

**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 June 30, 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**

(Address of Principal Executive Offices)

33179

(Zip Code)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

52-1794271

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

(305) 947-1664

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Applicable only to Corporate Issuers:

As of the close of business on August 2, 2004, 70,964,352 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
JUNE 30, 2004 AND DECEMBER 31, 2003
(UNAUDITED)
(In thousands, except per share amounts)**

	<u>June 30, 2004</u>	<u>December 31, 2003</u>
ASSETS		
PROPERTIES:		
Income producing.....	\$ 1,780,145	\$ 1,594,579
Less: accumulated depreciation	(78,492)	(66,406)
	<u>1,701,653</u>	<u>1,528,173</u>
Construction in progress and land held for development	38,803	74,686
Properties held for sale	44,185	14,440
	<u>1,784,641</u>	<u>1,617,299</u>
Properties, net		
CASH AND CASH EQUIVALENTS.....	-	966
CASH HELD IN ESCROW	5,814	-
ACCOUNTS AND OTHER RECEIVABLES, NET	9,403	13,492
SECURITIES HELD FOR INVESTMENT	18,287	-
INVESTMENTS IN AND ADVANCES TO JOINT VENTURES	2,833	2,861
GOODWILL	14,477	14,014
OTHER ASSETS	44,125	28,754
TOTAL.....	<u>\$ 1,879,580</u>	<u>\$ 1,677,386</u>

(continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2004 AND DECEMBER 31, 2003
(UNAUDITED)
(In thousands, except per share amounts)

	<u>June 30, 2004</u>	<u>December 31, 2003</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
NOTES PAYABLE		
Mortgage notes payable.....	\$ 497,741	\$ 459,103
Unsecured revolving credit facilities.....	80,541	162,000
Unsecured senior notes payable.....	350,000	150,000
Margin payable for securities held for investment.....	11,075	-
	<u>939,357</u>	<u>771,103</u>
Unamortized premium/discount on notes payable.....	21,585	24,218
Total notes payable.....	960,942	795,321
OTHER LIABILITIES		
Accounts payable and accrued expenses.....	39,638	25,211
Tenant security deposits.....	8,358	7,706
Other liabilities.....	4,196	5,924
Total liabilities.....	<u>1,013,134</u>	<u>834,162</u>
MINORITY INTERESTS.....	<u>12,400</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, 70,755 and 69,353 shares issued and outstanding for 2004 and 2003, respectively.....	708	694
Additional paid-in capital.....	867,154	843,678
Retained earnings.....	-	-
Accumulated other comprehensive loss.....	(4,970)	(122)
Unamortized restricted stock compensation.....	(8,258)	(10,091)
Notes receivable from issuance of common stock.....	(588)	(3,607)
Total stockholders' equity.....	<u>854,046</u>	<u>830,552</u>
TOTAL.....	<u>\$ 1,879,580</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 AND SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
RENTAL REVENUE:				
Minimum rents	\$ 44,266	\$ 35,290	\$ 84,615	\$ 62,418
Expense recoveries	11,575	10,155	22,871	17,697
Termination fees	322	438	407	493
Percentage rent payments	285	437	1,617	1,372
Total rental revenue	<u>56,448</u>	<u>46,320</u>	<u>109,510</u>	<u>81,980</u>
COSTS AND EXPENSES:				
Property operating expenses	14,632	12,459	28,387	22,760
Rental property depreciation and amortization	8,857	6,755	17,010	11,449
General and administrative expenses	3,809	3,279	7,261	5,520
Total costs and expenses	<u>27,298</u>	<u>22,493</u>	<u>52,658</u>	<u>39,729</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST				
	29,150	23,827	56,852	42,251
OTHER INCOME AND EXPENSES:				
Interest expense	(11,657)	(10,205)	(21,984)	(17,577)
Amortization of deferred financing fees	(374)	(279)	(610)	(535)
Investment income	194	343	402	874
Other income	59	27	123	90
Equity in loss of joint ventures	(27)	(30)	(28)	(64)
Loss on extinguishment of debt	-	-	-	(513)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST				
	17,345	13,683	34,755	24,526
DISCONTINUED OPERATIONS:				
Income from rental properties sold or held for sale	1,861	1,536	2,870	2,675
(Loss) gain on disposal of income producing properties	(483)	1,371	1,552	1,874
Income from discontinued operations	<u>1,378</u>	<u>2,907</u>	<u>4,422</u>	<u>4,549</u>
INCOME BEFORE MINORITY INTEREST				
	18,723	16,590	39,177	29,075
MINORITY INTEREST				
	(188)	(238)	(403)	(379)
NET INCOME				
	<u>\$ 18,535</u>	<u>\$ 16,352</u>	<u>\$ 38,774</u>	<u>\$ 28,696</u>

(continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
EARNINGS PER SHARE:				
BASIC EARNINGS PER SHARE				
Income before discontinued operations	\$ 0.25	\$ 0.22	\$ 0.50	\$ 0.45
Income from discontinued operations	0.02	0.05	0.06	0.08
Total basic earnings per share	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.56</u>	<u>\$ 0.53</u>
NUMBER OF SHARES USED IN COMPUTING				
BASIC EARNINGS PER SHARE	<u>69,711</u>	<u>60,920</u>	<u>69,413</u>	<u>54,080</u>
DILUTED EARNINGS PER SHARE				
Income before discontinued operations	\$ 0.24	\$ 0.21	\$ 0.49	\$ 0.44
Income from discontinued operations.....	0.02	0.05	0.06	0.08
Total diluted earnings per share	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.55</u>	<u>\$ 0.52</u>
NUMBER OF SHARES USED IN COMPUTING				
DILUTED EARNINGS PER SHARE	<u>71,419</u>	<u>62,824</u>	<u>71,211</u>	<u>55,671</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 AND SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
NET INCOME	\$ 18,535	\$ 16,352	\$ 38,774	\$ 28,696
OTHER COMPREHENSIVE LOSS:				
Net unrealized holding loss on securities available for sale	-	48	-	47
Change in fair value of cash flow hedges	(3,963)	-	(4,848)	-
COMPREHENSIVE INCOME	\$ 14,572	\$ 16,400	\$ 33,926	\$ 28,743

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004
(UNAUDITED)
(In thousands, except per share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unamortized Restricted Stock Compensation	Notes Receivable from Issuance of Common Stock	Total Stockholders' Equity
BALANCE, JANUARY 1, 2004.....	\$ 694	\$ 843,678	\$ -	\$ (122)	\$ (10,091)	\$ (3,607)	\$ 830,552
Issuance of common stock..	14	24,215	-	-	1,833	-	26,062
Stock issuance costs.....	-	(158)	-	-	-	-	(158)
Repayment of notes receivable from issuance of common stock.....	-	-	-	-	-	3,019	3,019
Net income.....	-	-	38,774	-	-	-	38,774
Dividends paid.....	-	(581)	(38,774)	-	-	-	(39,355)
Change in fair value of cash flow hedges.....	-	-	-	(4,848)	-	-	(4,848)
BALANCE, JUNE 30, 2004.....	<u>\$ 708</u>	<u>\$ 867,154</u>	<u>\$ -</u>	<u>\$ (4,970)</u>	<u>\$ (8,258)</u>	<u>\$ (588)</u>	<u>\$ 854,046</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003
(UNAUDITED)

(In thousands, except per share amounts)

	Six Months Ended June 30,	
	2004	2003
OPERATING ACTIVITIES:		
Net income.....	\$ 38,774	\$ 28,696
Adjustments to reconcile net income to net cash provided by operating activities:		
Straight line rent adjustment.....	(1,615)	(810)
Provision for losses on accounts receivable.....	287	399
Amortization of premium/discount on notes payable.....	(2,463)	(1,366)
Amortization of deferred financing fees.....	610	535
Amortization of deferred financing fees included in discontinued operations....	60	60
Rental property depreciation and amortization.....	17,010	11,449
Rental property depreciation and amortization included in discontinued operations.....	511	683
Amortization of restricted stock.....	2,432	1,089
Equity in loss of joint ventures.....	28	64
Gain on securities available for sale.....	-	(8)
Loss on extinguishment of debt.....	-	623
Gain on disposal of real estate.....	(1,552)	(1,874)
Minority interest.....	403	379
Changes in assets and liabilities:		
Accounts and other receivables.....	3,932	405
Other assets.....	(6,568)	(2,057)
Accounts payable and accrued expenses.....	12,172	(1,055)
Tenant security deposits.....	652	127
Other liabilities.....	(178)	718
Net cash provided by operating activities.....	<u>64,495</u>	<u>38,057</u>
INVESTING ACTIVITIES:		
Additions to and purchases of properties.....	(138,875)	(9,566)
Additions to construction in progress.....	(18,553)	(11,875)
Proceeds from disposal of properties and joint venture interests.....	7,622	11,547
Increase in cash held in escrow.....	(5,814)	9,516
Distributions received from joint ventures.....	-	535
Proceeds from repayment of notes receivable.....	6,094	2,788
Increase in deferred leasing costs.....	(4,244)	(1,164)
Sale of securities available for sale.....	-	564
Cash used to purchase securities held for investment.....	(7,212)	-
Cash used in the purchase of IRT.....	-	(189,382)
Cash acquired in the IRT acquisition.....	-	1,756
Net cash used in investing activities.....	<u>(160,982)</u>	<u>(185,281)</u>

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003
(UNAUDITED)

(In thousands, except per share amounts)

	Six Months Ended June 30,	
	2004	2003
FINANCING ACTIVITIES:		
Repayment of mortgage notes payable.....	\$ (6,121)	\$ (48,055)
Net (repayment) borrowings under revolving credit facilities	(81,459)	67,931
Proceeds from senior debt offering.....	199,750	-
Increase in deferred financing costs	(3,038)	(820)
Proceeds from stock subscription and issuance of common stock.....	23,347	158,676
Stock issuance costs.....	(158)	(1,176)
Repayment of notes receivable from issuance of common stock.....	3,019	3,505
Cash dividends paid to stockholders.....	(39,355)	(33,214)
Distributions to minority interest.....	(464)	(448)
Net cash provided by financing activities	<u>95,521</u>	<u>146,399</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(966)	(825)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	<u>966</u>	<u>2,944</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	<u>\$ -</u>	<u>\$ 2,119</u>

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003
(UNAUDITED)
(In thousands, except per share amounts)

	Six Months Ended	
	June 30,	
	2004	2003
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amount capitalized	\$ 19,795	\$ 12,773
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Change in unrealized holding gain on securities available for sale		\$ 47
Change in fair value of cash flow hedges	\$ 4,848	
Issuance of restricted stock.....	\$ 882	\$ 3,265
Note receivable from sale of property.....	\$ 4,655	
Note receivable from sale of joint venture interest		\$ 2,229
The Company acquired and assumed three mortgage notes in connection with the acquisition of two rental properties:		
Fair value of rental property and other assets	\$ 92,735	
Assumption of mortgage notes payable.....	(44,758)	
Fair value adjustment of mortgage notes payable.....	(182)	
Cash paid for rental property	\$ 47,795	
The Company issued senior unsecured notes:		
Face value of notes	\$ 200,000	
Discount.....	(250)	
Cash received	\$ 199,750	
The Company purchased on margin securities which are held for investment:		
Cost of securities held for investment	\$ 18,287	
Amount purchased on margin.....	(11,075)	
Cash paid for securities held for investment	\$ 7,212	
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 AND SIX MONTH PERIODS ENDED JUNE 30, 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 national and regional supermarket chains 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 June 30, 2004, the Company’s portfolio of neighborhood shopping centers is located in twelve states in the southern United States and consists of 191 properties, encompassing 129 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 commercial real estate property.

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 six month periods ended June 30, 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, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2003, 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 merger with IRT Property Company (“IRT”). The Company entered into the merger to acquire 93 properties comprising an aggregate of approximately 10,041,000 square feet of gross leasable area and create one of the largest shopping center REITs primarily focusing on the southeastern United States. The merger provided the Company with a unique business opportunity to increase its portfolio of properties and enhance its core portfolio by broadening its concentration in existing markets and expanding into new markets. This provided the Company with a more stable earnings stream as a majority of the properties are in high-growth areas of the southeastern United States. The Company’s Board believes that the increase in the size of the Company’s portfolio strengthens its position as a leading shopping center REIT and provides synergies because of the Company’s experience, geographic locations, greater market capitalization, opportunity for further growth and liquidity. These factors contributed to a purchase price that resulted in \$11,738 of goodwill. 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 \$720 and \$583 for the three months ended June 30, 2004 and 2003, respectively, and \$1,532 and \$1,267 for the six months ended June 30, 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 results of operations of any acquired property are included in the Company’s financial statements as of the date of its 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 cost approach is based upon the current costs to develop the particular asset in that geographic location, less an allowance for physical and functional depreciation. The assigned value for buildings and improvements is based on an as if vacant basis. 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 incurred to originate a lease, including commissions and legal costs, excluding any new leases 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 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.

The Company has completed the following individual property acquisitions:

2004 Acquisition Activity

Date Purchased	Property Name	City	State	Square Feet/Acres	Purchase Price
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 Square	Columbia	SC	339,051	45,150
March 31, 2004	Venice Shopping Center	Venice	FL	111,934	6,447
First Quarter Total					<u>107,797</u>
April 8, 2004	Windy Hill	N. Myrtle Beach	SC	64,465	2,895
April 29, 2004	Hamilton Outparcel	Buford	GA	0.64 acres	425
May 27, 2004	Medical & Merchants	Jacksonville	FL	152,761	21,980
June 2, 2004	Westgate Marketplace	Houston	TX	298,354	47,100
Second Quarter Total					<u>72,400</u>
Total					<u>\$180,197</u>

The Company's allocation of the purchase price for the acquisitions consummated during 2004 is preliminary and is subject to change. The Company is in the process of obtaining additional market data related to the fair value of the land and in-place leases. 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 June 30, 2004, eleven properties were held for sale with a net book value of \$44,185 and comprising 1,397 gross leasable square feet.

7. Investments in and Advances to Joint Ventures

The following is a summary of the Company's investments in unconsolidated joint ventures at June 30, 2004 and December 31, 2003 (all investments in unconsolidated entities are accounted for under the equity method):

Entity	Location	Ownership	June 30, 2004	December 31, 2003
PG Partners	Palm Beach Gardens, FL	50.0%	\$ 2,605	\$ 2,633
Parcel F, LLC	Palm Beach Gardens, FL	50.0%	228	228
Total investments in and advances to joint ventures			<u>\$ 2,833</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:

	As of June 30, 2004	As of December 31, 2003
Assets:		
Rental properties, net.....	\$ 16,404	\$ 16,688
Other assets.....	493	457
Total assets.....	<u>\$ 16,897</u>	<u>\$ 17,145</u>
Liabilities and Ventures' Equity:		
Mortgage notes	\$ 12,820	\$ 12,878
Other liabilities	72	90
Ventures' equity	4,005	4,177
Total	<u>\$ 16,897</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.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Revenues:				
Total revenues	\$ 558	\$ 578	\$ 1,150	\$ 1,161
Expenses:				
Operating expenses	178	185	352	401
Interest expense	277	280	555	556
Depreciation	130	122	261	275
Other expense	27	50	37	56
Total expenses	<u>612</u>	<u>637</u>	<u>1,205</u>	<u>1,288</u>
Net loss	<u>\$ (54)</u>	<u>\$ (59)</u>	<u>\$ (55)</u>	<u>\$ (127)</u>
The Company's equity in loss from joint ventures.....	<u>\$ (27)</u>	<u>\$ (30)</u>	<u>\$ (28)</u>	<u>\$ (64)</u>

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

8. Borrowings

The following is a summary of the Company's borrowings consisting of mortgage notes payable, unsecured senior notes payable and unsecured revolving credit facilities:

	June 30, 2004	December 31, 2003
Mortgage Notes Payable		
Fixed rate mortgage loans.....	\$ 497,741	\$ 459,103
Unamortized net premium (discount) on mortgage notes payable	11,035	11,779
Total.....	<u>\$ 508,776</u>	<u>\$ 470,882</u>

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 \$173.1 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. The Company is in the process of seeking consents from the lenders to address these issues. In the event that the requested assurances or consents are not obtained and the mortgage holders declare defaults under the mortgage documents, we will, if required, prepay the remaining mortgage from existing resources, refinancing of such mortgages, borrowings under our other lines of credit or other sources of financing. 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.

	<u>June 30, 2004</u>	<u>December 31, 2003</u>
Unsecured Senior Notes Payable		
7.77% Senior Notes, due 4/1/06	\$ 50,000	\$ 50,000
7.25% Senior Notes, due 8/15/07	75,000	75,000
3.875% Senior Notes, due 4/15/09.....	200,000	-
7.84% Senior Notes, due 1/23/12.....	25,000	25,000
Unamortized net premium (discount) on unsecured senior notes payable	10,550	12,439
Total.....	<u>\$ 360,550</u>	<u>\$ 162,439</u>

The indentures under which the notes were issued have several covenants which limit the Company's ability to incur debt; require the Company to maintain unencumbered asset ratios and limit the Company's ability to consolidate, sell, lease, or convey substantially all of its assets to, or merge with any other entity. These notes have also been guaranteed by most of the Company's subsidiaries including IRT Partners L.P. ("LP"). The interest rate on the 7.77% senior notes is subject to a 50 basis point increase if the Company does not maintain an investment grade debt rating.

	<u>June 30, 2004</u>	<u>December 31, 2003</u>
Unsecured Revolving Credit Facilities		
Wells Fargo	\$ 80,500	\$ 162,000
City National Bank.....	41	-
Total.....	<u>\$ 80,541</u>	<u>\$ 162,000</u>

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 subsidiaries. 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 \$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 coverage ratios, 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 June 30, 2004, the Company had \$80,500 outstanding on this credit facility. The weighted average interest rate as of June 30, 2004 was 2.05%, including the effect of interest rate swaps.

The Company also has a \$5,000 unsecured credit facility with City National Bank of Florida, of which \$1 was outstanding as of June 30, 2004. This facility also provides collateral for \$1,456 in outstanding letters of credit.

As of June 30, 2004, the availability under the various credit facilities was approximately \$113,901 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 June 30, 2004	Equity One, Inc.	Guarantors		Non Guaran- tors	Eliminating Entries	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP			
ASSETS						
Properties, net.....	\$ 510,769	\$ 682,426	\$ 185,336	\$ 406,110	\$ -	\$ 1,784,641
Investment in affiliates	435,752	-	-	-	(435,752)	-
Other assets	52,028	24,790	3,376	14,745	-	94,939
Total	<u>\$ 998,549</u>	<u>\$ 707,216</u>	<u>\$ 188,712</u>	<u>\$ 420,855</u>	<u>\$ (435,752)</u>	<u>\$ 1,879,580</u>
LIABILITIES						
Mortgage notes payable.....	\$ 72,442	\$ 189,752	\$ 34,082	\$ 201,465	\$ -	\$ 497,741
Unsecured revolving credit facilities.....	80,541	-	-	-	-	80,541
Unsecured senior notes payable....	350,000	-	-	-	-	350,000
Unamortized premium/discount on notes payable.....	11,365	5,691	4,368	161	-	21,585
Other liabilities.....	33,359	16,337	3,971	9,600	-	63,267
Total liabilities.....	547,707	211,780	42,421	221,226	-	1,013,134
MINORITY INTEREST	-	-	-	-	12,400	12,400
STOCKHOLDERS' EQUITY	450,842	495,436	146,291	209,629	(448,152)	854,046
Total.....	<u>\$ 998,549</u>	<u>\$ 707,216</u>	<u>\$ 188,712</u>	<u>\$ 420,855</u>	<u>\$ (435,752)</u>	<u>\$ 1,879,580</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.....	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 June 30, 2004	Guarantors				Consolidated Equity One
	Equity One, Inc.	Combined Subsidiaries	IRT Partners, LP	Non Guarantors	
RENTAL REVENUE:					
Minimum rents	\$ 12,565	\$ 16,844	\$ 4,464	\$ 10,393	\$ 44,266
Expense recoveries.....	2,637	4,942	963	3,033	11,575
Termination fees.....	137	17	119	49	322
Percentage rent payments.....	52	47	116	70	285
Total rental revenue.....	<u>15,391</u>	<u>21,850</u>	<u>5,662</u>	<u>13,545</u>	<u>56,448</u>
COSTS AND EXPENSES:					
Property operating expenses	3,460	5,585	1,606	3,981	14,632
Rental property depreciation and amortization.....	2,459	3,517	830	2,051	8,857
General and administrative expenses	3,762	47	-	-	3,809
Total costs and expenses.....	<u>9,681</u>	<u>9,149</u>	<u>2,436</u>	<u>6,032</u>	<u>27,298</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST	5,710	12,701	3,226	7,513	29,150

Condensed Statement of Operations For the three months ended June 30, 2004 (continued)	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
OTHER INCOME AND EXPENSES:					
Interest expense.....	\$ (4,546)	\$ (2,706)	\$ (574)	\$ (3,831)	\$ (11,657)
Amortization of deferred financing fees	(289)	(41)	-	(44)	(374)
Investment income	125	63	1	5	194
Other income	-	59	-	-	59
Equity in loss of joint ventures	-	(27)	-	-	(27)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST.....	1,000	10,049	2,653	3,643	17,345
DISCONTINUED OPERATIONS					
Income from rental properties sold or held for sale.....	1,045	383	193	240	1,861
Loss on disposal of income producing properties	(483)	-	-	-	(483)
Total income from discontinued operations.....	562	383	193	240	1,378
INCOME BEFORE MINORITY INTERST	1,562	10,432	2,846	3,883	18,723
MINORITY INTEREST	(14)	(12)	(148)	(14)	(188)
NET INCOME.....	\$ 1,548	\$ 10,420	\$ 2,698	\$ 3,869	\$ 18,535

Condensed Statement of Operations For the three months ended June 30, 2003	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
RENTAL REVENUE:					
Minimum rents.....	\$ 12,506	\$ 10,724	\$ 4,393	\$ 7,667	\$ 35,290
Expense recoveries	2,701	3,765	1,248	2,441	10,155
Termination fees	25	341	3	69	438
Percentage rent payments	103	69	87	178	437
Total rental revenue.....	15,335	14,899	5,731	10,355	46,320
COSTS AND EXPENSES:					
Property operating expenses.....	4,539	3,300	1,662	2,958	12,459
Rental property depreciation and amortization.....	2,324	2,410	576	1,445	6,755
General and administrative expenses.....	3,364	(85)	-	-	3,279
Total costs and expenses	10,227	5,625	2,238	4,403	22,493
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST.....	5,108	9,274	3,493	5,952	23,827

Condensed Statement of Operations For the three months ended June 30, 2003 (continued)	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
OTHER INCOME AND EXPENSES:					
Interest expense.....	\$ (4,035)	\$ (1,902)	\$ (702)	\$ (3,566)	\$ (10,205)
Amortization of deferred financing fees.....	(196)	(37)	-	(46)	(279)
Investment income	153	166	10	14	343
Other income (expense).....	-	27	-	-	27
Equity in loss of joint ventures.....	(5)	(25)	-	-	(30)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST	1,025	7,503	2,801	2,354	13,683
DISCONTINUED OPERATIONS					
Income from rental properties sold or held for sale.....	593	565	239	139	1,536
Gain on disposal of income producing properties.....	-	901	-	470	1,371
Total income from discontinued operations	593	1,466	239	609	2,907
INCOME BEFORE MINORITY INTEREST ...	1,618	8,969	3,040	2,963	16,590
MINORITY INTEREST	-	(25)	(179)	(34)	(238)
NET INCOME	\$ 1,618	\$ 8,944	\$ 2,861	\$ 2,929	\$ 16,352

Condensed Statement of Operations For the six months ended June 30, 2004	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
RENTAL REVENUE:					
Minimum rents.....	\$ 24,856	\$ 31,405	\$ 8,869	\$ 19,485	\$ 84,615
Expense recoveries	5,777	9,033	2,113	5,948	22,871
Termination fees	149	32	126	100	407
Percentage rent payments	284	393	268	672	1,617
Total rental revenue.....	31,066	40,863	11,376	26,205	109,510
COSTS AND EXPENSES:					
Property operating expenses.....	12,537	4,920	3,154	7,776	28,387
Rental property depreciation and amortization.....	11,817	(171)	1,628	3,736	17,010
General and administrative expenses.....	191	7,069	-	1	7,261
Total costs and expenses	24,545	11,818	4,782	11,513	52,658

Condensed Statement of Operations For the six months ended June 30, 2004 (continued)	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST.....	\$ 6,521	\$ 29,045	\$ 6,594	\$ 14,692	\$ 56,852
OTHER INCOME AND EXPENSES:					
Interest expense.....	(2,920)	(10,602)	(1,154)	(7,308)	(21,984)
Amortization of deferred financing fees.....	(53)	(468)	-	(89)	(610)
Investment income	227	166	1	8	402
Other income (expense).....	9	114	-	-	123
Equity in loss of joint ventures.....	-	(28)	-	-	(28)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST	3,784	18,227	5,441	7,303	34,755
DISCONTINUED OPERATIONS					
Income from rental properties sold or held for sale.....	1,351	670	420	429	2,870
(Loss) gain on disposal of income producing properties.....	(499)	18	-	2,033	1,552
Total income from discontinued operations	852	688	420	2,462	4,422
INCOME BEFORE MINORITY INTEREST ...	4,636	18,915	5,861	9,765	39,177
MINORITY INTEREST	(30)	(23)	(320)	(30)	(403)
NET INCOME	\$ 4,606	\$ 18,892	\$ 5,541	\$ 9,735	\$ 38,774

Condensed Statement of Operations For the six months ended June 30, 2003	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
RENTAL REVENUE:					
Minimum rents.....	\$ 18,961	\$ 21,737	\$ 6,703	\$ 15,017	\$ 62,418
Expense recoveries	4,262	6,747	1,871	4,817	17,697
Termination fees	(134)	551	5	71	493
Percentage rent payments	274	329	272	497	1,372
Total rental revenue.....	23,363	29,364	8,851	20,402	81,980
COSTS AND EXPENSES:					
Property operating expenses.....	7,004	7,131	2,560	6,065	22,760
Rental property depreciation and amortization.....	3,115	4,434	1,109	2,791	11,449
General and administrative expenses.....	5,601	(81)	-	-	5,520
Total costs and expenses	15,720	11,484	3,669	8,856	39,729

Condensed Statement of Operations	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
For the six months ended June 30, 2003 (continued)					
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST.....	\$ 7,643	\$ 17,880	\$ 5,182	\$ 11,546	\$ 42,251
OTHER INCOME AND EXPENSES:					
Interest expense.....	(5,428)	(3,902)	(1,154)	(7,093)	(17,577)
Amortization of deferred financing fees.....	(307)	(123)	(1)	(104)	(535)
Investment income	403	385	71	15	874
Other income (expense).....	-	90	-	-	90
Equity in loss of joint ventures.....	-	(64)	-	-	(64)
Loss on extinguishment of debt.....	-	(403)	-	(110)	(513)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST	2,311	13,863	4,098	4,254	24,526
DISCONTINUED OPERATIONS					
Income from rental properties sold or held for sale.....	905	933	363	474	2,675
Gain on disposal of income producing properties.....	-	1,404	-	470	1,874
Total income from discontinued operations.....	905	2,337	363	944	4,549
INCOME BEFORE MINORITY INTEREST ...	3,216	16,200	4,461	5,198	29,075
MINORITY INTEREST	(80)	29	(248)	(80)	(379)
NET INCOME	\$ 3,136	\$ 16,229	\$ 4,213	\$ 5,118	\$ 28,696

10. Stockholders' Equity and Earnings Per Share

The following table reflects the change in number of shares of common stock issued for the six months ended June 30, 2004:

	Common Stock	Options Exercised	Total
Board of Directors	13 *	-	13
Officers.....	17 *	42	59
Employees and other.....	1 *	122	123
Dividend Reinvestment and Stock Purchase Plan	1,206	-	1,206
Total.....	1,237	164	1,401

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

The following table sets forth the computation of basic and diluted shares used in computing earnings per share for the three and six month periods ended June 30, 2004 and 2003:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Denominator for basic earnings per share				
– weighted average shares	69,711	60,920	69,413	54,080
Walden Woods Village, Ltd	94	94	94	94
Unvested restricted stock	519	451	558	383
Convertible partnership units	734	966	734	821
Stock options (using treasury method)	361	393	412	293
Subtotal.....	1,708	1,904	1,798	1,591
Denominator for diluted earnings per share – weighted average shares.....	71,419	62,824	71,211	55,671

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 June 30,		Six Months Ended June 30,	
		2004	2003	2004	2003
Net Income	As reported.....	\$18,535	\$16,352	\$38,774	\$28,696
	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.....	190	169	384	336
	Pro forma	\$18,345	\$16,183	\$38,390	\$28,360
Basic earnings per share	As reported.....	\$ 0.27	\$ 0.27	\$ 0.56	\$ 0.53
	Pro forma	\$ 0.26	\$ 0.27	\$ 0.55	\$ 0.52
Diluted earnings per share	As reported.....	\$ 0.26	\$ 0.26	\$ 0.55	\$ 0.52
	Pro forma	\$ 0.26	\$ 0.26	\$ 0.54	\$ 0.52

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 \$,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 June 30, 2004. The outstanding notes bear interest at a rate of 5% per annum. Interest only is payable quarterly and the principal amount of each of the notes is due in June 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, the limited 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, the 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 June 30, 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 presented as a minority interest in the accompanying condensed consolidated balance sheets.

The Company also has a controlling general partnership interest (75% interest) in Venice Plaza and records a minority interest for the limited partners' share of equity.

14. Dispositions

The following table reflects the properties sold during 2004 and 2003:

<u>Property</u>	<u>Location</u>	<u>Date Sold</u>	<u>Square Feet/ Acres</u>	<u>Gross Sales Price</u>	<u>Gain (Loss) On Sale</u>
2004 Dispositions					
Southwest Walgreens.....	Phoenix, AZ	February	93,402	\$ 6,650	\$ 2,035
Watson Central	Warner Robbins, GA	June	227,747	6,000	(483)*
Total for 2004				<u>\$ 12,650</u>	<u>\$ 1,552</u>
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>
2003 Dispositions					
Eckerd.....	Leesburg, FL	March	12,739	\$ 4,050	\$ 326
Eckerd.....	Melbourne, FL	March	10,908	2,715	177
First quarter 2003				<u>6,765</u>	<u>503</u>
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
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	November	159,991	10,000	- *
Stadium Plaza.....	Phenix City, AL	December	70,475	4,800	- *
Total for 2003				<u>\$ 33,315</u>	<u>\$ 3,083</u>

*Properties acquired as part of the IRT Property Company merger.

The Company classified the results of operations from the properties sold during 2003 and 2004 and held for sale at June 30, 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 June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Rental revenue	\$2,982	\$2,838	\$5,304	\$5,428
Property operating expenses	614	864	1,371	1,621
Rental property depreciation and amortization	232	331	511	683
Total expenses	846	1,195	1,882	2,304
Interest expense.....	(245)	(383)	(492)	(730)
Amortization of deferred financing fees	(30)	(30)	(60)	(60)
Equity in income of joint ventures	-	306	-	451
Loss on extinguishment of debt.....	-	-	-	(110)
Income from discontinued operations.....	<u>\$1,861</u>	<u>\$1,536</u>	<u>\$2,870</u>	<u>\$2,675</u>

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 was revised in December 2003. FIN 46 provides guidance on identifying entities for which control is achieved through means other than through voting rights, or variable interest entities (“VIE”), and how to determine when and which business enterprises should consolidate the operating results of a 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 those cases in which it is the primary beneficiary and has consolidated the operating results of those VIEs. 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 VIEs owned by the Company. The Company has not become a party to any VIEs during 2003 or 2004.

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 post retirement 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 (as revised) did not have a material impact on the Company’s financial statements.

17. Commitments and Contingencies

As of June 30, 2004, the Company has pledged letters of credit totaling \$1,511 as additional security for certain financings and other activities.

The Company is subject to litigation in the normal course of business. However, none of the litigation outstanding as of June 30, 2004, in the opinion of management, will have a material adverse effect on the financial condition or results of operations of the Company.

18. Subsequent Events

In July 2004, the Company completed the sale of three properties for total consideration of \$22,150, comprising an aggregate of 283,000 square feet of gross leasable area.

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

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, 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. The results of operations for an interim period may not give a true indication of results for the entire 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.

Critical Accounting Policies

Our 2003 Annual Report on Form 10-K contains a description of the critical accounting policies of the Company, including revenue recognition, cost capitalization, impairment of real estate assets, purchase accounting treatment for acquisitions, impairment testing of goodwill, and joint venture accounting. For the three and six month period ended June 30, 2004, there were no material changes to these policies.

Overview

During the first six months of 2004 we executed our business strategy as follows:

- Increased the average rental rate on 185 lease renewals aggregating 451,192 square feet by 4.3% to \$13.19 per square foot;
- Executed 210 new leases totaling 951,045 square feet at an average rental rate of \$10.26 per square foot, which net of lost leases resulted in net absorption of 393,268 square feet;
- Acquired 10 properties totaling \$180.2 million, adding over 1.3 million square feet of gross leasable area;
- Sold two non-core properties for \$12.6 million, generating a net \$1.6 million gain on sale; and
- Raised \$200 million in an unsecured debt offering with a yield of 3.902% of which \$100 million was swapped to a floating rate of 6 month LIBOR in arrears plus 0.4375%.

The various factors we use to evaluate our second quarter of 2004 operating results are as follows:

- Increased the rental rate on 103 lease renewals aggregating 206,517 square feet by 4.2% to \$13.87 per square foot;

- Executed 101 new leases totaling 412,783 square feet at an average rental rate of \$10.77 per square foot, which net of lost leases resulted in net absorption of 232,954 square feet;
- Acquired 4 properties totaling \$72.4 million, adding over 515,000 square feet of gross leasable area; and
- Sold one non-core property for \$6.0 million, generating a \$483,000 loss on sale.

Results of Operations

Our consolidated results of operations often are not comparable from period to period due to the impact of property acquisitions, dispositions, development and redevelopment. A large portion of the change in our statement of operations line items is related to these changes in the portfolio.

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.

The following summarizes items from our unaudited condensed consolidated statements of operations which we think are important in understanding our operations and/or those items which have significantly changed in 2004 compared to 2003.

	For the three month period ended June 30,			For the six month period ended June 30,		
	2004	2003	% Change	2004	2003	% Change
Total rental revenue.....	\$56,448	\$46,320	21.9%	\$109,510	\$81,980	33.6%
Property operating expenses.....	\$14,632	\$12,459	17.4%	\$ 28,387	\$22,760	24.7%
Rental property depreciation and amortization.....	\$ 8,857	\$ 6,755	31.1%	\$ 17,010	\$11,449	48.6%
General and administrative expenses.....	\$ 3,809	\$ 3,279	16.2%	\$ 7,261	\$ 5,520	31.5%
Interest expense.....	\$11,657	\$10,205	14.2%	\$ 21,984	\$17,577	25.1%

Comparison of the Three Months Ended June 30, 2004 to the Three Months Ended June 30, 2003

Total rental revenue increased by \$10.1 million, or 21.9%, to \$56.4 million in 2004 from \$46.3 million in 2003. The following factors accounted for this difference:

- Same property rental revenue increased by approximately \$1.0 million;
- Properties acquired during 2004 increased revenue by approximately \$3.5 million;
- Properties acquired during 2003 increased revenue by approximately \$5.5 million; and
- Other property rental revenue increased by \$2.4 million primarily related to the completion of a development property.

Property operating expenses increased by \$2.1 million, or 17.4%, to \$14.6 million for 2004 from \$12.5 million in 2003. The following factors contributed to this difference:

- Same property operating expenses increased by approximately \$505,000;
- Properties acquired during 2004 increased operating expenses by \$552,000;

- Properties acquired during 2003 increased operating expenses by approximately \$1.4 million; and
- Other property operating expenses decreased by \$257,000.

Rental property depreciation and amortization increased by \$2.1 million, or 31.1%, to \$8.9 million for 2004 from \$6.8 million in 2003. The following factors primarily accounted for this difference:

- Properties acquired during 2004 increased depreciation and amortization by approximately \$684,000;
- Properties acquired during 2003 increased depreciation and amortization by approximately \$861,000; and
- Completed developments and additions to existing properties increased depreciation and amortization by approximately \$542,000.

General and administrative expenses increased by \$530,000, or 16.2%, to \$3.8 million for 2004 from \$3.3 million in 2003. Compensation and employer related expenses increased by \$782,000 and all other general office expenses decreased by \$252,000.

Interest expense increased by \$1.5 million, or 14.2%, to \$11.7 million for 2004 from \$10.2 million in 2003. This difference was primarily due to:

- An increase of \$430,000 attributable to the \$200 million unsecured senior notes issued during March of 2004;
- An increase of \$349,000 attributable to the debt related to the acquisition of properties during 2004;
- An increase of \$852,000 attributable to the debt related to the acquisition of properties during 2003; and
- A decrease of \$137,000 attributable to an increase in capitalized interest related to development activity.

Investment income decreased by \$149,000 due to the principal repayments received on notes receivable.

We sold a property in the second quarter of 2004 and have eleven properties that are held for sale as of June 30, 2004. The associated operating results of \$1.9 million for these properties are reflected as income from discontinued operations. The 2003 discontinued operations reflect a reclassification of operations for properties sold during 2003 and 2004 and properties held for sale at June 30, 2004. We recognized a loss of \$483,000 in the second quarter of 2004 related to the disposal of a property and recognized a gain of \$1.4 million in the second quarter of 2003 related to the disposal of three properties.

As a result of the foregoing, net income increased by \$2.2 million, or 13.4%, to \$18.5 million for 2004 from \$16.3 million in 2003.

Comparison for the Six Months Ended June 30, 2004 to the Six Months Ended June 30, 2003

Total rental revenue increased by \$27.5 million, or 33.6%, to \$109.5 million in 2004 from \$82.0 million in 2003. The following factors accounted for this difference:

- The acquisition of IRT in 2003 increased revenue by approximately \$9.8 million;

- Other properties acquired during 2003 increased revenue by approximately \$11.3 million;
- Properties acquired during 2004 increased revenue by approximately \$4.0 million; and
- Other property rental revenue increased by \$2.4 million primarily related to the completion of a development property, lease-up of vacant space, and rental rate increases.

Property operating expenses increased by \$5.6 million, or 24.7%, to \$28.4 million for 2004 from \$22.8 million in 2003. The following factors contributed to this difference:

- The acquisition of IRT increased operating expenses by approximately \$815,000;
- Other properties acquired during 2003 increased operating expenses by approximately \$3.0 million;
- Properties acquired during 2004 increased operating expenses by \$1.1 million; and
- Other property operating expenses increased by \$287,000.

Rental property depreciation and amortization increased by \$5.6 million, or 48.6%, to \$17.0 million for 2004 from \$11.4 million in 2003. The following factors primarily accounted for this difference:

- The acquisition of IRT increased depreciation and amortization by approximately \$2.4 million;
- Other properties acquired during 2003 increased depreciation and amortization by approximately \$1.7 million;
- Properties purchased in 2004 increased depreciation and amortization by approximately \$786,000; and
- Completed developments in 2004 and 2003 increased depreciation and amortization by approximately \$265,000.

General and administrative expenses increased by \$1.8 million, or 31.5%, to \$7.3 million for 2004 from \$5.5 million in 2003. Compensation and employer related expenses increased by \$1.8 million and other general office expenses decreased by \$171,000. These expense increases were due to the increase in staffing resulting from the IRT and other acquisitions.

Interest expense increased by \$4.4 million, or 25.1%, to \$22.0 million for 2004 from \$17.6 million in 2003. This difference was primarily due to:

- An increase of \$1.4 million attributable to the assumption of mortgage loans and senior unsecured debt in the acquisition of IRT in 2003;
- An increase of \$1.7 million attributable to the debt related to the acquisition of properties during 2003;
- An increase of \$1.5 million attributable to the \$200 million unsecured senior notes issued during March of 2004; and
- A decrease of \$265,000 attributable to an increase in capitalized interest related to development activity.

Investment income decreased by \$472,000 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 \$513,000.

We sold two properties during the six months ended June 30, 2004 and have eleven properties that are held for sale as of June 30, 2004. The associated operating results of \$2.9 million for these properties are reflected as income from discontinued operations. The 2003 discontinued operations reflect a reclassification of operations for properties sold during 2003 and 2004 and properties held for sale at June 30, 2004. We recognized a gain of \$1.6 million in the first half of 2004 related to the disposal of two properties and recognized a gain of \$1.9 million in the first half of 2003 related to the disposal of five properties.

As a result of the foregoing, net income increased by \$10.1 million, or 35.1%, to \$38.8 million for 2004 from \$28.7 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 and in particular, REITs. The National Association of Real Estate Investment Trusts (“NAREIT”) stated in its April 2002 White Paper on Funds from Operations, “Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminish predictably over time. Since real estate values instead 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”. It states further that “[a] 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 operating performance. 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, including the ability to make distributions, (iii) is not an alternative to cash flow as a measure of liquidity, and (iv) 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 six month periods ended June 30, 2004 and 2003 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income	\$18,535	\$16,352	\$ 38,774	\$ 28,696
Adjustments:				
Rental property depreciation and amortization, including discontinued operations.....	9,089	7,086	17,521	12,132
Loss (gain) on disposal of income producing properties	483	(1,371)	(1,552)	(1,874)
Minority interest.....	174	238	373	379
Other Items:				
Interest on convertible partnership units	-	(22)	-	43
Pro-rata share of real estate depreciation from joint ventures	66	139	130	300
Funds from operations	<u>\$ 28,347</u>	<u>\$ 22,422</u>	<u>\$ 55,246</u>	<u>\$ 39,676</u>

FFO increased by \$5.9 million, or 26.4%, to \$28.3 million for the three months ended June 30, 2004, from \$22.4 million for the comparable period of 2003. FFO increased by \$15.6 million, or 39.2%, to \$55.2 million for the six months ended June 30, 2004 from \$39.7 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 June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Earnings per diluted share*	\$ 0.26	\$ 0.26	\$ 0.55	\$ 0.52
Adjustments:				
Rental property depreciation and amortization, including discontinued operations.....	0.13	0.12	0.25	0.21
Loss (gain) on disposal of income producing properties	0.01	(0.02)	(0.02)	(0.03)
Other items:				
Pro-rata share of real estate depreciation from joint ventures	-	-	-	0.01
Funds from operations per diluted share	<u>\$ 0.40</u>	<u>\$ 0.36</u>	<u>\$ 0.78</u>	<u>\$ 0.71</u>

* 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 \$4.5 million for the six months ended June 30, 2004 included: (i) net income of \$38.8 million, (ii) adjustments for non-cash and gain on sale items which increased cash flow by \$15.7 million, and (iii) a net change in operating liabilities and operating assets

that increased cash flow by \$10.0 million, compared to net cash provided by operations of \$38.1 million for the six months ended June 30, 2003, which included (i) net income of \$28.7 million, (ii) adjustments for non-cash items which increased cash flow by \$1.2 million, and (iii) a net change in operating liabilities and operating assets that reduced cash flow by \$1.8 million.

Net cash used in investing activities of \$161.0 million for the six months ended June 30, 2004 included: (i) the acquisition of two parcels of land held for future development and eight shopping centers for \$136.0 million, (ii) construction, development and other capital improvements of \$21.4 million, (iii) increased leasing costs of \$4.2 million, (iv) an increase in cash held in escrow of \$5.8 million, and (v) the purchase of securities held for investment for \$7.2 million, offset by (a) proceeds from the sale of two properties of \$7.6 million, and (b) proceeds from payment of notes receivable of \$6.1 million. These amounts should be compared to net cash used in investing activities of \$185.3 million for the six months ended June 30, 2003 which included: (i) the acquisition of one parcel of land and a supermarket for \$5.2 million, (ii) construction, development and other capital improvements of \$16.2 million and (iii) the acquisition of IRT for \$187.6 million, net of cash received, offset by (a) proceeds from the sale of properties and a joint venture interest of \$11.5 million, (b) release of escrowed funds related to property sales which were utilized for tax deferred exchanges of \$9.5 million, and (c) proceeds from payment of notes receivable of \$2.8 million.

Net cash provided by financing activities of \$95.5 million for the six months ended June 30, 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 \$23.2 million, and (iii) proceeds from repayment of notes receivable of \$3.0 million, offset by (a) the repayment of one mortgage note for \$1.4 million and monthly principal payments on mortgage notes of \$4.7 million, (b) cash dividends paid to common stockholders of \$39.4 million, (c) repayments under revolving credit facilities of \$1.5 million (d) an increase in deferred financing costs of \$3.0 million related to the issuance of senior notes, and (e) other miscellaneous uses of \$605,000 compared to net cash provided by financing activities of \$146.4 million for the six months ended June 30, 2003 which included: (i) net borrowings on the revolving credit facilities of \$67.9 million, (ii) net proceeds from the issuance of common stock of \$157.5 million, and (iii) proceeds from repayment of notes receivable from the issuance of common stock of \$3.5 million offset by (a) the payoff of six mortgage notes for \$44.1 million and monthly principal payments on mortgage notes of \$4.0 million, (b) cash dividends paid to common stockholders of \$33.2 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.

The following table presents mortgage notes payable as of June 30, 2004 and December 31, 2003:

	<u>June 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
	(in thousands)	
Mortgage Notes Payable		
Fixed rate mortgage loans.....	\$ 497,741	\$ 459,103
Unamortized premium (discount) on mortgage notes payable	11,035	11,779
Total	<u>\$ 508,776</u>	<u>\$ 470,882</u>

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 \$173.1 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. The Company is in the process of seeking consents from the lenders to address these issues. In the event that the requested assurances or consents are not obtained and the mortgage holders declare defaults under the mortgage documents, we will, if required, prepay the remaining mortgage from existing resources, refinancing of such mortgages, borrowings under our other lines of credit or other sources of financing. 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.

The following table presents unsecured senior notes payable as of June 30, 2004 and December 31, 2003:

	<u>June 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
	(in thousands)	
Unsecured Senior Notes Payable		
7.77% Senior Notes, due 4/1/06	\$ 50,000	\$ 50,000
7.25% Senior Notes, due 8/15/07	75,000	75,000
3.875% Senior Notes, due 4/15/09.....	200,000	-
7.84% Senior Notes, due 1/23/12.....	25,000	25,000
Unamortized premium (discount) on unsecured senior notes payable	10,550	12,439
Total.....	<u>\$ 360,550</u>	<u>\$ 162,439</u>

The indentures under which the notes were issued have several covenants which limit the Company's ability to incur debt; require the Company to maintain unencumbered assets ratio and limit the Company's ability to consolidate, sell, lease, or convey substantially all of its assets to, or merge with any other entity. These notes have also been guaranteed by most of the Company's subsidiaries. The interest rate on the 7.77% senior notes is subject to a 50 basis point increase if the Company does not maintain an investment grade debt rating.

The following table presents the unsecured revolving credit facilities as of June 30, 2004 and December 31, 2003:

	<u>June 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
	(in thousands)	
Unsecured Revolving Credit Facilities		
Wells Fargo	\$ 80,500	\$ 162,000
City National Bank.....	41	-
Total.....	<u>\$ 80,541</u>	<u>\$ 162,000</u>

The Company has 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 subsidiaries. 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 \$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. As of June 30, 2004, the Company had \$80,500 outstanding on this credit facility. The weighted average interest rate as of June 30, 2004 was 2.05%, including the effect of interest rate swaps.

The Company has a \$5,000 unsecured credit facility with City National Bank of Florida, of which \$41 was outstanding as of June 30, 2004. This facility also provides collateral for \$1,456 in outstanding letters of credit.

As of June 30, 2004, the availability under the various credit facilities was approximately \$113,901 net of outstanding balances and letters of credit.

As of June 30, 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) 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	\$ 5,100	\$ 2,727	\$ -	\$ 41	\$ 7,868
2005	10,420	30,093	-	-	40,513
2006	10,660	24,758	50,000	80,500	165,918
2007	10,804	2,864	75,000	-	88,668
2008	10,902	40,104	-	-	51,006
2009	10,592	24,332	200,000	-	234,924
2010	9,396	107,551	-	-	116,947
2011	7,230	93,433	-	-	100,663
2012	5,952	40,056	25,000	-	71,008
2013	5,526	-	-	-	5,526
Thereafter...	36,447	8,794	-	-	45,241
Total	<u>\$ 123,029</u>	<u>\$ 374,712</u>	<u>\$ 350,000</u>	<u>\$ 80,541</u>	<u>\$ 928,282</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.

DEVELOPMENTS AND REDEVELOPMENTS

As of June 30, 2004, we have over 20 development and redevelopment projects underway or in the planning stage totaling approximately \$57.8 million of asset value, and based on current plans and estimates, requiring approximately \$19.0 million of additional capital to complete beyond the \$38.8 million already invested. These include:

- CVS Plaza in Miami, Florida where we are completing the lease up of the non-anchor space at a new 29,204 square foot drug store-anchored shopping center that 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; Eustis Square in Eustis, Florida; Gulf Gate Plaza in Naples, Florida; Oakbrook Square in Palm Beach Gardens, Florida and Venice Plaza in Venice, Florida, where we have reconfigured and redeveloped previously vacant anchor and other space and are completing the associated lease-up;
- Ambassador Row Courtyard 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 of land we currently own and control.

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

During the second quarter of 2004, we completed and leased \$11.2 million of development projects resulting in anticipated incremental net operating income of approximately \$1.4 million on an annualized basis. During the six month period ended June 30, 2004, we completed and leased a total of \$39.4 million of development projects resulting in incremental net operating income of approximately \$4.4 million on an annualized basis.

EQUITY

For the three months ended June 30, 2004, we issued 610,000 shares of our common stock at prices ranging from \$16.83 to \$18.03 per share and for the six months ended June 30, 2004, we issued 1,207,000 shares of our common stock at prices ranging from \$16.83 to \$18.99 per share pursuant to our Dividend Reinvestment and Stock Purchase Plan. As of June 30, 2004, we have 942,000 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. Additional financing may not 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

Many 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

Interest Rate Risk

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. We intend to utilize variable rate indebtedness available under our unsecured revolving credit facilities in order to initially fund future acquisitions, development costs and for other operating needs. With respect to our fixed rate mortgage notes and fixed rate senior unsecured notes, changes in interest rates generally do not affect the Company's interest expense as these notes are predominantly at fixed-rates for extended terms. Because the Company has the intent to hold its existing fixed rate notes either to maturity or until the sale of the associated property, these fixed-rate notes do not pose a interest rate risk to the Company's results of operations or its working capital position, only upon the refinancing of that mortgage. 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.

As of June 30, 2004, we had approximately \$71.6 million of outstanding floating rate debt, including \$100 million of fixed rate borrowings that we have converted to floating rate borrowings through the use of hedging agreements. We do not believe that the interest rate risk represented by our floating rate debt is material as of June 30, 2004, in relation to our \$960.9 million of outstanding debt, our \$1.9 billion of total assets and the \$2.2 billion total market capitalization as of that date.

If interest rates on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately \$1.7 million. If interest rates on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately \$1.7 million. This assumes that the amount outstanding under our variable rate debt remains at approximately \$171.6 million (including the \$100 million of fixed rate debt converted to floating rate debt through the use of hedging agreements), the balance as of June 30, 2004.

The fair value of our fixed rate debt is \$784.2 million, which includes the mortgage notes, fixed rate portion of the senior unsecured notes payable, and the hedged portion of the revolving credit facility (excluding the unamortized premium/discount). If interest rates increase by 1%, the fair value of our total fixed rate debt would decrease by approximately \$66.6 million. If interest rates decrease by 1%, the fair value of our total outstanding debt would increase by approximately \$2.7 million. This assumes that our total outstanding fixed rate debt remains at \$789.3 million, the balance as of June 30, 2004.

Hedging Activities

To manage our exposure to interest rate risk, we follow established risk management policies and procedures, including the use of a variety of derivative financial instruments. We do not enter into derivative instruments for speculative purposes. We require that the hedging derivative instruments be effective in managing 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 and in accounts payable and accrued expenses and 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 and the change included in net income.

The Company is exposed to credit risk, in the event of non-performance by the counter-parties to the hedge agreements. The Company believes that it mitigates its credit risk by entering into these agreements with major financial institutions. 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.

In conjunction with our policy to manage interest rate risk, we have entered into interest rate swaps to hedge the variability of monthly cash outflows attributable to changes in variable interest rates, such as 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 fixed rate unsecured senior notes due April 15, 2009 to a variable interest rate equal to the six month LIBOR rate in arrears plus 0.4375% to lower the overall effective borrowing rate.

A summary of the terms of the derivative instruments, as of June 30, 2004, and a reconciliation of the fair value and adjustments to accumulated other comprehensive loss are as follows (in thousands):

Hedge type.....	Cash Flow
Description	Swap
Range of notional amounts	<u>\$10,000 – \$100,000</u>
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 six months ended June 30, 2004	<u>(4,848)</u>
Total accumulated other comprehensive loss at June 30, 2004	<u>\$ (4,970)</u>

The estimated fair value of our financial instruments has been determined, 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.

Other Market Risks

As of June 30, 2004, we had no material exposure to any other market risks (including foreign currency exchange risk, commodity price risk or equity price risk).

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 June 30, 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, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

The Company held its Annual Meeting of Stockholders on May 21, 2004. At the meeting, the stockholders voted:

- (1) To elect nine nominees to the Board of Directors:

	<u>For</u>	<u>Withheld</u>
Noam Ben-Ozer	62,084,479	343,579
Robert L. Cooney	62,084,596	343,461
Patrick L. Flinn	62,084,509	343,549
Nathan Hetz	62,084,479	343,579
Chaim Katzman	62,082,493	345,564
Peter Linneman	62,084,336	343,721
Shaiy Pilpel	62,083,999	344,059
Dori Segal	62,084,479	343,579
Doron Valero	62,082,454	345,604

- (2) To approve the Company's 2004 Employee Stock Purchase Plan as follows:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Unvoted/Broker Non-Votes</u>
21,368,068	758,651	24,186,756	16,114,588

The annual meeting was adjourned until July 28, 2004. At the reconvened meeting, the stockholders voted to approve the Company's Amended and Restated 2000 Executive Incentive Compensation Plan as follows:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Unvoted/Broker Non-Votes</u>
42,053,903	4,030,895	228,673	16,114,588

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits:

- 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 June 30, 2004, the Company filed the following reports on Form 8-K:

None.

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: August 9, 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>
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