

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 March 31, 2004

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 May 5, 2004, 70,312,238 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
MARCH 31, 2004 AND DECEMBER 31, 2003
(UNAUDITED)
(In thousands, except per share amounts)**

	<u>March 31, 2004</u>	<u>December 31, 2003</u>
ASSETS		
PROPERTIES:		
Income producing.....	\$ 1,740,063	\$ 1,594,579
Less: accumulated depreciation.....	<u>(74,485)</u>	<u>(66,406)</u>
	1,665,578	1,528,173
Construction in progress and land held for development.....	54,338	74,686
Properties held for sale.....	<u>1,231</u>	<u>14,440</u>
Properties, net.....	1,721,147	1,617,299
CASH AND CASH EQUIVALENTS.....	17	966
CASH HELD IN ESCROW.....	1,884	-
ACCOUNTS AND OTHER RECEIVABLES, NET.....	8,919	13,492
INVESTMENTS IN AND ADVANCES TO JOINT VENTURES.....	2,860	2,861
GOODWILL.....	14,578	14,014
OTHER ASSETS.....	<u>42,694</u>	<u>28,754</u>
TOTAL.....	<u>\$ 1,792,099</u>	<u>\$ 1,677,386</u>

(continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2004 AND DECEMBER 31, 2003
(UNAUDITED)
(In thousands, except per share amounts)

	March 31, 2004	December 31, 2003
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
NOTES PAYABLE		
Mortgage notes payable	\$ 470,263	\$ 459,103
Unsecured revolving credit facilities	50,879	162,000
Unsecured senior notes payable	350,000	150,000
	<u>871,142</u>	<u>771,103</u>
Unamortized premium/discount on notes payable	23,894	24,218
Total notes payable	895,036	795,321
OTHER LIABILITIES		
Accounts payable and accrued expenses	23,996	25,211
Tenant security deposits	8,171	7,706
Other liabilities	4,472	5,924
Total liabilities	<u>931,675</u>	<u>834,162</u>
MINORITY INTEREST	<u>12,444</u>	<u>12,672</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, 70,105 and 69,353 shares issued and outstanding for 2004 and 2003, respectively	701	694
Additional paid-in capital	856,720	843,678
Retained earnings	609	-
Accumulated other comprehensive loss	(1,007)	(122)
Unamortized restricted stock compensation	(8,455)	(10,091)
Notes receivable from issuance of common stock	(588)	(3,607)
Total stockholders' equity	<u>847,980</u>	<u>830,552</u>
TOTAL	<u>\$ 1,792,099</u>	<u>\$ 1,677,386</u>

See accompanying notes to the condensed consolidated financial statements.

(Concluded)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2004	2003
RENTAL REVENUE:		
Minimum rents.....	\$ 42,174	\$ 28,586
Expense recoveries	11,673	7,943
Termination fees	69	59
Percentage rent payments	1,378	1,008
Total rental revenue	<u>55,294</u>	<u>37,596</u>
COSTS AND EXPENSES:		
Property operating expenses	14,458	10,904
Interest expense.....	10,575	7,650
Amortization of deferred financing fees	266	284
Rental property depreciation and amortization	8,432	4,946
General and administrative expenses	3,452	2,242
Total costs and expenses	<u>37,183</u>	<u>26,026</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST.....	18,111	11,570
OTHER INCOME AND EXPENSES:		
Investment income	171	441
Other income.....	64	63
Equity in loss of joint ventures	(1)	(34)
Loss on extinguishment of debt	-	(623)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST	<u>18,345</u>	<u>11,417</u>
DISCONTINUED OPERATIONS:		
Income from operations of sold properties	74	565
Gain on disposal of income producing properties	2,035	503
Income from discontinued operations.....	<u>2,109</u>	<u>1,068</u>
INCOME BEFORE MINORITY INTEREST	20,454	12,485
MINORITY INTEREST	(215)	(141)
NET INCOME.....	<u>\$ 20,239</u>	<u>\$ 12,344</u>

(continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2004	2003
EARNINGS PER SHARE:		
BASIC EARNINGS PER SHARE		
Income before discontinued operations.....	\$ 0.26	\$ 0.24
Income from discontinued operations.....	0.03	0.02
Total basic earnings per share	<u>\$ 0.29</u>	<u>\$ 0.26</u>
NUMBER OF SHARES USED IN COMPUTING		
BASIC EARNINGS PER SHARE.....	<u>69,115</u>	<u>47,163</u>
DILUTED EARNINGS PER SHARE		
Income before discontinued operations.....	\$ 0.26	\$ 0.24
Income from discontinued operations	0.03	0.02
Total diluted earnings per share	<u>\$ 0.29</u>	<u>\$ 0.26</u>
NUMBER OF SHARES USED IN COMPUTING		
DILUTED EARNINGS PER SHARE.....	<u>71,021</u>	<u>48,475</u>
See accompanying notes to the condensed consolidated financial statements.		(concluded)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2004	2003
NET INCOME.....	\$ 20,239	\$ 12,344
OTHER COMPREHENSIVE LOSS:		
Net unrealized holding loss on securities available for sale.....	-	(1)
Change in fair value of cash flow hedges.....	(885)	-
COMPREHENSIVE INCOME.....	<u>\$ 19,354</u>	<u>\$ 12,343</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2004
(UNAUDITED)
(In thousands, except per share amounts)

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Unamortized Restricted Stock Compensation</u>	<u>Notes Receivable from Issuance of Common Stock</u>	<u>Total Stockholders' Equity</u>
BALANCE, JANUARY 1, 2004.....	\$ 694	\$ 843,678	\$ -	\$ (122)	\$ (10,091)	\$ (3,607)	\$ 830,552
Issuance of common stock ..	7	13,113	-	-	1,636	-	14,756
Stock issuance costs	-	(71)	-	-	-	-	(71)
Repayment of notes receivable from issuance of common stock.....	-	-	-	-	-	3,019	3,019
Net income	-	-	20,239	-	-	-	20,239
Dividends paid	-	-	(19,630)	-	-	-	(19,630)
Change in fair value of cash flow hedges	-	-	-	(885)	-	-	(885)
BALANCE, MARCH 31, 2004.....	<u>\$ 701</u>	<u>\$ 856,720</u>	<u>\$ 609</u>	<u>\$ (1,007)</u>	<u>\$ (8,455)</u>	<u>\$ (588)</u>	<u>\$ 847,980</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2004	2003
OPERATING ACTIVITIES:		
Net income	\$ 20,239	\$ 12,344
Adjustments to reconcile net income to net cash provided by operating activities:		
Straight line rent adjustment	(544)	(333)
Provision for losses on accounts receivable	237	648
Amortization of premium/discount on notes payable	(1,215)	(329)
Amortization of deferred financing fees	266	284
Rental property depreciation and amortization	8,432	4,946
Depreciation and amortization included in discontinued operations	-	100
Amortization of restricted stock	1,172	480
Equity in loss of joint ventures	1	34
Loss on extinguishment of debt	-	623
Gain on disposal of real estate	(2,035)	(503)
Minority interest in earnings of consolidated subsidiaries	215	141
Changes in assets and liabilities:		
Accounts and other receivables	4,336	908
Other assets	(3,495)	(2,328)
Accounts payable and accrued expenses	(995)	(5,154)
Tenant security deposits	465	255
Other liabilities	98	(64)
Net cash provided by operating activities	<u>27,177</u>	<u>12,052</u>
INVESTING ACTIVITIES:		
Additions to and purchases of properties	(94,816)	(2,166)
Additions to construction in progress	(9,883)	(6,572)
Proceeds from disposal of rental properties	1,986	6,694
Increase in cash held in escrow	(1,884)	(13)
Distributions received from joint ventures	-	300
Proceeds from repayments of notes receivable	1,430	2,753
Increase in deferred leasing costs	(2,472)	(692)
Cash used in the purchase of IRT	-	(189,382)
Cash acquired in the IRT acquisition	-	1,756
Net cash used in investing activities	<u>(105,639)</u>	<u>(187,322)</u>
FINANCING ACTIVITIES:		
Repayments of mortgage notes payable	(3,716)	(46,009)
Net borrowings (repayments) under revolving credit facilities	(111,121)	138,000
Proceeds from senior debt offering	199,750	-
Increase in deferred financing costs	(2,724)	(559)
Proceeds from stock subscription and issuance of common stock	12,238	100,276
Stock issuance costs	(71)	(323)
Repayment of notes receivable from issuance of common stock	3,019	-
Cash dividends paid to stockholders	(19,630)	(16,130)
Distributions to minority interest	(232)	(250)
Net cash provided by financing activities	<u>77,513</u>	<u>175,005</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(949)	(265)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	966	2,944
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 17</u>	<u>\$ 2,679</u>

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2004	2003
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amount capitalized	\$ 10,575	\$ 6,945
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Change in unrealized holding gain on securities available for sale.....		\$ (1)
Change in fair value of cash flow hedges	\$ 885	
Issuance of restricted stock.....	\$ 882	\$ 2,967
Note receivable from sale of property	\$ 4,655	
The Company acquired and assumed two mortgage notes in connection with the acquisition of a rental property:		
Fair value of rental property and other assets	\$ 46,592	
Assumption of mortgage notes payable.....	(14,875)	
Fair value adjustment of mortgage notes payable.....	(1,244)	
Cash paid for rental property.....	\$ 30,473	
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
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 MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
(UNAUDITED)
(In thousands, except per share and square feet 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, including those partnerships of which it 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 March 31, 2004, 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 189 properties, encompassing 127 supermarket-anchored shopping centers, 11 drug store-anchored shopping centers, 45 other retail-anchored shopping centers, one self-storage facility, one industrial property, and four 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 month period ended March 31, 2004 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 elsewhere 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, 2003, included in the Company’s Annual Report on Form 10-K, filed with the SEC on March 15, 2004.

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 with IRT Property Company (“IRT”). The Company acquired 93 properties that comprise an aggregate of approximately 10,041 square feet of gross leasable area. The acquisition created one of the largest shopping center REITs primarily focusing on the southeastern United States. The acquisition of IRT was accounted for using the purchase method and the results of IRT are included in the Company’s financial statements since the date of its acquisition. 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 value of the Company’s common stock was determined based on the average market price over the 3-day period before and after the terms of the acquisition were agreed to and announced. There were no contingent payments, options, or commitments specified in the agreement.

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 predevelopment 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 is 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.

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 \$812 and \$684 for the three months ended March 31, 2004 and 2003, respectively.

5. Business Combinations

The Company is actively pursuing acquisition opportunities and will not be successful in all cases; costs incurred related to these acquisition opportunities are expensed when it is probable that the Company will not be successful in the acquisition.

The Company allocates the purchase price of acquired companies and properties to the tangible and intangible assets acquired, and liabilities assumed based on their estimated fair values. Fair value is defined as the amount at which that asset could be bought or sold in a current transaction between willing parties (other than in a forced or liquidation sale). In order to allocate the purchase price of acquired companies and properties to the tangible and intangible assets acquired, the Company identifies and estimates the fair value of the land, buildings, and improvements, reviews the leases to determine the existence of, and estimates fair value of, any contractual or other legal rights and investigates the existence of, and estimates fair value of, any other identifiable intangible assets. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

The cost approach is used as the primary method to estimate the fair value of the buildings, improvements and other assets. The market value approach is used as the primary method to estimate the fair value of the land. The determination of the fair value of contractual intangibles is based on the costs to originate a lease including commissions and legal costs to the extent that such costs are not already incurred with a new lease that has been negotiated in connection with the purchase of a property. In-place lease values are based on management's evaluation of the specific characteristics of each lease and the Company's overall relationship with each tenant. Among the factors considered in the allocation of these values include the nature of the existing relationship with the tenant, the tenant's credit quality, the expectation of lease renewals, the estimated carrying costs of the property during a hypothetical expected lease-up period, current market conditions and costs to execute similar leases. Estimated carrying costs include real estate taxes, insurance, other property operating costs and estimates of lost rentals at market rates during the hypothetical expected lease-up periods, given the specific market conditions. Above-market, below-market and in-place lease values are determined based on the present value (using a discount rate reflecting the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the leases negotiated and in-place at the time of acquisition and (ii) management's estimate of fair market lease rates for the property or equivalent property, measured over a period equal to the remaining non-cancelable term of the lease. The value of contractual intangibles is amortized over the remaining term of each lease. Other than as discussed above, the Company has determined that its real estate properties do not have any other significant identifiable intangible assets.

Critical estimates in valuing certain of the intangible assets and the assumptions of what marketplace participants would use in making estimates of fair value include, but are not limited to: future expected cash flows, estimated carrying costs, estimated origination costs, lease up periods, and the tenant risk attributes, as well as assumptions about the period of time the acquired lease will continue to be used in the Company's portfolio and discount rates used in these calculations. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. Assumptions may not always reflect unanticipated events and changes in circumstances may occur. In making such estimates, management uses a number of sources, including appraisals that may be obtained in connection with the acquisition or financing of the respective property or other market data. Management also considers information obtained in its pre-acquisition due diligence and marketing and leasing activities in estimating the fair value of tangible and intangible assets acquired.

2004 Acquisition Activity

<u>Date Purchased</u>	<u>Property Name</u>	<u>City</u>	<u>FL</u>	<u>Square Feet/Acres</u>	<u>Purchase Price</u>
Feb. 3, 2004	Bluebonnet Outparcel	Baton Rouge	LA	0.9 acres	\$ 500
Feb. 4, 2004	Pavilion Shopping Center	Naples	FL	161,245	24,200
March 24, 2004	Village Center	Southland	TX	118,092	17,475
March 24, 2004	Creekside Plaza	Arlington	TX	101,016	14,025
March 31, 2004	Sparkleberry	Columbia	SC	339,051	45,150
March 31, 2004	Venice Shopping Center	Venice	FL	111,934	6,447
Total.....					<u>\$107,797</u>

The Company's allocation of the purchase price for the acquisitions consummated during 2004 is preliminary and is subject to change. Management does not believe that any adjustment would have a material effect on the Company's financial position or results of operations.

6. Property Held for Sale

As of March 31, 2004, one undeveloped piece of land was classified as property held for sale.

7. Investments in and Advances to Joint Ventures

A summary of the Company's investments in unconsolidated joint ventures at March 31, 2004 and December 31, 2003 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>March 31, 2004</u>	<u>December 31, 2003</u>
PG Partners	Palm Beach Gardens, FL	50.0%	\$ 2,632	\$ 2,633
Parcel F, LLC	Palm Beach Gardens, FL	50.0%	228	228
Total investments in and advances to joint ventures.....			<u>\$ 2,860</u>	<u>\$ 2,861</u>

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

	<u>As of March 31, 2004</u>	<u>As of December 31, 2003</u>
Assets:		
Rental properties, net.....	\$ 16,558	\$ 16,688
Other assets.....	410	457
Total assets.....	<u>\$ 16,968</u>	<u>\$ 17,145</u>
Liabilities and Ventures' Equity:		
Mortgage notes	\$ 12,849	\$ 12,878
Other liabilities	68	90
Ventures' equity	4,051	4,177
Total	<u>\$ 16,968</u>	<u>\$ 17,145</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 \$1,000 is being depreciated over the useful lives of the related assets.

	<u>Three Months Ended March 31,</u>	
	<u>2004</u>	<u>2003</u>
Revenues:		
Rental revenues.....	\$ 592	\$ 583
Total revenues	<u>592</u>	<u>583</u>
Expenses:		
Operating expenses	174	216
Interest expense	278	277
Depreciation	131	151
Other expense	11	15
Total expenses	<u>594</u>	<u>659</u>
Net loss	<u>\$ (2)</u>	<u>\$ (76)</u>
The Company's equity in loss of joint ventures.....	<u>\$ (1)</u>	<u>\$ (34)</u>

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

8. 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 \$182.5 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.

On March 26, 2004, the Company completed a \$200,000 offering of its senior unsecured notes that mature on April 15, 2009 (the "2009 Notes"). The 2009 Notes bear an interest rate of 3.875%. Interest is due semi-annually on April 15 and October 15 of each year commencing on October 15, 2004. The 2009 Notes were issued at a discount of \$250 that will be amortized against interest expense over the life of the 2009 Notes. The Company may redeem some or all of the 2009 Notes at any time for a price equal to the principal amount of the Notes being redeemed plus accrued interest. The 2009 Notes are guaranteed by most of the Company's wholly-owned subsidiaries and IRT Partners, LP ("LP"). The indenture under which the 2009 Notes were issued has several covenants which limit the Company's ability to incur debt; requires the Company to maintain unencumbered assets of not less than 150% of the aggregate principal amount of all the outstanding unsecured debt on a consolidated basis; and limits the Company's ability to consolidate, sell, lease, or convey substantially all of its assets to, or merge with any other entity.

In addition, the Company has obligations relating to \$150,000 principal amount of unsecured 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 and LP.

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 is guaranteed by most of the Company's wholly-owned subsidiaries as well as LP. Certain provisions of the facility were amended on March 18, 2004. Based on the Company's current rating, the LIBOR spread is 1.0%. 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 \$170,000 a \$35,000 swing line facility for short term borrowings, a \$200,000 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. As of March 31, 2004, the Company had \$48,000 outstanding on this credit facility. The weighted average interest rate as of March 31, 2004 was 2.08%, including the effect of interest rate swaps.

The Company has a \$5,000 unsecured credit facility with City National Bank of Florida, of which \$2,879 was outstanding as of March 31, 2004. This facility also provides collateral for \$1,378 in outstanding letters of credit.

As of March 31, 2004, the availability under the various credit facilities was approximately \$131,000 net of outstanding balances and letters of credit.

9. Consolidating Financial Information

Most of the Company's subsidiaries, including LP, have guaranteed the Company's indebtedness under the unsecured senior notes and revolving credit facility. The guarantees are joint and several and full and unconditional

Condensed Balance Sheet As of March 31, 2004	Equity One, Inc.	Guarantors		Non Guaran- tors	Eliminating Entries	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP			
ASSETS						
Properties, net	\$ 520,241	\$ 657,528	\$ 185,533	\$ 357,845	\$ -	\$ 1,721,147
Investment in affiliates.....	435,752	-	-	-	(435,752)	-
Other assets.....	32,598	23,688	2,927	11,739	-	70,952
Total	<u>\$ 988,591</u>	<u>\$ 681,216</u>	<u>\$ 188,460</u>	<u>\$ 369,584</u>	<u>\$ (435,752)</u>	<u>\$ 1,792,099</u>
LIABILITIES						
Mortgage notes payable.....	\$ 72,856	\$ 171,630	\$ 34,241	\$ 191,536	\$ -	\$ 470,263
Unsecured revolving credit facilities	50,879	-	-	-	-	50,879
Unsecured senior notes payable, net.....	350,000	-	-	-	-	350,000
Unamortized premium/discount on notes payable	12,258	5,876	4,516	1,244	-	23,894
Other liabilities	13,336	12,989	2,237	8,077	-	36,639
Total liabilities	499,329	190,495	40,994	200,857	-	931,675
MINORITY INTEREST.....	-	-	-	-	12,444	12,444
STOCKHOLDERS' EQUITY.....	489,262	490,721	147,466	168,727	(448,196)	847,980
Total.....	<u>\$ 988,591</u>	<u>\$ 681,216</u>	<u>\$ 188,460</u>	<u>\$ 369,584</u>	<u>\$ (435,752)</u>	<u>\$ 1,792,099</u>

Condensed Balance Sheet As of December 31, 2003	Guarantors				Eliminating Entries	Consolidated Equity One
	Equity One, Inc.	Combined Subsidiaries	IRT Partners, LP	Non Guaran- tors		
ASSETS						
Properties, net.....	\$526,136	\$ 561,455	\$ 187,132	\$ 342,576	\$ -	\$1,617,299
Investment in affiliates	435,752	-	-	-	(435,752)	-
Other assets.....	22,865	21,926	2,940	12,356	-	60,087
Total	<u>\$984,753</u>	<u>\$ 583,381</u>	<u>\$ 190,072</u>	<u>\$ 354,932</u>	<u>\$ (435,752)</u>	<u>\$1,677,386</u>
LIABILITIES						
Mortgage notes payable	\$ 74,726	\$ 171,230	\$ 34,400	\$ 178,747	\$ -	\$ 459,103
Unsecured revolving credit facilities	162,000	-	-	-	-	162,000
Unsecured senior notes payable, net.....	150,000	-	-	-	-	150,000
Unamortized premium on notes payable	13,505	5,950	4,661	102	-	24,218
Other liabilities	13,000	15,522	1,780	8,539	-	38,841
Total liabilities	413,231	192,702	40,841	187,388	-	834,162
MINORITY INTEREST	-	-	-	-	12,672	12,672
STOCKHOLDERS' EQUITY.....	571,522	390,679	149,231	167,544	(448,424)	830,552
Total.....	<u>\$984,753</u>	<u>\$ 583,381</u>	<u>\$ 190,072</u>	<u>\$ 354,932</u>	<u>\$ (435,752)</u>	<u>\$1,677,386</u>

Condensed Statement of Operations For the three months ended March 31, 2004	Guarantors				Non Guarantors	Consolidated Equity One
	Equity One, Inc.	Combined Subsidiaries	IRT Partners, LP			
RENTAL REVENUE:						
Minimum rents	\$ 12,768	\$ 15,361	\$ 4,699	\$ 9,346	\$ 42,174	
Expense recoveries	3,188	4,269	1,230	2,986	11,673	
Termination fees	11	51	7	-	69	
Percentage rent payments	233	346	152	647	1,378	
Total rental revenue.....	<u>16,200</u>	<u>20,027</u>	<u>6,088</u>	<u>12,979</u>	<u>55,294</u>	
COSTS AND EXPENSES:						
Property operating expenses.....	3,622	5,440	1,640	3,756	14,458	
Interest expense.....	4,059	2,459	580	3,477	10,575	
Amortization of deferred financing fees.....	155	66	-	45	266	
Rental property depreciation and amortization.....	2,465	3,397	852	1,718	8,432	
General and administrative expenses.....	2,922	430	1	99	3,452	
Total costs and expenses	<u>13,223</u>	<u>11,792</u>	<u>3,073</u>	<u>9,095</u>	<u>37,183</u>	
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST	2,977	8,235	3,015	3,884	18,111	

Condensed Statement of Operations For the three months ended March 31, 2004 (continued)	Guarantors			Non Guarantors	Consolidated Equity One
	Equity One, Inc.	Combined Subsidiaries	IRT Partners, LP		
OTHER INCOME AND EXPENSES:					
Investment income	102	69	-	-	171
Other income.....	9	55	-	-	64
Equity in loss of joint ventures.....	-	(1)	-	-	(1)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST	3,088	8,358	3,015	3,884	18,345
DISCONTINUED OPERATIONS					
Income from operations of sold properties ...	-	-	-	74	74
Gain on disposal of income producing properties	(16)	18	-	2,033	2,035
Total income from discontinued operations.....	(16)	18	-	2,107	2,109
INCOME BEFORE MINORITY INTEREST.....	3,072	8,376	3,015	5,991	20,454
MINORITY INTEREST	(16)	(11)	(172)	(16)	(215)
NET INCOME	\$ 3,056	\$ 8,365	\$ 2,843	\$ 5,975	\$ 20,239

Condensed Statement of Operations For the three months ended March 31, 2003	Guarantors			Non Guarantors	Consolidated Equity One
	Equity One, Inc.	Combined Subsidiaries	IRT Partners, LP		
RENTAL REVENUE:					
Minimum rents	\$ 7,318	\$11,034	\$2,460	\$7,774	\$28,586
Expense recoveries	1,501	3,344	649	2,449	7,943
Termination fees	52	4	1	2	59
Percentage rent payments.....	175	256	193	384	1,008
Total rental revenue.....	9,046	14,638	3,303	10,609	37,596
COSTS AND EXPENSES:					
Property operating expenses	2,484	4,007	939	3,474	10,904
Interest expense.....	1,545	2,125	428	3,552	7,650
Amortization of deferred financing fees	114	110	2	58	284
Rental property depreciation and amortization.....	945	2,041	553	1,407	4,946
General and administrative expenses	2,242	-	-	-	2,242
Total costs and expenses	7,330	8,283	1,922	8,491	26,026
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY	1,716	6,355	1,381	2,118	11,570
OTHER INCOME AND EXPENSES:					
Investment income.....	261	118	61	1	441
Other income (expense).....	-	63	-	-	63

Condensed Statement of Operations For the three months ended March 31, 2003 (continued)	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
Equity in loss of joint ventures	-	(34)	-	-	(34)
Loss on extinguishment of debt.....	-	(513)	-	(110)	(623)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST	1,977	5,989	1,442	2,009	11,417
DISCONTINUED OPERATIONS					
Income from operations of sold properties....	-	565	-	-	565
Gain on disposal of income producing properties	-	503	-	-	503
Total income from discontinued operations	-	1,068	-	-	1,068
INCOME BEFORE MINORITY INTEREST...	1,977	7,057	1,442	2,009	12,485
MINORITY INTEREST.....	(55)	29	(69)	(46)	(141)
NET INCOME.....	\$ 1,922	\$ 7,086	\$ 1,373	\$ 1,963	\$12,344

10. Stockholders' Equity and Earnings Per Share

The following table reflects the change in number of shares of common stock outstanding for the three months ended March 31, 2004:

	Common Stock	Options Exercised	Total
Board of Directors	14	-	14
Officers	17*	20	37
Employees and other	16*	88	104
Dividend Reinvestment and Stock Purchase Plan	597	-	597
Total	644	108	752

* 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 month periods ended March 31, 2004 and 2003:

	Three Months Ended March 31,	
	2004	2003
Denominator for basic earnings per share – weighted average shares	69,115	47,163
Walden Woods Village, Ltd.....	94	94
Unvested restricted stock	597	319
Convertible partnership units	734	672
Stock options (using treasury method).....	481	227
Subtotal.....	1,906	1,312
Denominator for diluted earnings per share – weighted average shares	71,021	48,475

11. 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 March 31,	
		2004	2003
Net Income	As reported.....	\$ 20,239	\$ 12,344
	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	(194)	(169)
	Pro forma	<u>\$ 20,045</u>	<u>\$ 12,175</u>
Basic earnings per share	As reported.....	<u>\$ 0.29</u>	<u>\$ 0.26</u>
	Pro forma	<u>\$ 0.29</u>	<u>\$ 0.26</u>
Diluted earnings per share	As reported.....	<u>\$ 0.29</u>	<u>\$ 0.26</u>
	Pro forma	<u>\$ 0.29</u>	<u>\$ 0.25</u>

12. 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 \$6,524 has been repaid as of March 31, 2004. The notes bear interest at a rate of 5%. Interest only is payable quarterly and the principal is due between 2006 and 2007. 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.

13. 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. 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. 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 March 31, 2004, 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 interests 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 Venice Plaza, a separate general partnership which it controls and of which it is the primary beneficiary (of a 75% interest). The minority interest has been presented in the accompanying condensed consolidated balance sheets.

14. Dispositions

The following table reflects the properties reported in discontinued operations for the three month period ended March 31, 2004 as well as a listing of 2003 dispositions :

<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>
2004 Dispositions					
Southwest Walgreens	Phoenix, AZ	February	93,402	\$ 6,650	\$ 2,035
<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	March	12,739	\$ 4,050	\$ 326
Eckerd	Melbourne, FL	March	10,908	2,715	177
First quarter 2003				6,765	503
Pompano	Pompano Beach, FL	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
CDG (Park Place) LLC JV ..	Plano, TX	September	n/a	4,434	1,209
Heritage Walk	Milledgeville, GA	November	159,991	10,000	-*
Stadium Plaza	Phenix City, AL	December	70,475	4,800	-*
Total for 2003				\$ 33,315	\$ 3,083

*Properties acquired as part of the IRT Property Company merger, for which no gain/(loss) has been recognized due to purchasing accounting.

The Company classified the results of operations from the properties sold during 2003 and 2004 as income from discontinued operations in the accompanying condensed consolidated statements of operations. The condensed consolidated statements of operations for these properties are shown below:

	Three Months Ended	
	March 31,	
	2004	2003
Rental revenue.....	\$ 91	\$ 654
Property operating expenses	54	154
Interest expense.....	-	69
Amortization of deferred financing fees	-	1
Rental property depreciation and amortization	-	100
Total expenses.....	54	324
Investment income	37	90
Equity in income of joint ventures	-	145
Income from discontinued operations.....	\$ 74	\$ 565

15. Debt Extinguishment

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. During 2003, the Company prepaid four mortgages and incurred a loss of \$623 on the early extinguishment of debt.

16. New Accounting Pronouncements and Changes

In January 2003, FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"), an interpretation of ARB 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 consolidation 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 adoption of FIN 46 did not require a change in the accounting treatment of any VIE's. 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 SFAS No. 150. The FASB decided to defer the application of certain aspects of Statement 150 until it could consider some of the resulting implementation issues. The Company has adopted certain provisions of SFAS No. 150 which did not have a material impact on the Company's financial condition or results of operations. The Company is still evaluating the potential effect of the provisions of SFAS No. 150 that have been deferred to future periods.

In December 2003, the FASB issued Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*. This Statement revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition provisions of FASB Statements No. 87, *Employers' Accounting for Pensions*, No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, and No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. This Statement retains the disclosure requirements contained in FASB Statement No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*, which it replaces. It requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. The adoption of SFAS No. 132 (revised) did not have a material impact on the Company's financial statements.

17. Commitments and Contingencies

As of March 31, 2004, 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.

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, 2003 and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 filed March 15, 2004. 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 ("IRT") completed a statutory merger. The transaction has been accounted for as a purchase and the results of Equity One include the activity of IRT since February 12, 2003.

Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003

Total rental revenue increased by \$17.7 million, or 47.1%, to \$55.3 million in 2004 from \$37.6 million in 2003. The following factors accounted for this difference:

- The acquisition of IRT in 2003 increased revenue by approximately \$10.8 million;
- Properties acquired during 2004 increased revenue by approximately \$461,000.
- Properties acquired during 2003 increased revenue by approximately \$5.7 million; and
- Other property rental revenue increased by \$703,000 primarily related to the completion of a development property, lease-up of vacant space, and rental rate increases.

Property operating expenses increased by \$3.6 million, or 32.6%, to \$14.5 million for 2004 from \$10.9 million in 2003. The following factors contributed to this difference:

- The acquisition of IRT increased operating expenses by approximately \$1.9 million;
- Properties acquired during 2003 increased operating expenses by approximately \$1.5 million;
- Properties acquired during 2004 increased operating expenses by \$108,000; and
- Other property operating expenses increased by \$219,000.

Rental property depreciation and amortization increased by \$3.5 million, or 71.4%, to \$8.4 million for 2004 from \$4.9 million in 2003. The following factors primarily accounted for this difference:

- The acquisition of IRT increased depreciation and amortization by approximately \$2.0 million;
- Properties acquired during 2003 increased depreciation and amortization by approximately \$855,000; and
- Completed developments and properties purchased in 2004 increased depreciation and amortization by approximately \$629,000.

Interest expense increased by \$2.9 million, or 37.7%, to \$10.6 million for 2004 from \$7.7 million in 2003. This difference was primarily due to:

- An increase in interest expense of \$2.3 million as a result of the assumption of mortgage loans and senior unsecured debt in the acquisition of IRT in 2003;
- Interest incurred on the debt related to the acquisition of properties during 2003 of \$862,000;
- These increases to interest expense were partially offset by an increase in capitalized interest of \$129,000 related to development activity.

General and administrative expenses increased by \$1.2 million, or 54.5%, to \$3.4 million for 2004 from \$2.2 million in 2003. Compensation and employer related expenses increased by \$1.1 million and other general office expenses increased by \$100,000. These expense increases were due to the increase in staffing resulting from the IRT acquisition.

Investment income decreased by \$270,000 due to the principal repayments received on notes receivable.

During 2003, we repaid various mortgage notes prior to their stated maturities and incurred a loss on the extinguishment of debt of \$623,000.

We sold a property and have one property that is held for sale for the three month period ended March 31, 2004. The associated operating results of \$74,000 of such properties are reflected as income from operations of sold properties. The 2003 discontinued operations reflect a reclassification of operations for properties sold during 2003 and 2004. We recognized a gain of \$2.0 million in the first quarter of 2004 related to the disposal of a property and recognized a gain of \$503,000 in the first quarter of 2003 related to disposal of several properties.

As a result of the foregoing, net income increased by \$7.9 million, or 64.2%, to \$20.2 million for 2004 from \$12.3 million in 2003.

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 month periods ended March 31, 2004 and 2003:

	Three Months Ended March 31,	
	2004	2003
Net income	\$ 20,239	\$ 12,344
Adjustments:		
Rental property depreciation and amortization, including discontinued operations.....	8,432	5,046
Gain on disposal of income producing properties	(2,035)	(503)
Minority interest.....	199	131
Other Items:		
Interest on convertible partnership units	-	65
Pro-rata share of real estate depreciation from joint ventures	65	161
Funds from operations	\$ 26,900	\$ 17,244

FFO increased by \$9.7 million, or 56.4%, to \$26.9 million for the three months ended March 31, 2004, from \$17.2 million for the comparable period of 2003.

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 March 31,	
	2004	2003
Earnings per diluted share*	\$ 0.29	\$ 0.26
Adjustments:		
Rental property depreciation and amortization, including discontinued operations.....	0.12	0.11
Gain on disposal of income producing properties	(0.03)	(0.01)
Funds from operations per diluted share	\$ 0.38	\$ 0.36

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

CASH FLOWS

Net cash provided by operations of \$27.2 million for the three months ended March 31, 2004 included: (i) net income of \$20.2 million, (ii) adjustments for non-cash and gain on sale items which increased cash flow by \$6.5 million, and (iii) a net change in operating liabilities and operating assets that increased cash flow by \$409,000, compared to net cash provided by operations of \$12.1 million for the three months ended March 31, 2003, which included (i) net income of \$12.3 million, (ii) adjustments for non-cash items which increased cash flow by \$6.1 million, and (iii) a net change in operating liabilities and operating assets that reduced cash flow by \$6.4 million.

Net cash used in investing activities of \$105.6 million for the three months ended March 31, 2004 included: (i) the acquisition of one parcel of land held for future development and five shopping centers for \$94.8 million, (ii) construction, development and other capital improvements of \$9.9 million (iii) increased leasing costs of \$2.5 million, and (iv) an increase in cash held in escrow of \$1.9 million, offset by (a) proceeds from the sale of one property of \$2.0 million, and (b) proceeds from payment of notes receivable of \$1.4 million. These amounts should be compared to net cash used in investing activities of \$187.3 million for the three months ended March 31, 2003 which included: (i) the acquisition of one parcel of land held for future development for \$2.2 million, (ii) construction, development and other capital improvements of \$6.6 million, (iii) the acquisition of IRT for \$187.6 million, net of cash received,

and (iv) increased leasing costs of \$692,000, offset by (a) proceeds from the sale of two properties of \$6.7 million, and (b) proceeds from payment of notes receivable of \$2.8 million, and (c) distributions received from joint ventures of \$300,000.

Net cash provided by financing activities of \$77.5 million for the three months ended March 31, 2004 included: (i) net proceeds from the issuance of senior notes of \$199.8 million, (ii) net proceeds from the issuance of common stock of \$12.2 million, and (iii) proceeds from repayment of notes receivable of \$3.0 million, offset by (a) the payoff of one mortgage note for \$1.4 million and monthly principal payments on mortgage notes of \$2.3 million, (b) cash dividends paid to common stockholders of \$19.6 million, (c) repayments under revolving credit facilities of \$111.1 million (d) an increase in deferred financing costs of \$2.7 million related to the issuance of senior notes and (e) other miscellaneous uses of \$303,000 compared to net cash used by financing activities of \$175.0 million for the three months ended March 31, 2003 which included: (i) net proceeds from issuance of common stock of \$100.0 million, and (ii) net borrowings on the revolving credit facilities of \$138.0 million, offset by (a) the payoff of six mortgage notes for \$43.5 million and monthly principal payments on mortgage notes of \$2.5 million, (b) cash dividends paid to common stockholders of \$16.1 million, (c) an increase in deferred financing costs of \$559,000 and (d) other miscellaneous uses of \$573,000.

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 March 26, 2004, the Company completed a \$200 million offering of its senior unsecured notes that mature on April 15, 2009 (the "2009 Notes"). The 2009 Notes bear an interest rate of 3.875%. Interest is due semi-annually on April 15 and October 15 of each year commencing on October 15, 2004. The 2009 Notes were issued at a discount of \$250,000 that will be amortized against interest expense over the life of the 2009 Notes. The Company may redeem some or all of the 2009 Notes at any time for a price equal to the principal amount of the Notes being redeemed plus accrued interest. The 2009 Notes are guaranteed by most of the Company's wholly-owned subsidiaries and IRT Partners, LP ("LP"). The indenture under which the 2009 Notes were issued has several covenants which limit the Company's ability to incur debt; requires the Company to maintain unencumbered assets of not less than 150% of the aggregate principal amount of all the outstanding unsecured debt on a consolidated basis; and limit the Company's ability to consolidate, sell, lease, or convey substantially all of its assets to, or merge with any other entity.

In addition, the Company has obligations relating to \$150 million principal amount of unsecured 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 and LP.

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 is

guaranteed by most of the Company's wholly-owned subsidiaries. Certain provisions of the facility were amended on March 18, 2004. Based on the Company's current rating, the LIBOR spread is 1.0%. 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 \$170.0 million, a \$35.0 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. As of March 31, 2004, the Company had \$48 million outstanding on this credit facility. The weighted average interest rate as of March 31, 2004 was 2.08%, including the effect of interest rate swaps.

The Company has a \$5.0 million unsecured credit facility with City National Bank of Florida, of which \$2.9 million was outstanding as of March 31, 2004. This facility also secures \$1.4 million in outstanding letters of credit.

Our revolving credit facility balances as of March 31, 2004 and December 31, 2003 consisted of the following:

	March 31, 2004	December 31, 2003
	(in thousands)	
Unsecured Revolving Credit Facilities		
City National Bank of Florida.....	\$ 2,879	\$ -
Wells Fargo	<u>48,000</u>	<u>162,000</u>
Total revolving credit facilities	<u>\$ 50,879</u>	<u>\$ 162,000</u>

As of March 31, 2004, the availability under the various credit facilities was approximately \$131.0 million net of outstanding balances and letters of credit.

Our mortgage and unsecured senior notes payable balances as of March 31, 2004 and December 31, 2003 consisted of the following:

	March 31, 2004	December 31, 2003
	(in thousands)	
Mortgage and Unsecured Senior Notes Payable		
Fixed rate mortgage loans.....	\$ 470,263	\$ 459,103
Unsecured senior notes payable.....	350,000	150,000
Unamortized premium/discount on notes payable.....	<u>23,894</u>	<u>24,218</u>
Total mortgage and unsecured senior notes payable.....	<u>\$ 844,157</u>	<u>\$ 633,321</u>

The interest rate of the Company's 7.77% senior note is subject to a 50 basis point increase if the Company does not maintain an investment grade debt rating. The senior unsecured notes have also been guaranteed by most of the Company's wholly-owned subsidiaries and LP.

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 \$182.5 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 March 31, 2004, our total debt of \$871.1 million (less cash on hand) divided by our gross real estate assets of \$1.8 billion equals 48.4%.

As of March 31, 2004, scheduled principal amortization and the balances due at the maturity of our various mortgage and unsecured senior notes payable and revolving credit facilities (excluding unamortized premium or discount on notes payable) are as follows (in thousands):

Year	Secured Debt		Unsecured Debt		Total Principal Balance Due at Maturity
	Schedule Amortization	Balloon Payments	Unsecured Senior Notes	Revolving Credit Facilities	
2004.....	\$ 7,248	\$ 2,727	\$ -	\$ 2,879	\$ 12,854
2005.....	9,954	30,093	-	-	40,047
2006.....	10,170	24,758	50,000	48,000	132,928
2007.....	10,290	2,864	75,000	-	88,154
2008.....	10,365	40,104	-	-	50,469
2009.....	10,024	24,332	200,000	-	234,356
2010.....	9,049	80,848	-	-	89,897
2011.....	7,230	93,433	25,000	-	125,663
2012.....	5,952	40,056	-	-	46,008
2013.....	5,525	-	-	-	5,525
Thereafter..	36,447	8,794	-	-	45,241
Total.....	<u>\$ 122,254</u>	<u>\$ 348,009</u>	<u>\$ 350,000</u>	<u>\$ 50,879</u>	<u>\$ 871,142</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

As of March 31, 2004, we had over 25 development and redevelopment projects underway or in the planning stage totaling approximately \$80.5 million of asset value and, based on current plans and estimates, requiring approximately \$26.2 million of additional investment to complete beyond the \$54.3 million already expended. These include:

- CVS Plaza in Miami, Florida where we are completing the lease up of the local space at a new 31,804 square foot drug store-anchored shopping center we built across the street from our recently completed Publix supermarket anchored Plaza Alegre shopping center;

- Shops at Skylake in North Miami Beach, Florida, where we are in the process of adding 29,000 square feet of retail and office space;
- Bandera Festival in San Antonio, Texas; Centre Point in Smithfield, North Carolina; Copperfield in Houston, Texas; East Bay Plaza in Largo, Florida; Eustis Square in Eustis, Florida; Gulf Gate Plaza in Naples, Florida; Oakbrook Square in Palm Beach Gardens, Florida; and Walden Woods in Plant City, Florida, where we have reconfigured and redeveloped previously vacant anchor and other space and are completing the associated lease-up;
- Ambassador Row Courtyards in Lafayette, Louisiana where we are reconfiguring a portion of the center and adding an out parcel; and
- The development of two supermarket-anchored shopping centers, one in Homestead, Florida and the other in McDonough, Georgia, both on parcels we currently own and control.

These developments and redevelopments are scheduled for completion between the second quarter of 2004 and early 2006.

During the first quarter of 2004, we completed and leased \$28.2 million of development product resulting in incremental net operating income in excess of \$3.0 million on an annualized basis.

EQUITY

For the three months ended March 31, 2004, we issued 597,000 shares of our common stock at prices ranging from \$18.18 to \$18.99 per share pursuant to our Divided Reinvestment and Stock Purchase Plan. As of March 31, 2004, we have 1.6 million shares remaining for sale under that 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 and, interest rates 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 6.35 years and 4.49 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 March 31, 2004, the fair value of the fixed rate mortgage loans was estimated to be \$527.4 million compared to the carrying value amount of \$470.3 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 7.40%, the fair market value would be \$494.4 million and \$449.5 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 March 31, 2004, the fair value of its senior unsecured fixed rate debt was estimated to be \$347.1 million compared to the carrying value amount of \$350.0 million. 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 5.18%, the fair market value would be \$364.3 million and \$336.6 million, respectively.

At March 31, 2004, the Company's variable rate debt balance consisted of \$50.9 million of revolving credit facilities, of which \$20.0 million has been hedged under interest rate swaps pursuant to which the Company pays fixed interest rates and \$30.9 million remains subject to changes in interest rates. In addition, \$100 million of the \$200 million senior unsecured notes due April 15, 2009 have been swapped to a floating rate equal to the six month LIBOR rate in arrears plus 0.4375%. If the weighted average interest rate on the unhedged portion of the Company's total variable rate debt of \$130.9 million were 100 basis points higher or lower, annual interest expense would increase or decrease by approximately \$1.3 million. At March 31, 2004, the fair value of the \$20.0 million that is fixed under interest rate hedges was estimated to be a deficit to the Company of \$188,000, while the fair value of the \$100 million that is floating under interest rate hedges was estimated to be a deficit to the Company of \$819,000.

In the normal course of business, we are exposed to the effects 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 certain of the swaps, we receive LIBOR based payments and pay a fixed rate. Under one of the swap agreements we have hedged \$100 million of the \$200 million unsecured senior notes due April 15, 2009 to a variable interest rate equal to the six month LIBOR rate in arrears plus 0.4375%. A summary of the terms of the derivative instruments, as of March 31, 2004, and a reconciliation of the fair value and adjustments to accumulated other comprehensive loss (in thousands) are as follows:

Hedge type.....	Cash Flow
Description.....	Swap
Range of notional amounts	\$10,000 – \$100,000
Total.....	<u>\$ 120,000</u>
Range of interest rates	1.92% – 3.875%
Range of maturity dates.....	3/14/05 – 4/15/09
Total accumulated other comprehensive loss at December 31, 2003.....	\$ (122)
Change in fair value for the three months ended March 31, 2004.....	<u>(885)</u>
Total accumulated other comprehensive loss at March 31, 2004	<u>\$ (1,007)</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 March 31, 2004. The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2004. Although management is not aware of any factors that would significantly affect the estimated fair value amounts as of March 31, 2004, 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 and the portion of the unsecured notes payable that were swapped to variable interest rates are sensitive to changes in interest rates.

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 March 31, 2004, 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.

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

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

- 4.1 Supplemental Indenture No. 5 dated April 23, 2004 between the Company and Sun Trust Bank, as Trustee.
- 4.2 Supplemental Indenture No. 6 dated April 23, 2004 between the Company and Sun Trust Bank, as Trustee.
- 10.1 Third Amendment to Stockholders Agreement.
- 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 March 31, 2004, the Company filed the following reports on Form 8-K:

- (i) Report on Form 8-K dated January 6, 2004 under Item 5.
- (ii) Report on Form 8-K dated March 22, 2004 under Item 5.
- (iii) Report on Form 8-K dated March 25, 2004 under Item 5 and 7.
- (iv) Report on Form 8-K dated March 31, 2004 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: May 10, 2004

EQUITY ONE, INC.

/s/ HOWARD M. SIPZNER

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

INDEX TO EXHIBITS

<u>Exhibits</u>	<u>Description</u>
4.1	Supplemental Indenture No. 5 under the 1998 Indenture
4.2	Supplemental Indenture No. 6 for the 1995 Indenture.
10.1	Third Amendment to Stockholders Agreement.
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.