

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2004

Commission File No. 001-13499

**EQUITY ONE, INC.**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of  
incorporation or organization)

**52-1794271**

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

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

(Address of principal executive offices)

**33179**

(Zip Code)

**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 November 2, 2004, 73,090,681 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. Financial Statements

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

	<u>September 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
<b>ASSETS</b>		
PROPERTIES:		
Income producing .....	\$ 1,777,783	\$ 1,594,579
Less: accumulated depreciation .....	(86,871)	(66,406)
	<u>1,690,912</u>	<u>1,528,173</u>
Construction in progress and land held for development .....	44,652	74,686
Properties held for sale .....	<u>12,232</u>	<u>14,440</u>
Properties, net .....	1,747,796	1,617,299
CASH AND CASH EQUIVALENTS .....	1,988	966
CASH HELD IN ESCROW .....	8,734	-
ACCOUNTS AND OTHER RECEIVABLES, NET .....	12,135	13,492
SECURITIES AVAILABLE FOR SALE .....	29,405	-
INVESTMENTS IN AND ADVANCES TO JOINT VENTURES .....	2,803	2,861
GOODWILL .....	14,184	14,014
OTHER ASSETS .....	<u>58,211</u>	<u>28,754</u>
TOTAL .....	<u>\$ 1,875,256</u>	<u>\$ 1,677,386</u>

(continued)

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

	<u>September 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
LIABILITIES:		
NOTES PAYABLE		
Mortgage notes payable .....	\$ 480,739	\$ 459,103
Unsecured revolving credit facilities.....	64,000	162,000
Unsecured senior notes payable .....	<u>350,000</u>	<u>150,000</u>
	894,739	771,103
Unamortized premium/discount on notes payable .....	<u>20,354</u>	<u>24,218</u>
Total notes payable .....	915,093	795,321
OTHER LIABILITIES		
Accounts payable and accrued expenses .....	42,564	25,211
Tenant security deposits .....	8,324	7,706
Other liabilities .....	<u>3,633</u>	<u>5,924</u>
Total liabilities .....	<u>969,614</u>	<u>834,162</u>
MINORITY INTERESTS .....	<u>1,388</u>	<u>12,672</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value – 10,000 shares authorized but unissued ....	-	-
Common stock, \$0.01 par value – 100,000 shares authorized, 72,864 and 69,353 shares issued and outstanding for 2004 and 2003, respectively .....	728	694
Additional paid-in capital.....	903,569	843,678
Retained earnings .....	10,429	-
Accumulated other comprehensive income (loss).....	2,104	(122)
Unamortized restricted stock compensation.....	(11,988)	(10,091)
Notes receivable from issuance of common stock .....	<u>(588)</u>	<u>(3,607)</u>
Total stockholders' equity.....	904,254	830,552
<b>TOTAL .....</b>	<b><u>\$ 1,875,256</u></b>	<b><u>\$ 1,677,386</u></b>

See accompanying notes to the condensed consolidated financial statements.

(Concluded)

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

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>RENTAL REVENUE:</b>				
Minimum rents .....	\$ 44,851	\$ 37,217	\$ 129,034	\$ 99,305
Expense recoveries .....	12,865	10,243	35,686	27,902
Termination fees .....	210	300	618	787
Percentage rent payments .....	282	307	1,899	1,679
Total rental revenue .....	<u>58,208</u>	<u>48,067</u>	<u>167,237</u>	<u>129,673</u>
<b>COSTS AND EXPENSES:</b>				
Property operating expenses .....	15,656	13,263	43,880	35,911
Rental property depreciation and amortization .....	9,005	7,231	25,934	18,654
General and administrative expenses .....	3,722	2,737	10,980	7,936
Total costs and expenses .....	<u>28,383</u>	<u>23,231</u>	<u>80,794</u>	<u>62,501</u>
<b>INCOME BEFORE OTHER INCOME AND</b>				
<b>EXPENSES, DISCONTINUED OPERATIONS</b>				
<b>AND MINORITY INTEREST .....</b>				
	29,825	24,836	86,443	67,172
<b>OTHER INCOME AND EXPENSES:</b>				
Interest expense .....	(12,172)	(9,920)	(34,156)	(27,819)
Amortization of deferred financing fees .....	(379)	(230)	(990)	(764)
Investment income .....	1,210	66	1,612	940
Other income .....	174	48	296	138
Loss on extinguishment of debt .....	-	-	-	(513)
<b>INCOME BEFORE DISCONTINUED OPERATIONS</b>				
<b>AND MINORITY INTEREST .....</b>				
	<u>18,658</u>	<u>14,800</u>	<u>53,205</u>	<u>39,154</u>
<b>DISCONTINUED OPERATIONS:</b>				
Income from rental properties sold or held for sale .....	67	1,467	3,145	4,314
Gain on disposal of income producing properties .. ...	12,215	1,209	13,767	3,083
Income from discontinued operations .....	<u>12,282</u>	<u>2,676</u>	<u>16,912</u>	<u>7,397</u>
<b>INCOME BEFORE MINORITY INTEREST .....</b>				
	30,940	17,476	70,117	46,551
<b>MINORITY INTEREST .....</b>				
	<u>(239)</u>	<u>(227)</u>	<u>(642)</u>	<u>(606)</u>
<b>NET INCOME .....</b>				
	<u>\$ 30,701</u>	<u>\$ 17,249</u>	<u>\$ 69,475</u>	<u>\$ 45,945</u>

(continued)

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>EARNINGS PER SHARE:</b>				
<b>BASIC EARNINGS PER SHARE</b>				
Income before discontinued operations.....	\$ 0.26	\$ 0.23	\$ 0.76	\$ 0.67
Income from discontinued operations .....	0.17	0.04	0.24	0.13
Total basic earnings per share .....	<u>\$ 0.43</u>	<u>\$ 0.27</u>	<u>\$ 1.00</u>	<u>\$ 0.80</u>
<b>NUMBER OF SHARES USED IN COMPUTING</b>				
BASIC EARNINGS PER SHARE.....	<u>70,626</u>	<u>63,777</u>	<u>69,820</u>	<u>57,348</u>
<b>DILUTED EARNINGS PER SHARE</b>				
Income before discontinued operations .....	\$ 0.26	\$ 0.23	\$ 0.74	\$ 0.66
Income from discontinued operations .....	0.17	0.04	0.24	0.13
Total diluted earnings per share .....	<u>\$ 0.43</u>	<u>\$ 0.27</u>	<u>\$ 0.98</u>	<u>\$ 0.79</u>
<b>NUMBER OF SHARES USED IN COMPUTING</b>				
DILUTED EARNINGS PER SHARE.....	<u>72,327</u>	<u>65,523</u>	<u>71,525</u>	<u>58,977</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 NINE MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003**  
**(UNAUDITED)**  
**(In thousands, except per share amounts)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
NET INCOME .....	\$ 30,701	\$ 17,249	\$ 69,475	\$ 45,945
OTHER COMPREHENSIVE INCOME (LOSS):				
Net unrealized holding gain on securities available for sale.....	3,970	-	3,970	47
Change in fair value of cash flow hedges.....	3,104	(1,995)	(1,744)	(1,995)
COMPREHENSIVE INCOME.....	\$ 37,775	\$ 15,254	\$ 71,701	\$ 43,997

See accompanying notes to the condensed consolidated financial statements.

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

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income/(Loss)</u>	<u>Unamortized Restricted Stock Compensation</u>	<u>Notes Receivable from Issuance of Common Stock</u>	<u>Total Stockholders' Equity</u>
BALANCE,							
JANUARY 1, 2004.....	\$ 694	\$ 843,678	\$ -	\$ (122)	\$ (10,091)	\$ (3,607)	\$ 830,552
Issuance of common stock .....	34	60,638	-	-	(1,897)	-	58,775
Stock issuance costs .....	-	(166)	-	-	-	-	(166)
Repayment of notes receivable from issuance of common stock.....	-	-	-	-	-	3,019	3,019
Net income.....	-	-	69,475	-	-	-	69,475
Dividends paid.....	-	(581)	(59,046)	-	-	-	(59,627)
Other comprehensive income (loss).....	-	-	-	2,226	-	-	2,226
BALANCE,							
SEPTEMBER 30, 2004.....	<u>\$ 728</u>	<u>\$ 903,569</u>	<u>\$ 10,429</u>	<u>\$ 2,104</u>	<u>\$ (11,988)</u>	<u>\$ (588)</u>	<u>\$ 904,254</u>

See accompanying notes to the condensed consolidated financial statements.

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

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2004</b>	<b>2003</b>
<b>OPERATING ACTIVITIES:</b>		
Net income.....	\$ 69,475	\$ 45,945
Adjustments to reconcile net income to net cash provided by operating activities:		
Straight line rent adjustment.....	(2,715)	(1,212)
Provision for losses on accounts receivable.....	561	359
Amortization of premium/discount on notes payable.....	(3,693)	(2,465)
Amortization of deferred financing fees.....	990	764
Amortization of deferred financing fees included in discontinued operations....	89	90
Rental property depreciation and amortization.....	25,934	18,654
Rental property depreciation and amortization included in discontinued operations .....	864	1,052
Amortization of restricted stock .....	3,800	1,851
Equity in losses of joint ventures.....	58	117
Gain on sale of securities.....	(593)	(9)
Loss on extinguishment of debt.....	-	623
Gain on disposal of real estate.....	(13,767)	(3,083)
Minority interests .....	642	606
Changes in assets and liabilities:		
Accounts and other receivables.....	950	(1,460)
Other assets.....	(15,034)	(6,438)
Accounts payable and accrued expenses.....	15,793	5,975
Tenant security deposits.....	618	503
Other liabilities.....	(741)	(283)
Net cash provided by operating activities .....	<u>83,231</u>	<u>61,589</u>
<b>INVESTING ACTIVITIES:</b>		
Additions to and purchases of properties.....	(140,741)	(130,520)
Additions to construction in progress .....	(19,567)	(8,927)
Proceeds from disposal of properties and joint venture interests.....	51,701	13,733
(Increase) decrease in cash held in escrow .....	(8,734)	12,897
Distributions received from joint ventures .....	-	940
Proceeds from repayment of notes receivable .....	6,080	2,808
Proceeds from sale of securities available for sale .....	5,814	977
Increase in deferred leasing costs .....	(5,522)	(2,719)
Cash used to purchase securities available for sale.....	(30,653)	-
Cash used in the purchase of IRT .....	-	(189,382)
Cash acquired in the IRT acquisition.....	-	1,756
Net cash used in investing activities .....	<u>(141,622)</u>	<u>(298,437)</u>

(Continued)

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

(In thousands, except per share amounts)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2004</b>	<b>2003</b>
<b>FINANCING ACTIVITIES:</b>		
Repayment of mortgage notes payable .....	\$ (23,122)	\$ (54,369)
Net (repayment) borrowings under revolving credit facilities .....	(98,000)	107,000
Proceeds from senior debt offering .....	199,750	-
Increase in deferred financing costs .....	(3,066)	(1,075)
Proceeds from stock subscription and issuance of common stock .....	41,116	232,544
Stock issuance costs .....	(166)	(1,660)
Repayment of notes receivable from issuance of common stock .....	3,019	3,505
Cash dividends paid to stockholders .....	(59,627)	(51,373)
Distributions to minority interests .....	(491)	(668)
Net cash provided by financing activities .....	<u>59,413</u>	<u>233,904</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....	1,022	(2,944)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD .....	<u>966</u>	<u>2,944</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD .....	<u>\$ 1,988</u>	<u>\$ -</u>

(Continued)

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

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2004</b>	<b>2003</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest, net of amount capitalized .....	\$ 30,905	\$ 27,003
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Change in unrealized holding gain on securities available for sale.....	\$ 3,970	\$ 47
Change in fair value of cash flow hedges .....	\$ (1,744)	\$ (1,995)
Issuance of restricted stock .....	\$ 5,448	\$ 7,534
Note receivable from sale of property and joint venture interest .....	\$ 4,700	\$ 6,762
The Company acquired and assumed various mortgage notes in connection with the acquisition of rental properties:		
Fair value of rental property and other assets acquired .....	\$ 92,735	\$ 50,463
Assumption of mortgage notes payable.....	(44,758)	(27,502)
Fair value adjustment of mortgage notes payable.....	(182)	(3,182)
Cash paid for rental properties.....	\$ 47,795	\$ 19,779
The Company issued senior unsecured notes:		
Face value of notes.....	\$ 200,000	
Discount .....	(250)	
Cash received .....	\$ 199,750	
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 NINE MONTH PERIODS ENDED SEPTEMBER 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 and in the Boston, Massachusetts metropolitan area. 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 its subsidiaries are hereinafter referred to as “the consolidated companies” or “the Company.” The Company has a 50% investment in two joint ventures of which the Company is not the primary beneficiary and, accordingly, uses the equity method of accounting for these joint ventures.

As of September 30, 2004, the Company’s portfolio of neighborhood shopping centers is located in twelve states in the southern United States and consists of 182 properties, encompassing 127 supermarket-anchored shopping centers, 9 drug store-anchored shopping centers, 41 other retail-anchored shopping centers, one self-storage facility, one industrial property, and three retail developments, as well as non-controlling interests in two joint ventures which own commercial real estate property. In October 2004, the Company completed the acquisition of six retail properties in the Boston, Massachusetts metropolitan area, totaling 391 square feet for total consideration of \$119,800, including the assumption of \$12,100 of mortgage indebtedness.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company’s management in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (the “SEC”). Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for the three and nine month periods ended September 30, 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 to create one of the largest shopping center REITs 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 of directors a leading shopping center REIT and provide 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 \$676 and \$715 for the three months ended September 30, 2004 and 2003, respectively, and \$2,208 and \$1,982 for the nine months ended September 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 the fair value of, any contractual or other legal rights and investigates the existence of, and estimates the 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**

<u>Date Purchased</u>	<u>Property Name</u>	<u>City</u>	<u>State</u>	<u>Square Feet/Acres</u>	<u>Purchase Price</u>
Feb. 3, 2004	Bluebonnet Outparcel	Baton Rouge	LA	0.9 acres	\$ 500
Feb. 4, 2004	Pavilion Shopping Center	Naples	FL	161,245	24,200
March 24, 2004	Village Center	Southland	TX	118,092	17,475
March 24, 2004	Creeside 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
<b>First Quarter Total</b> .....					<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
<b>Second Quarter Total</b> .....					<u>72,400</u>
<b>Total</b> .....					<u>\$180,197</u>

There were no acquisitions during the third quarter of 2004.

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, real property 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 September 30, 2004, four properties were held for sale with a net book value of \$12,232 and comprising 493 gross leasable square feet, of which three of the properties were sold in October 2004 for total consideration of \$17,250, comprising an aggregate of 299 square feet of gross leasable area.

7. Investments in and Advances to Joint Ventures

The following is a summary of the Company's investments in unconsolidated joint ventures at September 30, 2004 and December 31, 2003 (all investments in unconsolidated entities are accounted for under the equity method as the Company has determined it is not the primary beneficiary):

<u>Entity</u>	<u>Location</u>	<u>Ownership</u>	<u>September 30, 2004</u>	<u>December 31, 2003</u>
PG Partners	Palm Beach Gardens, FL	50.0%	\$ 2,575	\$ 2,633
Parcel F, LLC	Palm Beach Gardens, FL	50.0%	228	228
Total investments in and advances to joint ventures .....			<u>\$ 2,803</u>	<u>\$ 2,861</u>

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

	<u>As of</u> <u>September 30, 2004</u>	<u>As of</u> <u>December 31, 2003</u>
Assets:		
Rental properties, net .....	\$ 16,450	\$ 16,688
Other assets .....	364	457
Total assets .....	<u>\$ 16,814</u>	<u>\$ 17,145</u>
Liabilities and Ventures' Equity:		
Mortgage notes .....	\$ 12,794	\$ 12,878
Other liabilities .....	70	90
Ventures' equity .....	3,950	4,177
Total .....	<u>\$ 16,814</u>	<u>\$ 17,145</u>

The Company's investments in joint ventures, as reported on the condensed consolidated balance sheets, differ from its proportionate share of the joint ventures' underlying net assets due to basis differentials and advances. The basis differential of approximately \$1,000 is being depreciated over the useful lives of the related assets.

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:				
Rental revenues .....	\$ 559	\$ 516	\$ 1,709	\$ 1,677
Total revenues .....	<u>559</u>	<u>516</u>	<u>1,709</u>	<u>1,677</u>
Expenses:				
Operating expenses .....	181	194	533	595
Interest expense .....	280	282	835	838
Depreciation .....	129	140	390	415
Other expense .....	28	8	65	64
Total expenses .....	<u>618</u>	<u>624</u>	<u>1,823</u>	<u>1,912</u>
Net loss .....	<u>\$ (59)</u>	<u>\$ (108)</u>	<u>\$ (114)</u>	<u>\$ (235)</u>
The Company's equity in losses from joint ventures reflected in discontinued operations .....	<u>\$ (30)</u>	<u>\$ (54)</u>	<u>\$ (58)</u>	<u>\$ (117)</u>

Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company. The rental property owned by PG Partners is held for sale and the Company's equity in the operations of the property is reflected in discontinued operations.

## 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:

	<u>September 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
<b>Mortgage Notes Payable</b>		
Fixed rate mortgage loans .....	\$ 480,739	\$ 459,103
Unamortized net premium on mortgage notes payable .....	10,633	11,779
Total .....	<u>\$ 491,372</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 \$160,842 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>September 30, 2004</u>	<u>December 31, 2003</u>
<b>Unsecured Senior Notes Payable</b>		
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 on unsecured senior notes payable .....	<u>9,721</u>	<u>12,439</u>
Total .....	<u><u>\$ 359,721</u></u>	<u><u>\$ 162,439</u></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>September 30, 2004</u>	<u>December 31, 2003</u>
<b>Unsecured Revolving Credit Facilities</b>		
Wells Fargo .....	\$ 64,000	\$ 162,000
City National Bank .....	<u>-</u>	<u>-</u>
Total .....	<u><u>\$ 64,000</u></u>	<u><u>\$ 162,000</u></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 September 30, 2004, the Company had \$64,000 outstanding on this credit facility. The weighted average interest rate as of September 30, 2004 was 2.126%.

The Company also has a \$5,000 unsecured credit facility with City National Bank of Florida, of which there was no outstanding balance as of September 30, 2004. This facility also provides collateral for \$1,378 in outstanding letters of credit.

As of September 30, 2004, the availability under the various credit facilities was approximately \$119,274, net of outstanding balances and letters of credit.

## 9. Consolidating Financial Information

Most of the Company's subsidiaries, including LP, which became a wholly owned subsidiary of the Company in 2004 and is included in Guarantors for the 2004 periods presented below 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.

<b>Condensed Balance Sheet As of September 30, 2004</b>	<b>Equity One, Inc.</b>	<b>Guarantors Combined Subsidiaries</b>	<b>Non Guarantors</b>	<b>Eliminating Entries</b>	<b>Consolidated Equity One</b>
<b>ASSETS</b>					
Properties, net .....	\$ 510,032	\$ 835,527	\$ 402,237	\$ -	\$ 1,747,796
Investment in affiliates .....	435,752	-	-	(435,752)	-
Other assets .....	79,343	30,324	17,793	-	127,460
Total .....	<u>\$1,025,127</u>	<u>\$ 865,851</u>	<u>\$ 420,030</u>	<u>\$ (435,752)</u>	<u>\$ 1,875,256</u>
<b>LIABILITIES</b>					
Mortgage notes payable .....	\$ 72,019	\$ 208,049	\$ 200,671	\$ -	\$ 480,739
Unsecured revolving credit facilities.....	64,000	-	-	-	64,000
Unsecured senior notes payable ....	350,000	-	-	-	350,000
Unamortized premium/discount on notes payable.....	10,460	9,727	167	-	20,354
Other liabilities .....	20,964	21,975	11,582	-	54,521
Total liabilities .....	517,443	239,751	212,420	-	969,614
MINORITY INTERESTS .....	-	-	-	1,388	1,388
STOCKHOLDERS' EQUITY .....	507,684	626,100	207,610	(437,140)	904,254
Total .....	<u>\$1,025,127</u>	<u>\$ 865,851</u>	<u>\$ 420,030</u>	<u>\$ (435,752)</u>	<u>\$ 1,875,256</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 INTERESTS.....	-	-	-	-	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 September 30, 2004	Equity One, Inc.	Guarantors Combined Subsidiaries	Non Guarantors	Consolidated Equity One
RENTAL REVENUE:				
Minimum rents .....	\$ 12,263	\$ 21,419	\$ 11,169	\$ 44,851
Expense recoveries.....	2,946	6,241	3,678	12,865
Termination fees.....	26	93	91	210
Percentage rent payments.....	68	146	68	282
Total rental revenue .....	<u>15,303</u>	<u>27,899</u>	<u>15,006</u>	<u>58,208</u>
COSTS AND EXPENSES:				
Property operating expenses.....	3,790	7,435	4,431	15,656
Rental property depreciation and amortization .....	2,494	4,465	2,046	9,005
General and administrative expenses .....	3,732	(10)	-	3,722
Total costs and expenses.....	<u>10,016</u>	<u>11,890</u>	<u>6,477</u>	<u>28,383</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST .....	5,287	16,009	8,529	29,825

<b>Condensed Statement of Operations For the three months ended September 30, 2004 (continued)</b>	<b>Equity One, Inc.</b>	<b>Guarantors Combined Subsidiaries</b>	<b>Non Guarantors</b>	<b>Consolidated Equity One</b>
<b>OTHER INCOME AND EXPENSES:</b>				
Interest expense.....	(4,813)	(3,268)	(4,091)	(12,172)
Amortization of deferred financing fees.....	(295)	(38)	(46)	(379)
Investment income .....	1,152	52	6	1,210
Other income.....	150	24	-	174
<b>INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST .....</b>	<b>1,481</b>	<b>12,779</b>	<b>4,398</b>	<b>18,658</b>
<b>DISCONTINUED OPERATIONS</b>				
Income (loss) from rental properties sold or held for sale .....	240	(134)	(39)	67
Gain on disposal of income producing properties .....	1,130	4,888	6,197	12,215
Total income from discontinued operations.....	1,370	4,754	6,158	12,282
<b>INCOME BEFORE MINORITY INTEREST.....</b>	<b>2,851</b>	<b>17,533</b>	<b>10,556</b>	<b>30,940</b>
<b>MINORITY INTEREST .....</b>	<b>-</b>	<b>(223)</b>	<b>(16)</b>	<b>(239)</b>
<b>NET INCOME .....</b>	<b>\$ 2,851</b>	<b>\$ 17,310</b>	<b>\$ 10,540</b>	<b>\$ 30,701</b>

<b>Condensed Statement of Operations For the three months ended September 30, 2003</b>	<b>Equity One, Inc.</b>	<b>Guarantors</b>		<b>Non Guarantors</b>	<b>Consolidated Equity One</b>
		<b>Combined Subsidiaries</b>	<b>IRT Partners, LP</b>		
<b>RENTAL REVENUE:</b>					
Minimum rents .....	\$ 12,033	\$ 11,841	\$ 4,660	\$ 8,683	\$ 37,217
Expense recoveries .....	3,038	2,875	1,417	2,913	10,243
Termination fees .....	107	23	17	153	300
Percentage rent payments .....	194	81	23	9	307
Total rental revenue .....	15,372	14,820	6,117	11,758	48,067
<b>COSTS AND EXPENSES:</b>					
Property operating expenses .....	4,088	3,698	1,723	3,754	13,263
Rental property depreciation and amortization .....	2,337	2,464	799	1,631	7,231
General and administrative expenses.....	2,694	27	16	-	2,737
Total costs and expenses .....	9,119	6,189	2,538	5,385	23,231
<b>INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST .....</b>	<b>6,253</b>	<b>8,631</b>	<b>3,579</b>	<b>6,373</b>	<b>24,836</b>

Condensed Statement of Operations For the three months ended September 30, 2003	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
OTHER INCOME AND EXPENSES:					
Interest expense .....	(5,572)	(71)	(733)	(3,544)	(9,920)
Amortization of deferred financing fees .....	(32)	(154)	-	(44)	(230)
Investment income.....	(64)	128	-	2	66
Other income (expense).....	176	(128)	-	-	48
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST.....	761	8,406	2,846	2,787	14,800
DISCONTINUED OPERATIONS					
Income from rental properties sold or held for sale .....	563	704	-	200	1,467
Gain on disposal of income producing properties .....	-	1,209	-	-	1,209
Total income from discontinued operations .....	563	1,913	-	200	2,676
INCOME BEFORE MINORITY INTEREST...	1,324	10,319	2,846	2,987	17,476
MINORITY INTEREST.....	-	(25)	(164)	(38)	(227)
NET INCOME.....	\$ 1,324	\$ 10,294	\$ 2,682	\$ 2,949	\$ 17,249

Condensed Statement of Operations For the nine months ended September 30, 2004	Equity One, Inc.	Guarantors Combined Subsidiaries	Non Guarantors	Consolidated Equity One
Minimum rents .....	\$ 36,774	\$ 61,604	\$ 30,656	\$ 129,034
Expense recoveries .....	8,688	17,372	9,626	35,686
Termination fees.....	176	252	190	618
Percentage rent payments .....	353	806	740	1,899
Total rental revenue .....	45,991	80,034	41,212	167,237
COSTS AND EXPENSES:				
Property operating expenses .....	10,562	21,109	12,209	43,880
Rental property depreciation and amortization .....	7,316	12,836	5,782	25,934
General and administrative expenses.....	10,901	79	-	10,980
Total costs and expenses .....	28,779	34,024	17,991	80,794
INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST .....	17,212	46,010	23,221	86,443

<b>Condensed Statement of Operations</b>	<b>Equity One, Inc.</b>	<b>Guarantors Combined Subsidiaries</b>	<b>Non Guarantors</b>	<b>Consolidated Equity One</b>
<b>For the nine months ended September 30, 2004 (continued)</b>				
OTHER INCOME AND EXPENSES:				
Interest expense .....	(12,907)	(9,849)	(11,400)	(34,156)
Amortization of deferred financing fees .....	(741)	(114)	(135)	(990)
Investment income.....	1,378	220	14	1,612
Other income .....	158	138	-	296
<b>INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST.....</b>	<b>5,100</b>	<b>36,405</b>	<b>11,700</b>	<b>53,205</b>
DISCONTINUED OPERATIONS				
Income from rental properties sold or held for sale .....	1,756	1,000	389	3,145
Gain on disposal of income producing properties .....	-	5,537	8,230	13,767
Total income from discontinued operations .....	1,756	6,537	8,619	16,912
<b>INCOME BEFORE MINORITY INTEREST.....</b>	<b>6,856</b>	<b>42,942</b>	<b>20,319</b>	<b>70,117</b>
MINORITY INTEREST.....	-	(596)	(46)	(642)
<b>NET INCOME.....</b>	<b>\$ 6,856</b>	<b>\$ 42,346</b>	<b>\$ 20,273</b>	<b>\$ 69,475</b>

<b>Condensed Statement of Operations</b>	<b>Equity One, Inc.</b>	<b>Guarantors</b>		<b>Non Guarantors</b>	<b>Consolidated Equity One</b>
		<b>Combined Subsidiaries</b>	<b>IRT Partners, LP</b>		
<b>For the nine months ended September 30, 2003</b>					
RENTAL REVENUE:					
Minimum rents .....	\$ 30,741	\$ 33,066	\$ 11,797	\$ 23,701	\$ 99,305
Expense recoveries .....	7,063	9,740	3,370	7,729	27,902
Termination fees .....	180	362	22	223	787
Percentage rent payments .....	467	403	303	506	1,679
Total rental revenue .....	38,451	43,571	15,492	32,159	129,673
COSTS AND EXPENSES:					
Property operating expenses .....	9,837	11,849	4,405	9,820	35,911
Rental property depreciation and amortization .....	5,317	6,967	1,949	4,421	18,654
General and administrative expenses.....	7,973	(53)	16	-	7,936
Total costs and expenses .....	23,127	18,763	6,370	14,241	62,501
<b>INCOME BEFORE OTHER INCOME AND EXPENSES, DISCONTINUED OPERATIONS AND MINORITY INTEREST.....</b>	<b>15,324</b>	<b>24,808</b>	<b>9,122</b>	<b>17,918</b>	<b>67,172</b>

Condensed Statement of Operations For the nine months ended September 30, 2003 (continued)	Equity One, Inc.	Guarantors		Non Guarantors	Consolidated Equity One
		Combined Subsidiaries	IRT Partners, LP		
OTHER INCOME AND EXPENSES:					
Interest expense .....	(9,301)	(5,975)	(1,905)	(10,638)	(27,819)
Amortization of deferred financing fees .....	(457)	(158)	(1)	(148)	(764)
Investment income .....	335	515	71	19	940
Other income (expense) .....	17	127	-	(6)	138
Equity in loss of joint ventures .....	-	(513)	-	-	(513)
INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST .....	5,918	18,804	7,287	7,145	39,154
DISCONTINUED OPERATIONS					
Income from rental properties sold or held for sale .....	1,641	2,104	-	569	4,314
Gain on disposal of income producing properties .....	-	2,613	-	470	3,083
Total income from discontinued operations .....	1,641	4,717	-	1,039	7,397
INCOME BEFORE MINORITY INTEREST ...	7,559	23,521	7,287	8,184	46,551
MINORITY INTEREST .....	-	(76)	(412)	(118)	(606)
NET INCOME .....	\$ 7,559	\$ 23,445	\$ 6,875	\$ 8,066	\$ 45,945

#### 10. Stockholders' Equity and Earnings Per Share

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

	Common Stock	Options Exercised	Total
Board of Directors .....	13 *	3	16
Officers .....	242 *	298	540
Employees and other .....	12 *	174	186
Exercise of OP units .....	734	-	734
Dividend Reinvestment and Stock Purchase Plan .....	1,941	-	1,941
Total .....	2,942	475	3,417

\* Reflects shares of "restricted stock" which are subject to forfeiture and vest over periods from one 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 nine month periods ended September 30, 2004 and 2003:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Denominator for basic earnings per share				
– weighted average shares .....	70,626	63,777	69,820	57,348
Walden Woods Village, Ltd.....	94	94	94	94
Unvested restricted stock .....	600	492	572	592
Convertible partnership units .....	623	734	697	619
Stock options (using treasury method).....	384	426	342	324
Subtotal .....	1,701	1,746	1,705	1,629
Denominator for diluted earnings per share – weighted average shares .....	72,327	65,523	71,525	58,977

#### 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 September 30,		Nine Months Ended September 30,	
		2004	2003	2004	2003
Net Income	As reported .....	\$ 30,701	\$ 17,249	\$ 69,475	\$ 45,945
	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	278	574	614
	Pro forma .....	\$ 30,511	\$ 16,971	\$ 68,901	\$ 45,331
Basic earnings per share	As reported .....	\$ 0.43	\$ 0.27	\$ 1.00	\$ 0.80
	Pro forma .....	\$ 0.43	\$ 0.27	\$ 0.99	\$ 0.79
Diluted earnings per share	As reported .....	\$ 0.43	\$ 0.27	\$ 0.98	\$ 0.79
	Pro forma .....	\$ 0.42	\$ 0.26	\$ 0.97	\$ 0.78

#### 12. Loans to Executives

As a result of certain provisions of the Sarbanes-Oxley Act of 2002, the Company is generally prohibited from making loans to directors and executive officers. Prior to the adoption of the Sarbanes-Oxley Act of 2002, the Company had loaned \$7,112 to various executives in connection with their

exercise of options to purchase shares of the Company's common stock of which \$6,524 has been repaid as of September 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. During September 2004, the Limited Partners' OP Units were redeemed in exchange for 734.266 shares of the Company's common stock. LP is now a wholly owned subsidiary of the Company.

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>
<b>2004 Dispositions</b>					
Southwest Walgreens.....	Phoenix, AZ	February	93,402	\$ 6,650	\$ 2,035
<b>First quarter 2004</b> .....				<u>6,650</u>	<u>2,035</u>
Watson Central .....	Warner Robbins, GA	June	227,747	<u>6,000</u>	<u>(483)</u>

<u>Property (continued)</u>	<u>Location</u>	<u>Date Sold</u>	<u>Square Feet/ Acres</u>	<u>Gross Sales Price</u>	<u>Gain (Loss) On Sale</u>
<b>Second quarter 2004</b>				\$ 6,000	\$ (483)
Plaza Del Rey .....	Miami, FL	July	50,146	9,000	6,197
Forrest Gallery .....	Tullahoma, TN	July	214,450	10,500	1,560
Epsilon .....	West Palm Beach, FL	August	18,707	2,650	1,176
Millervillage .....	Baton Rouge, LA	September	94,559	2,700	1,130
Plymouth Park (4 properties) ..	Irving, TX	September	728,566	24,000	2,152
<b>Sale of income producing properties</b>				48,850	12,215
Miramar Outparcel .....	Miramar, FL	August	2.0 acres	1,500	158
<b>Third quarter 2004</b>				50,350	12,373
<b>Total for 2004</b>				<u>\$ 63,000</u>	<u>\$ 13,925</u>

<u>Property</u>	<u>Location</u>	<u>Date Sold</u>	<u>Square Feet/ Acres</u>	<u>Gross Sales Price</u>	<u>Gain On Sale</u>
<b>2003 Dispositions</b>					
Eckerd .....	Leesburg, FL	March	12,739	\$ 4,050	\$ 326
Eckerd .....	Melbourne, FL	March	10,908	2,715	177
<b>First quarter 2003</b>				6,765	503
Pompano .....	Pompano Beach, FL	April	80,697	3,400	470
Huntcrest out parcels .....	Huntcrest, GA	May	2.94 acres	1,686	-
Oak Square Joint Venture .....	Gainesville, FL	June	n/a	2,230	901
<b>Second Quarter 2003</b>				7,316	1,371
CDG (Park Place) LLC JV .....	Plano, TX	September	n/a	4,434	1,209
<b>Third quarter 2003</b>				4,434	1,209
Heritage Walk .....	Milledgeville, GA	November	159,991	10,000	-
Stadium Plaza .....	Phenix City, AL	December	70,475	4,800	-
<b>Total for 2003</b>				<u>\$ 33,315</u>	<u>\$ 3,083</u>

The Company classified the results of operations from the properties sold during 2003 and 2004 and held for sale at September 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:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Rental revenue .....	\$ 1,765	\$ 3,035	\$ 7,550	\$ 8,837
Property operating expenses .....	1,124	939	2,658	2,672
Rental property depreciation and amortization .....	271	343	864	1,052
Total expenses .....	1,395	1,282	3,522	3,724
Interest expense .....	(243)	(378)	(735)	(1,107)
Amortization of deferred financing fees .....	(30)	(29)	(89)	(90)
Equity in income of joint ventures .....	(30)	121	(59)	508
Loss on extinguishment of debt .....	-	-	-	(110)
Income from discontinued operations .....	<u>\$ 67</u>	<u>\$ 1,467</u>	<u>\$ 3,145</u>	<u>\$ 4,314</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 of which \$110 is reflected in income from rental properties sold or held for sale.

## 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.

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 September 30, 2004, the Company has pledged letters of credit totaling \$1,433 as additional security for certain financings and other activities.

The Company is subject to litigation in the normal course of business. However, none of the litigation outstanding as of September 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 October 2004, the Company completed the sale of three properties for total consideration of \$17,250, comprising an aggregate of 299 square feet of gross leasable area.

In October 2004, the Company completed the acquisition of six retail properties in the Boston, Massachusetts metropolitan area, totaling 391 square feet for total consideration of \$119,800, including the assumption of \$12,100 of mortgage indebtedness. The Company funded the cash from funds on hand and borrowings under our existing credit facility.

## **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 nine month period ended September 30, 2004, there were no material changes to these policies.

### **Overview**

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

- Increased the average rental rate on 290 lease renewals aggregating 653,000 square feet by 4.2% to \$13.59 per square foot;
- Executed 314 new leases totaling 1.2 million square feet at an average rental rate of \$10.74 per square foot, which, net of lost leases, resulted in net absorption of 83 square feet;
- Acquired 10 properties totaling \$180.2 million, adding over 1.3 million square feet of gross leasable area;
- Sold ten non-core properties for \$61.5 million and an out parcel for \$1.5 million, generating \$13.8 million of gains 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 third quarter of 2004 operating results are as follows:

- Increased the rental rate on 105 lease renewals aggregating 202,000 square feet by 3.9% to \$14.50 per square foot;
- Executed 104 new leases totaling 288,000 square feet at an average rental rate of \$12.31 per square foot, which net of lost leases resulted in net absorption of 476 square feet; and
- Sold eight non-core properties for \$48.9 million and an out parcel for \$1.5 million, generating \$12.4 million of gains 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 merger 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 September 30,			For the nine month period ended September 30,		
	2004	2003	% Change	2004	2003	% Change
Total rental revenue.....	\$ 58,208	\$ 48,067	21.1%	\$ 167,237	\$ 129,673	29.0%
Property operating expenses.....	\$ 15,656	\$ 13,263	18.0%	\$ 43,880	\$ 35,911	22.2%
Rental property depreciation and amortization.....	\$ 9,005	\$ 7,231	24.5%	\$ 25,934	\$ 18,654	39.0%
General and administrative expenses .....	\$ 3,722	\$ 2,737	36.0%	\$ 10,980	\$ 7,936	38.4%
Interest expense .....	\$ 12,172	\$ 9,920	22.7%	\$ 34,156	\$ 27,819	22.8%

### *Comparison of the Three Months Ended September 30, 2004 to the Three Months Ended September 30, 2003*

Total rental revenue increased by \$10.1 million, or 21.1%, to \$58.2 million in 2004 from \$48.1 million in 2003. The following factors accounted for this difference:

- Same property rental revenue increased by approximately \$1.5 million;
- Properties acquired during 2004 increased revenue by approximately \$4.7 million;
- Properties acquired during 2003 increased revenue by approximately \$3.1 million; and
- Other property rental revenue increased by \$826,000 primarily related to the completion of development properties.

Property operating expenses increased by \$2.4 million, or 18.0%, to \$15.7 million for 2004 from \$13.3 million in 2003. The following factors contributed to this difference:

- Same property operating expenses increased by \$497,000, mostly related to \$431,000 of expenses incurred for the clean-up of damage caused by the hurricanes;
- Properties acquired during 2004 increased operating expenses by \$1.1 million;
- Properties acquired during 2003 increased operating expenses by approximately \$728,000; and
- Other property operating expenses increased by \$59,000 related to the completion of development properties.

Rental property depreciation and amortization increased by \$1.8 million, or 24.5%, to \$9.0 million for 2004 from \$7.2 million in 2003. The following factors primarily accounted for this difference:

- Properties acquired during 2004 increased depreciation and amortization by approximately \$652,000;
- Properties acquired during 2003 increased depreciation and amortization by approximately \$374,000; and
- Completed developments and additions to existing properties increased depreciation and amortization by approximately \$748,000.

General and administrative expenses increased by \$1.0 million, or 36.0%, to \$3.7 million for 2004 from \$2.7 million in 2003. Compensation and employer related expenses increased by \$676,000, general office expenses increased by \$182,000, public relations and marketing expenses increased by \$87,000 and professional fees increased by \$82,000. These expense increases were due to the increase in staffing resulting from the growth of our business and costs incurred related to compliance with expanded regulatory requirements under the Sarbanes-Oxley Act of 2002.

Interest expense increased by \$2.3 million, or 22.7%, to \$12.2 million for 2004 from \$9.9 million in 2003. This difference was primarily due to:

- An increase of \$1.7 million attributable to the \$200 million unsecured senior notes issued during March of 2004;
- An increase of \$619,000 attributable to the debt related to the acquisition of properties during 2004;
- An increase of \$508,000 attributable to the debt related to the acquisition of properties during 2003; and
- A increase of \$39,000 attributable to a decrease in capitalized interest related to development activity; and
- A decrease of \$731,000 attributable to the pay down of the revolving credit facilities due to the issuance of the \$200 million unsecured senior notes.

Investment income increased by \$1.1 million due to an increase in interest and dividends of \$547,000 on the securities available for sale, notes receivable received from the sale of a rental property and realized gains on the sale of securities of \$592,000.

We sold eight income producing properties in the third quarter of 2004 and had four properties and a joint venture interest held for sale as of September 30, 2004. The associated operating results of \$67,000 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 September 30, 2004. We recognized a gain of \$12.2 million in the third quarter of 2004 related to the disposal of these eight properties and recognized a gain of \$1.2 million in the third quarter of 2003 related to the disposal of a property.

As a result of the foregoing, net income increased by \$13.5 million, or 78.0%, to \$30.7 million for 2004 from \$17.2 million in 2003.

***Comparison for the Nine Months Ended September 30, 2004 to the Nine Months Ended September 30, 2003***

Total rental revenue increased by \$37.6 million, or 29.0%, to \$167.2 million in 2004 from \$129.7 million in 2003. The following factors accounted for this difference:

- Same property rental revenue increased by approximately \$1.9 million;
- The acquisition of IRT in 2003 increased revenue by approximately \$11.0 million;
- Other properties acquired during 2003 increased revenue by approximately \$14.4 million;
- Properties acquired during 2004 increased revenue by approximately \$8.7 million; and
- Other property rental revenue increased by \$1.6 million primarily related to the completion of development properties.

Property operating expenses increased by \$8.0 million, or 22.2%, to \$43.9 million for 2004 from \$35.9 million in 2003. The following factors contributed to this difference:

- Same property operating expenses increased by \$420,000, mostly related to \$431,000 of expenses incurred for the clean-up of damage caused by the hurricanes;
- The acquisition of IRT increased operating expenses by approximately \$904,000;
- Other properties acquired during 2003 increased operating expenses by approximately \$3.8 million;
- Properties acquired during 2004 increased operating expenses by \$2.4 million; and
- Other property operating expenses increased by \$456,000 due to completion of development properties.

Rental property depreciation and amortization increased by \$7.3 million, or 39.0%, to \$25.9 million for 2004 from \$18.7 million in 2003. The following factors primarily accounted for this difference:

- The acquisition of IRT increased depreciation and amortization by approximately \$2.8 million;
- Other properties acquired during 2003 increased depreciation and amortization by approximately \$2.1 million;

- Properties purchased in 2004 increased depreciation and amortization by approximately \$1.4 million; and
- Completed developments in 2004 and 2003 increased depreciation and amortization by approximately \$925,000.

General and administrative expenses increased by \$3.0 million, or 38.4%, to \$11.0 million for 2004 from \$7.9 million in 2003. Compensation and employer related expenses increased by \$2.5 million, general office expenses increased by \$363,000 and professional fees increased by \$207,000. These expense increases were due to the increase in staffing resulting from the growth of our business and costs incurred related to compliance with expanded regulatory requirements under the Sarbanes-Oxley Act of 2002.

Interest expense increased by \$6.3 million, or 22.8%, to \$34.2 million for 2004 from \$27.8 million in 2003. This difference was primarily due to:

- An increase of \$781,000 attributable to the assumption of mortgage loans and senior unsecured debt in the acquisition of IRT in 2003;
- An increase of \$967,000 attributable to debt related to the acquisition of properties during 2004;
- An increase of \$2.3 million attributable to the debt related to the acquisition of properties during 2003;
- An increase of \$3.1 million attributable to the \$200 million unsecured senior notes issued during March of 2004;
- A decrease of \$226,000 attributable to an increase in capitalized interest related to development activity; and
- A decrease of \$600,000 related to the disposition of five properties and the repayment of a mortgage payable.

Investment income increased by \$672,000 due to an increase in interest and dividends of \$79,000 on the investment of securities available for sale, notes receivable received from the sale of a rental property and realized gains on the sale of securities of \$593,000.

During 2003, we repaid various mortgage notes prior to their stated maturities and incurred a loss on the extinguishment of debt of \$623,000 of which \$110,000 is reflected in income from properties sold or held for sale.

We sold ten income producing properties during the nine months ended September 30, 2004 and have four properties and a joint venture interest held for sale as of September 30, 2004. The associated operating results of \$3.1 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 September 30, 2004. We recognized a gain of \$13.8 million in the nine months ended September 30, 2004 related to the disposal of these ten properties and recognized a gain of \$3.1 million in the nine months ended September 30, 2003 related to the disposal of five properties.

As a result of the foregoing, net income increased by \$23.5 million, or 51.2%, to \$69.5 million for 2004 from \$45.9 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 “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 nine month periods ended September 30, 2004 and 2003 (in thousands):

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Net income .....	\$ 30,701	\$ 17,249	\$ 69,475	\$ 45,945
Adjustments:				
Rental property depreciation and amortization, including discontinued operations.....	9,276	7,574	26,798	19,706
Gain on disposal of income producing properties .....	(12,215)	(1,209)	(13,767)	(3,083)
Minority interest .....	223	227	596	606
Other Items:				
Interest on convertible partnership units .....	-	-	-	43
Pro-rata share of real estate depreciation from joint ventures .....	65	83	197	383
<b>Funds from operations</b> .....	<u>\$ 28,050</u>	<u>\$ 23,924</u>	<u>\$ 83,299</u>	<u>\$ 63,600</u>

FFO increased by \$4.2 million, or 17.6%, to \$28.1 million for the three months ended September 30, 2004, from \$23.9 million for the comparable period of 2003. FFO increased by \$19.7 million, or 31.4%, to \$83.3 million for the nine months ended September 30, 2004 from \$63.6 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:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Earnings per diluted share* .....	\$ 0.43	\$ 0.27	\$ 0.98	\$ 0.79
Adjustments:				
Rental property depreciation and amortization, including discontinued operations.....	0.13	0.12	0.37	0.33
Gain on disposal of income producing properties.....	(0.17)	(0.02)	(0.19)	(0.05)
Other items:				
Pro-rata share of real estate depreciation from joint ventures .....	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.01</u>
Funds from operations per diluted share .....	<u>\$ 0.39</u>	<u>\$ 0.37</u>	<u>\$ 1.16</u>	<u>\$ 1.08</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 \$83.2 million for the nine months ended September 30, 2004 included: (i) net income of \$69.5 million, (ii) adjustments for non-cash and gain on sale items which increased cash flow by \$12.1 million, and (iii) a net change in operating liabilities and operating assets that increased cash flow by \$1.6 million, compared to net cash provided by operations of \$61.6 million for the nine months ended September 30, 2003, which included (i) net income of \$45.9 million, (ii) adjustments for non-cash items which increased cash flow by \$17.4 million, and (iii) a net change in operating assets over operating liabilities that reduced cash flow by \$1.7 million.

Net cash used in investing activities of \$141.6 million for the nine months ended September 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 \$24.3 million, (iii) increased leasing costs of \$5.5 million, (iv) an increase in cash held in escrow of \$8.7 million, and (v) the purchase of securities held for investment for \$30.7 million, offset by (a) proceeds from the sale of properties of \$51.7 million, (b) proceeds from payment of notes receivable of \$6.1 million, and (c) proceeds from the sale of securities held for investment of \$5.8 million. These amounts should be compared to net cash used in investing activities of \$298.4 million for the nine months ended September 30, 2003 which included: (i) the acquisition of one parcel of land held for future development, an outparcel, a grocery store building at one of our existing centers and four shopping centers for \$116.9 million, (ii) construction, development and other capital improvements of \$22.5 million, (iii) the acquisition of IRT for \$187.6 million, net of cash received, and (iv) increased leasing costs of \$2.7 million, offset by (a) proceeds from the sale of four properties and a joint venture interest of \$13.7 million, (b) proceeds from escrowed funds on sale of properties to utilize tax deferred exchanges for \$12.9 million, (c) proceeds from payment of notes receivable of \$2.8 million and (d) proceeds from other sources of \$1.9 million.

Net cash provided by financing activities of \$59.4 million for the nine months ended September 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 \$40.9 million, and (iii) proceeds from repayment of notes receivable of \$3.0 million, offset by (a) the repayment of eight mortgage notes for \$15.9 million and monthly principal payments on mortgage notes of \$7.2 million, (b) cash dividends paid to common stockholders of \$59.6 million, (c) repayments under revolving credit facilities of \$98.0 million, (d) an increase in deferred financing costs of \$2.4 million related to the issuance of senior notes, and (e) other

miscellaneous uses of \$700,000 compared to net cash provided by financing activities of \$233.9 million for the nine months ended September 30, 2003 which included: (i) net borrowing on the revolving credit facilities of \$115.0 million, less the pay down of \$8.0 million on the credit facility assumed in the IRT merger, (ii) net proceeds from the issuance of common stock of \$230.9 million, and (iii) proceeds from repayment of notes receivable of \$3.5 million, offset by (a) the repayment of nine mortgage notes for \$48.4 million and monthly principal payments on mortgage notes of \$6.0 million, (b) cash dividends paid to common stockholders of \$51.4 million, and (c) other miscellaneous uses of \$1.7 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 September 30, 2004 and December 31, 2003:

	<u>September 30, 2004</u>	<u>December 31, 2003</u>
	(in thousands)	
<b>Mortgage Notes Payable</b>		
Fixed rate mortgage loans.....	\$ 480,739	\$ 459,103
Unamortized net premium on mortgage notes payable .....	<u>10,633</u>	<u>11,779</u>
Total.....	<u>\$ 491,372</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 \$160.8 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 September 30, 2004 and December 31, 2003:

	<u>September 30, 2004</u>	<u>December 31, 2003</u>
	(in thousands)	
<b>Unsecured Senior Notes Payable</b>		
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 on unsecured senior notes payable.....	9,721	12,439
Total.....	<u>\$ 359,721</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 September 30, 2004 and December 31, 2003:

	<u>September 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
	(in thousands)	
<b>Unsecured Revolving Credit Facilities</b>		
Wells Fargo .....	\$ 64,000	\$ 162,000
City National Bank .....	<u>-</u>	<u>-</u>
Total .....	<u>\$ 64,000</u>	<u>\$ 162,000</u>

The Company has a \$340 million unsecured revolving credit facility with a syndicate of banks for which Wells Fargo Bank, National Association is the sole lead arranger and administrative agent. This facility bears interest at the Company's option at (i) LIBOR plus 0.65% to 1.35%, depending on the credit ratings of the Company's senior unsecured long term notes or (ii) at the greater of (x) Wells Fargo's prime rate and (y) the Federal Funds Rate plus 0.5%. The facility is guaranteed by most of the Company's 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 million, a \$35 million swing line facility for short term borrowings, a \$20 million letter of credit commitment and may, at the request of the Company, be increased up to a total commitment of \$400 million. The facility expires February 12, 2006 with a one year extension option. In addition, the facility contains customary covenants, including financial covenants regarding debt levels, total liabilities, interest coverage, EBITDA levels, unencumbered properties, permitted investments and others. The facility also prohibits stockholder distributions in excess of 95% of funds from operations calculated at the end of each fiscal quarter for the four fiscal quarters then ending. Notwithstanding this limitation, the Company can make stockholder distributions to avoid income taxes on asset sales. If a default under the facility exists, the Company's ability to pay dividends would be limited to the amount necessary to maintain the Company's status as a REIT unless the default is a payment default or bankruptcy event in which case the Company would be prohibited from paying any dividends. As of September 30, 2004, the Company had \$64,000 outstanding on this credit facility. The weighted average interest rate as of September 30, 2004 was 2.126%, including the effect of interest rate swaps.

The Company has a \$5 million unsecured credit facility with City National Bank of Florida, of which there was no amount outstanding as of September 30, 2004. This facility also provides collateral for \$1.4 million in outstanding letters of credit.

As of September 30, 2004, the availability under the various credit facilities was approximately \$119.3 million net of outstanding balances and letters of credit. During October 2004, the Company borrowed approximately \$70 million on the credit facilities for the acquisition of the Boston Properties.

As of September 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
	Scheduled Amortization	Balloon Payments	Unsecured Senior Notes	Revolving Credit Facilities	
2004 .....	\$ 2,495	\$ -	\$ -	\$ -	\$ 2,495
2005 .....	10,039	30,093	-	-	40,132
2006 .....	10,246	24,758	50,000	64,000	149,004
2007 .....	10,356	2,864	75,000	-	88,220
2008 .....	10,415	40,104	-	-	50,519
2009 .....	10,063	24,332	200,000	-	234,395
2010 .....	9,067	98,471	-	-	107,538
2011 .....	7,230	93,433	-	-	100,663
2012 .....	5,951	40,056	25,000	-	71,007
2013 .....	5,526	-	-	-	5,526
Thereafter..	36,446	8,794	-	-	45,240
Total .....	<u>\$ 117,834</u>	<u>\$ 362,905</u>	<u>\$ 350,000</u>	<u>\$ 64,000</u>	<u>\$ 894,739</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 September 30, 2004, we have over 20 development and redevelopment projects underway or in the planning stage totaling approximately \$64.0 million of asset value and, based on current plans and estimates, requiring approximately \$19.4 million of additional capital to complete beyond the \$44.7 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 Pointe Plaza in Smithfield, North Carolina; Eustis Square in Eustis, 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 fourth quarter of 2004 and mid 2006.

During the nine month period ended September 30, 2004, we completed and leased a total of \$41.8 million of development projects resulting in incremental net operating income of approximately \$4.6 million on an annualized basis.

## EQUITY

For the three months ended September 30, 2004, we issued 735,000 shares of our common stock at prices ranging from \$17.86 to \$19.42 per share and for the nine months ended September 30, 2004, we issued 1.9 million shares of our common stock at prices ranging from \$16.83 to \$19.42 per share pursuant to our Dividend Reinvestment and Stock Purchase Plan. As of September 30, 2004, we have 207,381 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 September 30, 2004, we had approximately \$164.0 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 September 30, 2004, in relation to our \$894.7 million of outstanding debt, our \$1.8 billion of total assets and the \$2.3 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 \$1.6 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 \$1.6 million. This assumes that the amount outstanding under our variable rate debt remains at approximately \$164.0 million (including the \$100 million of fixed rate debt converted to floating rate debt through the use of hedging agreements), the balance as of September 30, 2004.

The fair value of our fixed rate debt is \$773.6 million, which includes the mortgage notes and fixed rate portion of the senior unsecured notes payable (excluding the unamortized premium/discount). If interest rates increase by 1%, the fair value of our total fixed rate debt would decrease by approximately \$75.5 million. If interest rates decrease by 1%, the fair value of our total outstanding debt would decrease by approximately \$6.8 million. This assumes that our total outstanding fixed rate debt remains at \$730.7 million, the balance as of September 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 our outstanding swap agreement, 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, and mitigate the future interest rate risk.

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

Hedge type .....	Cash Flow
Description .....	Swap
Total Notional Amount.....	<u>\$ 100,000</u>
Interest Rates .....	2.61%
Maturity date .....	April 15, 2009
Accumulated other comprehensive loss attributable to cash flow hedges:	
Balance at December 31, 2003.....	\$ (122 )
Change in fair value for the nine months ended September 30, 2004 .....	<u>(1,744 )</u>
Balance at September 30, 2004.....	<u>\$ (1,866 )</u>

The estimated fair value of this financial instrument has been determined, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimate of fair value. Accordingly, the estimate presented herein is not necessarily indicative of the amount 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.

#### Other Market Risks

As of September 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 September 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. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On September 16, 2004, the Company completed the issuance of an aggregate of 734,266 shares of its common stock to Tamarac Trust, Trust No. 101, Riverside Trust, Trust No. 102, and Charlotte Square Trust, Trust No. 103, each a limited partner of the Company's subsidiary, IRT Partners L.P. These shares were issued following the limited partners' request for redemption of their limited partnership units pursuant to the Agreement of Limited Partnership of IRT Partners L.P., dated as of July 14, 1998, between the Company, as successor by merger to IRT Property Company and general partner, and IRT Management Company, as initial limited partner. Following the request for redemption by these limited partners and in accordance with the partnership agreement, the Company elected to pay the redemption price for the units by issuing the 734,266 shares. As a result of the redemption, IRT Partners L.P. is now indirectly, wholly owned by the Company. The transaction was effected without registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(2) of the Securities Act.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

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

The Company's annual meeting was adjourned from May 21, 2004 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

(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.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 8, 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>
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.
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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.

**EXHIBIT 31.1**

**CERTIFICATE OF CHIEF EXECUTIVE OFFICER**

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

1. I have reviewed this quarterly report on Form 10-Q of Equity One, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the registrant and we have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosures controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - c. disclosed in this quarterly report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the registrant's internal controls over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: November 8, 2004

/s/ CHAIM KATZMAN

\_\_\_\_\_  
Chaim Katzman  
Chief Executive Officer

**CERTIFICATE OF CHIEF FINANCIAL OFFICER**

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

1. I have reviewed this quarterly report on Form 10-Q of Equity One, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the registrant and we have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - c. disclosed in this quarterly report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the registrant's internal controls over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: November 8, 2004

/s/ HOWARD M. SIPZNER

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Howard M. Sipzner  
Executive Vice President and  
Chief Financial Officer

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

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

- (i) The accompanying Quarterly Report on Form 10-Q for the period ended September 30, 2004 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 8, 2004

/s/ CHAIM KATZMAN

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Chaim Katzman  
Chief Executive Officer

November 8, 2004

/s/ HOWARD M. SIPZNER

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Howard Sipzner  
Executive Vice President and  
Chief Financial Officer

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

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