month period ended September 30, 2003. The sale of these properties and the joint venture interest produced a gain of \$3.1 million for 2003. The 2002 discontinued operations reflect a reclassification of the operations for properties sold during 2002 and 2003. We recognized a gain of \$8.2 million in 2002 related to the disposal of properties.

Minority interest increased by \$530,000 due to minority interests assumed in the acquisition of IRT.

As a result of the foregoing, net income increased by \$13.3 million, or 40.8%, to \$45.9 million for 2003 from \$32.6 million in 2002.

FUNDS FROM OPERATIONS

We believe Funds From Operations (“FFO”) (combined with the primary GAAP presentations) is a useful supplemental measure of our operating performance that is a recognized metric used extensively by the real estate industry, in particular, REITs. Accounting for real estate assets using historical cost accounting under accounting principles generally accepted in the United States of America (“GAAP”) assumes that the value of real estate diminishes predictably over time. The National Association of Real Estate Investment Trusts (“NAREIT”) stated in its April 2002 White Paper on Funds from Operations “since real estate values ...have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves.”

FFO, as defined by NAREIT, is “net income (computed in accordance with GAAP), excluding (gains or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis.” We believe that financial analysts, investors and stockholders are better served by the clearer presentation of comparable period operating results generated from our FFO measure. Our method of calculating FFO may be different from methods used by other REITs and accordingly, may not be comparable to such other REITs.

FFO is presented to assist investors in analyzing our performance and to provide an indication of our ability to fund capital expenditures, distribution requirements and other cash needs. FFO (i) does not represent cash flow from operations as defined by GAAP, (ii) is not indicative of cash available to fund all cash flow needs and liquidity, including the ability to make distributions, and (iii) should not be considered as an alternative to net income (which is determined in accordance with GAAP) for purposes of evaluating our operating performance. We believe net income is the most directly comparable GAAP measure to FFO.

The following table illustrates the calculation of FFO for the three and nine-month periods ended September 30, 2003 and 2002:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net income	\$ 17,249	\$ 10,926	\$ 45,945	\$ 32,631
Adjustments:				
Rental property depreciation and amortization, including discontinued operations.....	7,574	3,532	19,706	10,304
Gain on disposal of income producing properties	(1,209)	(1,091)	(3,083)	(8,194)
Minority interest.....	227	25	606	76
Other Items:				
Interest on convertible partnership units	-	64	43	194
Pro-rata share of real estate depreciation from joint ventures	83	152	383	466
Funds from operations	<u>\$ 23,924</u>	<u>\$ 13,608</u>	<u>\$ 63,600</u>	<u>\$ 35,477</u>

FFO increased by \$10.3 million, or 75.8%, to \$23.9 million for the three months ended September 30, 2003, from \$13.6 million for the comparable period of 2002. FFO increased by \$28.1 million, or 79.3%, to \$63.6 million for the nine months ended September 30, 2003, from \$35.5 million for the comparable period of 2002. The increase is primarily the result of the inclusion of IRT’s results for the current period and 2002 and 2003 acquisitions, and the increases in income described above.

The following table reflects the reconciliation of FFO per diluted share to earnings per diluted share, the most directly comparable GAAP measure, for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Earnings per diluted share*	\$ 0.27	\$ 0.32	\$ 0.79	\$ 1.00
Adjustments:				
Rental property depreciation and amortization, including discontinued operations	0.12	0.10	0.33	0.31
Gain on disposal of income producing properties	(0.02)	(0.03)	(0.05)	(0.25)
Pro-rata share of real estate depreciation of joint ventures	-	-	0.01	0.02
Funds from operations per diluted share	<u>\$ 0.37</u>	<u>\$ 0.39</u>	<u>\$ 1.08</u>	<u>\$ 1.08</u>

* Earnings per diluted share reflect the add-back of interest on convertible partnership units and the minority interest(s) in earnings of consolidated subsidiaries which are convertible to shares of our common stock.

CASH FLOW

Net cash provided by operations of \$61.6 million for the nine months ended September 30, 2003 included: (i) net income of \$45.9 million, (ii) adjustments for non-cash and gain on sale items which increased cash flow by \$17.4 million, offset by an increase in operating assets over operating liabilities of \$1.7 million, compared to net cash provided by operations of \$36.8 million for the nine months ended September 30, 2002, which included (i) net income of \$32.6 million, (ii) adjustments for non-cash items which increased cash flow by \$1.8 million, and (iii) an increase in operating liabilities over operating assets of \$2.4 million.

Net cash used in investing activities of \$298.4 million for the nine months ended September 30, 2003 included: (i) the acquisition of one parcel of land held for future development, an outparcel, a grocery store building at one of our existing centers and four shopping centers for \$116.9 million, (ii) construction, development and other capital improvements of \$22.5 million and (iii) the acquisition of IRT for \$187.6 million, net of cash received, and (iv) increased leasing costs of \$2.7 million, offset by (a) proceeds from the sale of four properties and a joint venture interest of \$13.7 million, (b) proceeds from escrowed funds on sale of properties to utilize tax deferred exchanges for \$12.9 million, (c) proceeds from payment of notes receivable of \$2.8 million and (d) proceeds from other sources of \$1.9 million. These amounts should be compared to net cash used in investing activities of \$46.4 million for the nine months ended September 30, 2002 which included: (i) the acquisition of two drugstores, four shopping centers and three parcels of land for \$59.4 million (ii) construction, development and other capital improvements of \$9.3 million, and (iii) increased leasing costs of \$831,000, offset by proceeds from the sale of three properties of \$19.5 million and proceeds from escrow and other sources of \$3.6 million.

Net cash provided by financing activities of \$233.9 million for the nine months ended September 30, 2003 included: (i) net borrowings on the revolving credit facilities of \$115.0 million, less the pay down of \$8.0 million on the credit facility assumed in the IRT merger, (ii) net proceeds from the issuance of common stock of \$230.9 million, and (iii) proceeds from repayment of notes receivable of \$3.5 million, offset by (a) the payoff of nine mortgage notes for \$48.4 million and monthly principal payments on mortgage notes of \$6.0 million, (b) cash dividends paid to common stockholders of \$1.4 million, and (c) other miscellaneous uses of \$1.7 million, compared to net cash used by financing activities of \$10.2 million for the nine months ended September 30, 2002 which included: (i) net proceeds from issuance of common stock of \$64.5 million, (ii) net borrowings on the revolving credit facilities of \$9.1 million and (iii) new mortgage note borrowings of \$6.1 million, offset by (a) the payoff of ten mortgage notes for \$37.7 million and monthly principal payments on mortgage notes of \$4.2 million, (b) cash dividends paid to common stockholders of \$26.4 million, and (c) other miscellaneous uses of \$1.2 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal demands for liquidity are maintenance expenditures, repairs, property taxes and tenant improvements relating to rental properties, leasing costs, acquisition and development activities, debt service and repayment obligations and distributions to its stockholders. The principal sources of funding for the Company's operations are operating cash flows, the issuance of equity and debt securities, the placement of mortgage loans and periodic borrowings under the Company's revolving credit facilities.

DEBT

On February 7, 2003, the Company entered into a \$340.0 million unsecured revolving credit facility with a syndicate of banks for which Wells Fargo Bank, National Association is the sole lead arranger and administrative agent. This facility bears interest at the Company's option at (i) LIBOR plus 0.65% to 1.35%, depending on the credit ratings of the Company's senior unsecured long term notes or (ii) at the greater of (x) Wells Fargo's prime rate and (y) the Federal Funds Rate plus 0.5%. The facility also includes a competitive bid option which allows the Company to conduct auctions among the participating banks for borrowings in an amount not to exceed \$150.0 million, a \$25.0 million swing line facility for short term borrowings, a \$20.0 million letter of credit commitment and may, at the request of the Company, be increased up to a total commitment of \$400.0 million. The facility expires February 12, 2006 with a one year extension option. In addition, the facility contains customary covenants, including financial covenants regarding debt levels, total liabilities, interest coverage, EBITDA levels, unencumbered properties, permitted investments and others. The facility also prohibits stockholder distributions in excess of 95% of funds from operations calculated at the end of each fiscal quarter for the four fiscal quarters then ending. Notwithstanding this limitation, the Company can make stockholder distributions to avoid income taxes on asset sales. If a default under the facility exists, the Company's ability to pay dividends would be limited to the amount necessary to maintain the Company's status as a REIT unless the default is a payment default or bankruptcy event in which case the Company would be prohibited from paying any dividends. The facility is guaranteed by most of the Company's wholly-owned subsidiaries. As of September 30, 2003, the Company had \$138 million outstanding on this credit facility. The weighted average interest rate as September 30, 2003 was 2.17%.

As of September 30, 2003, the Company had a \$5.0 million unsecured credit facility with City National Bank of Florida. This facility also secures \$1.4 million in outstanding letters of credit.

Our revolving credit facility balances as of September 30, 2003 and December 31, 2002 consisted of the following:

	<u>September 30,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
	(in thousands)	
Revolving Credit Facilities		
Wells Fargo (unsecured)	\$ 138,000	-
City National Bank	-	-
Wells Fargo (secured)	-	\$ 23,000
Total revolving credit facilities	<u>\$ 138,000</u>	<u>\$ 23,000</u>

As of September 30, 2003, the gross availability under the various credit facilities was approximately \$345 million, resulting in additional borrowing capacity of \$205.6 million, net of letters of credit.

Our mortgage and unsecured senior notes payable balances as of September 30, 2003 and December 31, 2002 consisted of the following:

	September 30, 2003	December 31, 2002
	(in thousands)	
Mortgage and Unsecured Senior Notes Payable		
Fixed rate mortgage loans.....	\$ 441,453	\$ 307,508
Unsecured senior notes payable	150,000	-
Variable rate mortgage loans.....	-	24,635
Unamortized premium on notes payable	23,047	-
Total mortgage and unsecured senior notes payable.....	<u>\$ 614,500</u>	<u>\$ 332,143</u>

As a result of the Company's merger with IRT, the Company assumed IRT's obligations relating to \$150.0 million principal amount of senior notes, bearing interest at fixed annual interest rates ranging from 7.25% to 7.84% and maturing between 2006 and 2012. The interest rate of one series of these senior notes is subject to a 50 basis point increase if the Company does not maintain an investment grade debt rating. These notes have also been guaranteed by most of the Company's wholly-owned subsidiaries. Also, as part of the Company's merger with IRT, the Company assumed \$135.4 million of mortgage notes payable.

Each of the existing mortgage loans is secured by a mortgage on one or more of certain of the Company's properties. Certain of the mortgage loans involving an aggregate principal balance of approximately \$209 million contain prohibitions on transfers of ownership which may have been violated by the Company's previous issuances of common stock or in connection with past acquisitions and may be violated by transactions involving the Company's capital stock in the future. If a violation were established, it could serve as a basis for a lender to accelerate amounts due under the affected mortgage. To date, no lender has notified the Company that it intends to accelerate its mortgage. Based on discussions with various lenders, current credit market conditions and other factors, the Company believes that the mortgages will not be accelerated. Accordingly, the Company believes that the violations of these prohibitions will not have a material adverse impact on the Company's results of operations or financial condition.

As of September 30, 2003, our total debt of \$729.5 million, divided by our gross real estate assets of \$1.6 billion equals 45.3 %.

As of September 30, 2003, scheduled principal amortization and the balances due at the maturity of our various notes payable and revolving credit facilities (excluding unamortized premium on notes payable) are as follows (in thousands):

Year	Fixed Rate Mortgage Notes	Unsecured Senior Notes	Revolving Credit Facilities	Total Principal Balance Due at Maturity
2003.....	\$ 2,156	\$ -	\$ -	\$ 2,156
2004.....	8,954	-	-	8,954
2005.....	36,595	-	-	36,595
2006.....	34,412	50,000	138,000	222,412
2007.....	12,604	75,000	-	87,604
Thereafter	<u>346,732</u>	<u>25,000</u>	<u>-</u>	<u>371,732</u>
Total.....	<u>\$ 441,453</u>	<u>\$ 150,000</u>	<u>\$ 138,000</u>	<u>\$ 729,453</u>

Our debt level could subject us to various risks, including the risk that our cash flow will be insufficient to meet required payments of principal and interest, and the risk that the resulting reduced financial flexibility could inhibit our ability to develop or improve our rental properties, withstand downturns in our rental income or take

advantage of business opportunities. In addition, because we currently anticipate that only a small portion of the principal of our indebtedness will be repaid prior to maturity, it is expected that it will be necessary to refinance the majority of our debt. Accordingly, there is a risk that such indebtedness will not be able to be refinanced or that the terms of any refinancing will not be as favorable as the terms of our current indebtedness.

DEVELOPMENT ACTIVITY

We are currently redeveloping a portion of Oakbrook Square shopping center in Palm Beach Gardens, Florida to accommodate a new Homegoods store, a new out-parcel and the re-leasing of a portion of the in-line space. We have commenced the complete redevelopment of Crossroads Square (formerly known as University Mall) in Pembroke Pines, Florida, incorporating a new Lowe's home improvement store, a new Eckerd drug store and the refurbishing of the remainder of the center. We have begun construction of a new 46,000 square foot L.A. Fitness Sports Club as part of an anticipated 120,000 square foot addition to our Shops at Skylake in North Miami Beach, Florida. We have commenced the development of a new 25,000 square foot CVS drug store-anchored center across the street from our Plaza Alegre shopping center in Miami, Florida. We are also in the process of reconfiguring and re-leasing the former Winn Dixie space at our Walden Woods shopping center in Plant City, Florida to accommodate a 20,000 square foot Dollar Tree store, a 13,000 square foot Aaron Rents store and 13,500 square feet of local space. In addition, we are in the process of completely renovating and re-leasing the former Publix space at our Gulf Gate shopping center in Naples, Florida to accommodate a 36,000 square foot Big Lots. Lastly, we are in the initial redevelopment phase of Salerno Village in Stuart, Florida to accommodate a new and expanded Winn Dixie supermarket. This development is scheduled for completion the second quarter of 2004.

As of September 30, 2003, in order to complete the construction of our active development and redevelopment projects, we have committed to fund estimated construction costs of approximately \$13.8 million. These obligations are related to construction contracts and are generally due as the work is performed. We expect to fund the costs of the development of these projects from cash generated from our operations, borrowings under our various revolving credit facilities and other sources of cash.

EQUITY

On January 23, 2002, we filed a universal shelf registration statement with the Securities and Exchange Commission, which will permit us, from time to time, to offer and sell various types of securities, including common stock, preferred stock, debt securities, depositary shares and warrants, up to a value of \$250 million.

On February 12, 2003, the Company completed a private placement of 6.911 million shares of its common stock. Three affiliated investors, Alony Hetz Properties & Investments, Ltd., Silver Maple (2001), Inc. and M.G.N. (USA) Inc. purchased 1.6 million, 1.0 million, and 4.3 million shares of common stock, respectively, at \$13.50 per share. The net proceeds of \$93 million in cash were used to fund a portion of the cost of the acquisition of IRT. The foregoing issuances were made pursuant to exemption under Section 4(2) of the Securities Act of 1933, as amended.

In May 2003, we completed the sale of 3.0 million shares of common stock at a price of \$16.22 per share in an underwritten public offering. The net proceeds of \$48.7 million from the stock offering were used for general corporate purposes, including the repayment of debt, ongoing development activities and the acquisition of additional shopping centers.

In July 2003, we filed a second universal shelf registration statement with the Securities and Exchange Commission, which will permit us, from time to time, to offer and sell various types of securities, including common stock, preferred stock, debt securities, depositary shares and warrants, up to a value of \$600 million. The registration statement provides us additional flexibility in accessing capital markets to fund future growth and for general corporate purposes. In conjunction with the \$155 million balance from our prior universal shelf registration, and after taking into account our public offering in September 2003 of \$52 million, we now have approximately \$703 million of availability under our existing shelf registration statements.

In September 2003, we completed the sale of 3.0 million shares of common stock at a price of \$17.05 per share in an underwritten public offering. The net proceeds of \$51.2 million from the stock offering were used for general corporate purposes, including the repayment of debt and, ongoing development activities.

For the three months ended September 30, 2003, we issued 1.2 million shares of our common stock at prices ranging from \$16.58 to \$16.82 per share and for the nine months ended September 30, 2003, we issued 2.0 million shares of common stock at prices ranging from \$12.76 to \$16.85 per share pursuant to our Dividend Reinvestment and Stock Purchase Plan. As of September 30, 2003, we have 3.0 million shares remaining for sale under our Dividend Reinvestment and Stock Purchase Plan.

FUTURE CAPITAL REQUIREMENTS

We believe, based on currently proposed plans and assumptions relating to our operations, that our existing financial arrangements, together with cash generated from our operations, will be sufficient to satisfy our cash requirements for a period of at least twelve months. In the event that our plans change, our assumptions change or prove to be inaccurate or cash flows from operations or amounts available under existing financing arrangements prove to be insufficient to fund our expansion and development efforts or to the extent we discover suitable acquisition targets the purchase price of which exceeds our existing liquidity, we would be required to seek additional sources of financing. There can be no assurance that any additional financing will be available on acceptable terms or at all, and any future equity financing could be dilutive to existing stockholders. If adequate funds are not available, our business operations could be materially adversely affected.

DISTRIBUTIONS

We believe that we qualify and intend to qualify as a REIT under the Internal Revenue Code. As a REIT, we are allowed to reduce taxable income by all or a portion of our distributions to stockholders. As distributions have exceeded taxable income, no provision for federal income taxes has been made. While we intend to continue to pay dividends to our stockholders, we also will reserve such amounts of cash flow as we consider necessary for the proper maintenance and improvement of our real estate and other corporate purposes, while still maintaining our qualification as a REIT.

INFLATION

Most of our leases contain provisions designed to partially mitigate the adverse impact of inflation. Such provisions include clauses enabling us to receive percentage rents based on tenant gross sales above predetermined levels, which rents generally increase as prices rise, or escalation clauses which are typically related to increases in the Consumer Price Index or similar inflation indices. Most of our leases require the tenant to pay its share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation.

Our financial results are affected by general economic conditions in the markets in which our properties are located. An economic recession, or other adverse changes in general or local economic conditions could result in the inability of some existing tenants to meet their lease obligations and could otherwise adversely affect our ability to attract or retain tenants. The properties are typically anchored by supermarkets, drug stores and other consumer necessity and service retailers which typically offer day-to-day necessities rather than luxury items. These types of tenants, in our experience, generally maintain more consistent sales performance during periods of adverse economic conditions.

CAUTIONARY STATEMENT RELATING TO FORWARD LOOKING STATEMENTS

Certain matters discussed in this Quarterly Report on Form 10-Q contain “forward-looking statements” for purposes of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations and are not guarantees of future performance.

All statements other than statements of historical facts are forward-looking statements, and can be identified by the use of forward-looking terminology such as “may,” “will,” “might,” “would,” “expect,” “anticipate,” “estimate,” “would,” “could,” “should,” “believe,” “intend,” “project,” “forecast,” “target,” “plan,” or “continue” or the negative of these words or other variations or comparable terminology, are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those projected. Because these statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied

by the forward-looking statements. We caution you not to place undue reliance on those statements, which speak only as of the date of this report.

Among the factors that could cause actual results to differ materially are:

- general economic conditions, competition and the supply of and demand for shopping center properties in our markets;
- management's ability to successfully combine and integrate the properties and operations of separate companies that we have acquired in the past or may acquire in the future;
- interest rate levels and the availability of financing;
- potential environmental liability and other risks associated with the ownership, development and acquisition of shopping center properties;
- risks that tenants will not take or remain in occupancy or pay rent;
- greater than anticipated construction or operating costs;
- inflationary and other general economic trends;
- the effects of hurricanes and other natural disasters; and
- other risks detailed from time to time in the reports filed by us with the Securities and Exchange Commission.

Except for ongoing obligations to disclose material information as required by the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The primary market risk to which the Company has exposure is interest rate risk. Changes in interest rates can affect the Company's net income and cash flows. As changes in market conditions occur, interest rates can either increase or decrease, interest expense on the variable component of the Company's debt will move in the same direction. With respect to our mortgage and senior unsecured notes payable, changes in interest rates generally do not affect the Company's interest expense as these notes payable are predominantly at fixed-rates for extended terms with a weighted average life of 6.6 years, and 4.2 years, respectively. Because the Company has the intent to hold its existing fixed rate notes payable either to maturity or until the sale of the associated property, there is believed to be no interest rate market risk on the Company's results of operations or its working capital position. The Company's possible risk is from increases in long-term interest rates that may occur over a period of several years, as this may decrease the overall value of its real estate.

The Company estimates the fair market value of its long term, fixed rate mortgage loans using discounted cash flow analysis based on current borrowing rates for similar types of debt. At September 30, 2003, the fair value of the fixed rate mortgage loans was estimated to be \$495.1 million compared to the carrying value amount of \$441.5 million, excluding the unamortized premium on notes payable. If the weighted average interest rate on the Company's fixed rate debt were 100 basis points lower or higher than the current weighted average rate of 7.43%, the fair market value would be \$465.1 million and \$421.4 million, respectively.

The Company estimates the fair market value of its senior unsecured fixed rate debt using discounted cash flow analysis based on current borrowing rates for similar types of debt. At September 30, 2003, the fair value of its senior unsecured fixed rate debt was estimated to be \$168.4 million compared to the carrying value amount of \$150.0 million, excluding unamortized premium on notes payable. If the weighted average interest rate on the Company's fixed rate debt were 100 basis points lower or higher than the current weighted average rate of 7.55%, the fair market value would be \$155.3 million and \$144.8 million, respectively.

At September 30, 2003, the Company's variable rate debt balance consisted of \$138.0 million of revolving credit facilities, of which \$70.0 million has been hedged under interest rate swaps pursuant to which the Company pays fixed interest rates and \$68.0 million remains subject to changes in interest rates. If the weighted average interest rate on the unhedged portion of the Company's variable rate debt were 100 basis points higher or lower, annual interest expense would increase or decrease by approximately \$680,000. At September 30, 2003, the fair value of the \$70 million that is fixed under interest rate hedges was estimated to be \$70.2 million.

In the normal course of business, we are exposed to the effect of interest rate changes that could affect our results of operations or cash flows. We limit these risks by following established risk management policies and procedures, including the use of a variety of derivative financial instruments to manage or hedge interest rate risk. We do not enter into derivative instruments for speculative purposes. We require that the hedging derivative instruments be effective in reducing interest rate risk exposure. This effectiveness is essential to qualify for hedge accounting. Changes in the hedging instrument's fair value related to the effective portion of the risk being hedged are included in accumulated other comprehensive income or loss. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs.

Hedges that meet these hedging criteria are formally designated as cash flow hedges at the inception of the derivative contract. When the terms of an underlying transaction are modified, or when the underlying hedged item ceases to exist, the change in the fair value of the derivative instrument is marked to market with the change included in net income in each period until the derivative instrument matures. Additionally, any derivative instrument used for risk management that becomes ineffective is marked to market.

We do not anticipate non-performance by any of our counterparties. Net interest differentials to be paid or received under a swap contract and/or collar agreement are included in interest expense as incurred or earned.

Interest rate hedges that are designated as cash flow hedges hedge the future cash outflows on debt. Interest rate swaps that convert variable payments to fixed payments, interest rate caps, floors, collars and forwards are cash flow hedges. The unrealized gains or losses in the fair value of these hedges are reported on the balance sheet and included in accounts payable and accrued expenses with a corresponding adjustment to either accumulated other comprehensive income or loss or in earnings depending on the hedging relationship. If the hedging transaction is a cash flow hedge, then the offsetting gains or losses are reported in accumulated other comprehensive income or loss. Over time, the unrealized gains or losses held in accumulated other comprehensive income or loss will be recognized in earnings consistent with when the hedged items are recognized in earnings.

In conjunction with our policy to reduce interest rate risk, we have entered into interest rate swaps to hedge the variability of monthly cash outflows attributable to changes in LIBOR. Under the swaps, we receive LIBOR based payments and pay a fixed rate. A summary of the terms of the derivative instruments, as of September 30, 2003, and a reconciliation of the fair value and adjustments to accumulated other comprehensive loss (in thousands) are as follows:

Hedge type.....	Cash Flow	Cash Flow
Description.....	Swap	T-lock
Range of notional amounts.....	\$10,000 - \$50,000	\$ 25,000
Total.....	\$70,000	\$100,000
Range of interest rates	1.38% - 2.3975%	3.10% - 3.46%
Range of maturity dates	2/12/04 - 2/12/06	11/12/08 - 11/13/08
Total accumulated other comprehensive loss at December 31, 2002.....	-	-
Change in fair value for the nine months ended September 30, 2003.....	\$ (244)	\$ (1,751)
Total accumulated other comprehensive loss at September 30, 2003.....	<u>\$ (244)</u>	<u>\$ (1,751)</u>

The estimated fair value of our financial instruments has been determined by us, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

For purposes of the Securities and Exchange Commission's market risk disclosure requirements, we have estimated the fair value of our financial instruments at September 30, 2003. The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2003. Although management is not aware of any factors that would significantly affect the estimated fair value amounts as of September 30, 2003, future estimates of fair value and the amounts which may be paid or realized in the future may differ significantly from amounts presented below. The Company's revolving credit facilities are sensitive to changes in interest rates. The T-loans were terminated in October 2003 at an estimated cost to the Company of \$80,000.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

There have been no changes in our internal controls over financial reporting during the quarter ended September 30, 2003, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Neither the Company nor the Company's properties are subject to any material litigation. The Company and its properties may be subject to routine litigation and administrative proceedings arising in the ordinary course of business which collectively is not expected to have a material adverse affect on the business, financial condition, results of operations or cash flows of the Company.

Following the execution of the merger agreement with IRT in October 2002, three IRT shareholders filed three separate purported class action and derivative suits in the Superior Court of Cobb County, State of Georgia, against IRT, IRT's board of directors and Equity One alleging claims of breach of fiduciary duty by the defendant directors, unjust enrichment and irreparable harm. The complaints sought declaratory relief, an order enjoining consummation of the merger, and unspecified damages. Although the Georgia court did not grant the plaintiffs the equitable relief requested and permitted the completion of the merger, two of these lawsuits, Greaves v. IRT Property Company, et. al. and Phillips v. IRT Property Company, et. al., were still pending following the merger. The third lawsuit was voluntarily dismissed. Following the execution in August 2003 of a settlement agreement

among the parties to the lawsuits, on September 23, 2003, the superior court approved dismissals with prejudice of these two lawsuits. All settlement related costs were paid by IRT's former insurance carrier.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

Effective as of September 15, 2003, we entered into amendments to the employment agreements with each of Chaim Katzman, our chairman of the board and chief executive officer, and Doron Valero, our president and chief operating officer. These amendments provided for the following modifications:

- This highest cash bonus payable under the agreements was increased from 120% to 150% of the executive's base salary;
- The number of shares of restricted stock granted under the employment agreements as long-term compensation was increased by 124,000 shares in the case of Mr. Katzman and 60,000 shares in the case of Mr. Valero and these shares vest in four installments over the remaining term of the agreements;
- In the case of "high performance" for any year (defined to be the achievement by the Company of 150% of performance targets set by the compensation committee of the board) the executive would receive an additional bonus equal to \$300,000 in the case of Mr. Katzman and \$200,000 in the case of Mr. Valero, in each case payable in shares of common stock, and in the case of "super performance" for any year (defined to be the achievement by the Company of 200% of performance targets set by the compensation committee of the board) the executive would receive an additional bonus equal to \$850,000 in the case of Mr. Katzman and \$400,000 in the case of Mr. Valero, in each case payable in shares of common stock valued in accordance with the agreements;
- If Mr. Katzman's employment is terminated "without cause" or if in the event that Mr. Katzman resigns or is terminated within one year following a "change of control," he will be entitled, in addition to the payment of 2.99 times his then-current base salary and most recent bonus as provided in his existing agreement, to a cash payment equal to 2.99 times the "value" (determined in accordance with the terms of the amendment) of a pro-rata portion of his annual long-term compensation; and
- If Mr. Valero resigns or is terminated within one year following a "change of control," he will be entitled, in addition to the payment of 2.99 times his then-current base salary and most recent bonus as provided in his existing agreement, to a cash payment equal to 2.99 times the "value" (determined in accordance with the terms of the amendment) of a pro-rata portion of his annual long-term compensation.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

- 10.1 First Amendment to Amended and Restated Employment Agreement with Chaim Katzman.
- 10.2 First Amendment to Amended and Restated Employment Agreement with Doron Valero.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

During the quarterly period ended September 30, 2003, the Company filed the following reports on Form 8-K:

- (i) Two reports on Form 8-K each dated September 19, 2003 under Item 5 and 7.
- (ii) Report on Form 8-K dated September 23, 2003 under Item 5 and 7.

SIGNATURES

Pursuant to the requirements 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.

Date: November 10, 2003

EQUITY ONE, INC.

/s/ HOWARD M. SIPZNER

Howard M. Sipzner
Chief Financial Officer
(Principal Accounting and Financial Officer)

INDEX TO EXHIBITS

<u>Exhibits</u>	<u>Description</u>
10.1	First Amendment to Amended and Restated Employment Agreement with Chaim Katzman.
10.2	First Amendment to Amended and Restated Employment Agreement with Doron Valero.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

**FIRST AMENDMENT TO AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

This FIRST AMENDMENT TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the “**Amendment**”), is made this 1st day of September, 2003, between EQUITY ONE, INC., a Maryland corporation (the “**Company**”) and Chaim Katzman (the “**Employee**”).

The Company and the Employee have heretofore entered into an Amended and Restated Employment Agreement dated as of July 26, 2002 (the “**Agreement**”) (capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement). Given the growth of the Company, the Compensation Committee of the Board of Directors of the Company and the Employee have agreed to amend the Agreement on the terms and conditions hereof.

NOW, THEREFORE, in consideration of the premises, the parties agree as follows:

1. **Amendments**. Effective as of the date hereof, the Agreement shall be amended as follows:

(a) Section 4(b) of the Agreement shall be amended in its entirety to read as follows:

“(b) For each year commencing with calendar year 2002, during which the Employee is employed by the Employer, the Employee shall be eligible to participate in a bonus plan maintained by the Employer that provides an annualized cash bonus opportunity (the “**Bonus**”) upon achievement of performance targets (the “**Targets**”) by the Company. For calendar year 2002, the targeted Bonus opportunity shall be equal to 60% of the Employee’s then Base Salary, and for each calendar year thereafter, the targeted Bonus opportunity shall be equal to 75% of the Employee’s then Base Salary (the “**Bonus Amount**”). The compensation committee of the Board of Directors, shall establish reasonable Targets for the Employee. However, the Employee acknowledges and agrees that the Targets utilized for calculating any Bonus payable to the Employee shall be determined by the compensation committee of the Board, in its sole reasonable discretion. The Targets shall be established no later than February 28th of each calendar year, except for 2002. The Targets for 2002 shall be in accordance with Exhibit A attached to this Agreement.

The Employee shall be entitled to receive a single cash payment of the Bonus Amount for each calendar year not later than March 15th of the following year in accordance with the following schedule: for achieving less than 50% of the Targets, the Employee shall not be entitled to any Bonus; for achieving from 50% to less than 100% of the Targets, the Employee shall be entitled to one half of the Bonus; for achieving from 100% to less than 150% of the Targets, the Employee shall be entitled to the Bonus Amount; for achieving from 150% to less

than 200% of the Targets (“**High Performance**”), the Employee shall be entitled to one and one half of the Bonus Amount; and for achieving 200% or more of the Targets (“**Super Performance**”), the Employee shall be entitled to two times the Bonus. Notwithstanding the foregoing, the Employee shall have the right, by providing written notice to the Employer no later than ten days after the Bonus Amount for any calendar year is finally determined, to elect to receive all or a specified portion of the Bonus Amount in shares of stock of the Employer. For purposes of this Paragraph, the shares of stock shall be valued at 85% of the average closing price of such shares during the 20 trading days preceding the date of such notice on the primary securities exchange on which such shares are listed and traded and shall vest over a period of two (2) years. The restricted stock shall be issued under the Company’s Incentive Plan (as defined below) or other, similar plan and shall be subject to such other terms as are contained in the Company’s then current form of restricted stock agreement.”

(b) Section 5 of the Agreement shall be amended in its entirety to read as follows:

“(a) The Employer shall issue to the Employee, pursuant to the Employer’s 2000 Executive Incentive Compensation Plan (the “Incentive Plan”), Options (as defined in the Incentive Plan) to acquire an aggregate of 850,000 shares of the Employer’s capital stock. The Employer shall grant to the Employee the number of Options indicated on the following dates: simultaneously with the execution of this Agreement, 300,000 Options; January 1, 2003, 300,000 Options; and January 1, 2004, 250,000 Options. The exercise price of the 300,000 Options granted simultaneously with the execution of this Agreement shall be \$13.25 per share and the exercise price of the remaining Options shall be equal to the average closing price of the Employer’s capital stock during the 15 trading days immediately prior to the date of grant of the Options. Options covering 170,000 shares shall vest on the last day of each year, commencing on December 31, 2002, until all Options granted pursuant to the terms of this Agreement have vested. Each Option granted hereunder shall expire ten years from the date of the grant of such Option.

(b) In addition, the Employer agrees to issue to the Employee, pursuant to the Incentive Plan, 227,500 shares of Restricted Stock (as defined in the Incentive Plan). 103,500 shares of Restricted Stock (the “**Initial Grant**”) were issued prior to the execution hereof and shall vest in five equal installments on January 1, 2003, 2004, 2005 and 2006 and December 31, 2006. The remaining 124,000 shares of Restricted Stock (the “**Additional Grant**”) shall be issued on or about September 10, 2003 and shall vest in five equal installments on September 9, 2004, 2005 and 2006 and December 31, 2006. The Employee shall be entitled to receive dividends on the Initial Grant and Additional Grant of Restricted Stock, whether vested or not. .

(c) Finally, as additional “Bonus” payable under Section 4(b), (a) in the case of High Performance for any calendar year, the Employer agrees to issue to the Employee, pursuant to the Incentive Plan, a number of shares of Restricted Stock having a value, based on the 30-day trailing average closing price of the Employer’s common stock as reported on the New York Stock Exchange (the “30-day Average”) for the period ending on (and inclusive of) December 31 of the year of High Performance, of \$300,000 (rounded up to the nearest whole share) or (b) in the case of Super Performance for any calendar year, the Employer agrees to issue to the Employee, pursuant to the Incentive Compensation Plan, a number of shares of Restricted Stock having a value, based on the 30-day Average for the period ending on (and inclusive of) December 31 of the year of Super Performance, of \$850,000 (rounded up to the nearest whole share). Any shares to be issued pursuant to this paragraph shall be issued by the Employer within five (5) days of its payment of the Bonus earned under Section 4(b).”

(c) Section 10(a) of the Agreement shall be amended in its entirety to read as follows:

“(a) In the event the employee is terminated as an employee of the Employer without cause or in the event that the Employee resigns or is terminated for any reason at any time during the one year period (the “**Change of Control Period**”) after a Change of Control (as hereinafter defined), then: (i) the Employee shall be entitled to receive as of the date of such resignation a cash payment in an amount equal to 2.99 times (A) the sum of his then Base Salary and the amount of his Bonus payment, if any (including the dollar value of the Restricted Stock issued to the Employee as additional Bonus under Section 5(c)), for the then most recently completed fiscal year, and (B) the then-current “value” of a pro rata portion of the annual Incentive Compensation awarded (or to be awarded) to the Employee under Section 5(a) and (b) (e.g., the “value” of 51,700 shares of Restricted Stock [one-fifth of 103,500 shares and one-fourth of 124,000 shares] and 170,000 Stock Options), (ii) any Options that have not previously been granted to the Employee pursuant to the provisions of Paragraph 5 shall be granted effective as of the date of such termination or resignation to the Employee with an exercise price equal to the average closing price of the Employer’s capital stock during the 15 trading days immediately prior to such date, and (iii) all Options and restricted stock awards granted to the Employee (including the Options granted pursuant to (ii) above) shall immediately vest. For purposes hereof, the “value” to be assigned to the Incentive Compensation under subsection (i)(B) shall be equal to (x) in the case of the 51,700 shares of Restricted Stock, the product of the 30-day Average for the period ending on (and inclusive of) the day before the Change of Control, times 51,700, and (y) in the case of the 170,000 Stock Options, the product of (1) the difference between the weighted-average exercise price of such Stock Options awarded under Section 5(a) and the 30-day Average for the period ending on (and inclusive of) the day before the Change of Control, times (2) 170,000.”

(d) Section 10(c) of the Agreement shall be amended in its entirety to read as follows:

(a) For purposes of this Agreement, "Change in Control" shall be deemed to have occurred upon:

(i) Approval by the stockholders of the Employer of (x) a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, other than a reorganization, merger or consolidation or other transaction which would result in the holders of the voting securities of the Employer outstanding immediately prior thereto holding securities which represent immediately after such transaction more than 50% of the combined voting power of the voting securities of the Company or the surviving company or the parent of the surviving company, or (y) a liquidation or dissolution of the Employer or (z) the sale of all or substantially all of the assets of the Employer (unless such reorganization, merger, consolidation or other corporate transaction, liquidation, dissolution or sale is subsequently abandoned); or

2. **Effective Date.** This Amendment shall be effective upon its execution by the Company and the Employee.

3. **Counterparts.** This Amendment may be executed in counterparts and by different parties hereto in separate counterparts each of which, when so executed and delivered, shall be deemed to be an original and all of which, when taken together, shall constitute one and the same instrument.

4. **No Other Modification.** Except as otherwise expressly modified by the terms and provisions of this Amendment, the Agreement shall remain in full force and effect, and is hereby in all respects confirmed and ratified by the parties hereto.

5. **References to Agreement.** From and after the effective date hereof, each reference in the Agreement to "this Agreement," "hereto," "hereunder" or words of like import, and all references to the Agreement in any and all agreements, instruments, documents, notes, certificates and other writings of every kind and nature shall be deemed to mean the Agreement as modified and amended by this Amendment.

IN WITNESS WHEREOF, the Company and the Employee have executed this First Amendment to Amended and Restated Employment Agreement as of the date first written above.

THE COMPANY:

EQUITY ONE, INC

By: /s/ DORON VALERO

Doron Valero
President and Chief Operating Officer

THE EMPLOYEE:

/s/ CHAIM KATZMAN

Chaim Katzman

**FIRST AMENDMENT TO AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

This FIRST AMENDMENT TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the “**Amendment**”), is made this 1st day of September, 2003, between EQUITY ONE, INC., a Maryland corporation (the “**Company**”) and Doron Valero (the “**Employee**”).

The Company and the Employee have heretofore entered into an Amended and Restated Employment Agreement dated as of July 26, 2002 (the “**Agreement**”) (capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement). Given the growth of the Company, the Compensation Committee of the Board of Directors of the Company and the Employee have agreed to amend the Agreement on the terms and conditions hereof.

NOW, THEREFORE, in consideration of the premises, the parties agree as follows:

1. **Amendments**. Effective as of the date hereof, the Agreement shall be amended as follows:

(a) Section 4(b) of the Agreement shall be amended in its entirety to read as follows:

“(b) For each year commencing with calendar year 2002, during which the Employee is employed by the Employer, the Employee shall be eligible to participate in a bonus plan maintained by the Employer that provides an annualized cash bonus opportunity (the “**Bonus**”) upon achievement of performance targets (the “**Targets**”) by the Company. For calendar year 2002, the targeted Bonus opportunity shall be equal to 60% of the Employee’s then Base Salary, and for each calendar year thereafter, the targeted Bonus opportunity shall be equal to 75% of the Employee’s then Base Salary (the “**Bonus Amount**”). The compensation committee of the Board of Directors, shall establish reasonable Targets for the Employee. However, the Employee acknowledges and agrees that the Targets utilized for calculating any Bonus payable to the Employee shall be determined by the compensation committee of the Board, in its sole reasonable discretion. The Targets shall be established no later than February 28th of each calendar year, except for 2002. The Targets for 2002 shall be in accordance with Exhibit A attached to this Agreement.

The Employee shall be entitled to receive a single cash payment of the Bonus Amount for each calendar year not later than March 15th of the following year in accordance with the following schedule: for achieving less than 50% of the Targets, the Employee shall not be entitled to any Bonus; for achieving from 50% to less than 100% of the Targets, the Employee shall be entitled to one half of the Bonus; for achieving from 100% to less than 150% of the Targets, the Employee shall be entitled to the Bonus Amount; for achieving from 150% to less

than 200% of the Targets (“**High Performance**”), the Employee shall be entitled to one and one half of the Bonus Amount; and for achieving 200% or more of the Targets (“**Super Performance**”), the Employee shall be entitled to two times the Bonus. Notwithstanding the foregoing, the Employee shall have the right, by providing written notice to the Employer no later than ten days after the Bonus Amount for any calendar year is finally determined, to elect to receive all or a specified portion of the Bonus Amount in shares of stock of the Employer. For purposes of this Paragraph, the shares of stock shall be valued at 85% of the average closing price of such shares during the 20 trading days preceding the date of such notice on the primary securities exchange on which such shares are listed and traded and shall vest over a period of two (2) years. The restricted stock shall be issued under the Company’s Incentive Plan (as defined below) or other, similar plan and shall be subject to such other terms as are contained in the Company’s then current form of restricted stock agreement.”

(b) Section 5 of the Agreement shall be amended in its entirety to read as follows:

“(a) The Employer shall issue to the Employee, pursuant to the Employer’s 2000 Executive Incentive Compensation Plan (the “Incentive Plan”), Options (as defined in the Incentive Plan) to acquire an aggregate of 540,000 shares of the Employer’s capital stock. The Employer shall grant to the Employee the number of Options indicated on the following dates: simultaneously with the execution of this Agreement, 200,000 Options; January 1, 2003, 200,000 Options; and January 1, 2004, 140,000 Options. The exercise price of the 200,000 Options granted simultaneously with the execution of this Agreement shall be \$13.25 per share and the exercise price of the remaining Options shall be equal to the average closing price of the Employer’s capital stock during the 15 trading days immediately prior to the date of grant of the Options. Options covering 108,000 shares shall vest on the last day of each year, commencing on December 31, 2002, until all Options granted pursuant to the terms of this Agreement have vested. Each Option granted hereunder shall expire ten years from the date of the grant of such Option.

(b) In addition, the Employer agrees to issue to the Employee, pursuant to the Incentive Plan, 150,000 shares of Restricted Stock (as defined in the Incentive Plan). 90,000 shares of Restricted Stock (the “**Initial Grant**”) were issued prior to the execution hereof and shall vest in five equal installments on January 1, 2003, 2004, 2005 and 2006 and December 31, 2006. The remaining 60,000 shares of Restricted Stock (the “**Additional Grant**”) shall be issued on or about September 10, 2003 and shall vest in five equal installments on September 9, 2004, 2005 and 2006 and December 31, 2006. The Employee shall be entitled to receive dividends on the Initial Grant and Additional Grant of Restricted Stock, whether vested or not. .

(c) Finally, as additional “Bonus” payable under Section 4(b), (a) in the case of High Performance for any calendar year, the Employer agrees to issue to the Employee, pursuant to the Incentive Plan, a number of shares of Restricted Stock having a value, based on the 30-day trailing average closing price of the Employer’s common stock as reported on the New York Stock Exchange (the “30-day Average”) for the period ending on (and inclusive of) December 31 of the year of High Performance, of \$200,000 (rounded up to the nearest whole share) or (b) in the case of Super Performance for any calendar year, the Employer agrees to issue to the Employee, pursuant to the Incentive Compensation Plan, a number of shares of Restricted Stock having a value, based on the 30-day Average for the period ending on (and inclusive of) December 31 of the year of Super Performance, of \$400,000 (rounded up to the nearest whole share). Any shares to be issued pursuant to this paragraph shall be issued by the Employer within five (5) days of its payment of the Bonus earned under Section 4(b).”

(c) Section 10(a) of the Agreement shall be amended in its entirety to read as follows:

“(a) In the event the employee is terminated as an employee of the Employer without cause prior to the occurrence of a Change in Control (as hereinafter defined) of the Employer or after the first anniversary of a Change of Control, then: (i) the Employee shall be entitled to receive as of the date of such resignation a cash payment in an amount equal to 1.5 times the sum of his then Base Salary and the amount of his Bonus payment, if any (including the dollar value of the Restricted Stock issued to the Employee as additional Bonus under Section 5(c)), for the then most recently completed fiscal year, (ii) any Options that have not previously been granted to the Employee pursuant to the provisions of Paragraph 5 shall be granted effective as of the date of such termination or resignation to the Employee with an exercise price equal to the average closing price of the Employer’s capital stock during the 15 trading days immediately prior to such date, and (iii) all Options and restricted stock awards granted to the Employee (including the Options granted pursuant to (ii) above) shall immediately vest.

(c) Section 10(b) of the Agreement shall be amended in its entirety to read as follows:

(a) In the event that, during the one year period (the “Change of Control Period”) after a Change in Control of the Employer, the Employee resigns or is terminated for any reason, then: (i) the Employee shall be entitled to receive as of the date of such resignation a cash payment in an amount equal to 2.99 times (A) the sum of his then Base Salary and the amount of his Bonus payment, if any, (including the dollar value of the Restricted Stock issued to the Employee as additional Bonus under Section 5(c)) for the then most recently completed fiscal year, and (B) the then-current “value” of a pro rata portion of the annual Incentive Compensation awarded (or to be awarded) to the Employee under Section 5(a) and (b) (e.g., the “value” of 33,000 shares of

Restricted Stock [one-fifth of 90,000 shares and one-fourth of 60,000 shares] and 108,000 Stock Options), (ii) any Options that have not previously been granted to the Employee pursuant to the provisions of Paragraph 5 shall be granted effective as of the date of such termination or resignation to the Employee with an exercise price equal to the average closing price of the Employer's capital stock during the 15 trading days immediately prior to such date, and (iii) all Options and restricted stock awards granted to the Employee (including the Options granted pursuant to (ii) above) shall immediately vest. For purposes hereof, the "value" to be assigned to the Incentive Compensation under subsection (i)(B) shall be equal to (x) in the case of the 33,000 shares of Restricted Stock, the product of the 30-day Average for the period ending on (and inclusive of) the day before the Change of Control, times 33,000, and (y) in the case of the 108,000 Stock Options, the product of (1) the difference between the weighted-average exercise price of such Stock Options awarded under Section 5(a) and the 30-day Average for the period ending on (and inclusive of) the day before the Change of Control, times (2) 108,000."

(d) Section 10(c) of the Agreement shall be amended in its entirety to read as follows:

(b) For purposes of this Agreement, "Change in Control" shall be deemed to have occurred upon:

(i) Approval by the stockholders of the Employer of (x) a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, other than a reorganization, merger or consolidation or other transaction which would result in the holders of the voting securities of the Employer outstanding immediately prior thereto holding securities which represent immediately after such transaction more than 50% of the combined voting power of the voting securities of the Company or the surviving company or the parent of the surviving company, or (y) a liquidation or dissolution of the Employer or (z) the sale of all or substantially all of the assets of the Employer (unless such reorganization, merger, consolidation or other corporate transaction, liquidation, dissolution or sale is subsequently abandoned); or

2. **Effective Date.** This Amendment shall be effective upon its execution by the Company and the Employee.

3. **Counterparts.** This Amendment may be executed in counterparts and by different parties hereto in separate counterparts each of which, when so executed and delivered, shall be deemed to be an original and all of which, when taken together, shall constitute one and the same instrument.

4. **No Other Modification.** Except as otherwise expressly modified by the terms and provisions of this Amendment, the Agreement shall remain in full force and effect, and is hereby in all respects confirmed and ratified by the parties hereto.

5. **References to Agreement.** From and after the effective date hereof, each reference in the Agreement to “this Agreement,” “hereto,” “hereunder” or words of like import, and all references to the Agreement in any and all agreements, instruments, documents, notes, certificates and other writings of every kind and nature shall be deemed to mean the Agreement as modified and amended by this Amendment.

IN WITNESS WHEREOF, the Company and the Employee have executed this First Amendment to Amended and Restated Employment Agreement as of the date first written above.

THE COMPANY:

EQUITY ONE, INC

By: /s/ CHAIM KATZMAN

Chaim Katzman
Chairman and Chief Executive Officer

THE EMPLOYEE:

/s/ DORON VALERO

Doron Valero

CERTIFICATE OF CHIEF EXECUTIVE OFFICER

I, Chaim Katzman, Chief Executive Officer of Equity One, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Equity One, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-15e and 15d-15e) for the registrant and we 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 quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosures controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c. disclosed in this quarterly report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the registrant's internal controls over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls.

Date: November 10, 2003

/s/ CHAIM KATZMAN

Chaim Katzman
Chief Executive Officer

CERTIFICATE OF CHIEF FINANCIAL OFFICER

I, Howard M. Sipzner, Chief Financial Officer of Equity One, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Equity One, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-15e and 15d-15e) for the registrant and we 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 quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosures controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c. disclosed in this quarterly report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the registrant's internal controls over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls.

Date: November 10, 2003

/s/ HOWARD M. SIPZNER

Howard M. Sipzner
Chief Financial Officer

**CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES -OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section § 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Equity One, Inc. (the “Company”) hereby certify, to such officers’ knowledge, that:

- (i) The accompanying Quarterly Report on Form 10-Q for the period ended September 30, 2003 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 10, 2003

/s/ CHAIM KATZMAN

Chaim Katzman
Chief Executive Officer

November 10, 2003

/s/ HOWARD M. SIPZNER

Howard Sipzner
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).