

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2006

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.)

**1600 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Applicable only to Corporate Issuers:

As of the close of business on May 1, 2006, 75,845,082 shares of the Company's common stock, par value \$0.01 per share, were 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
MARCH 31, 2006 AND DECEMBER 31, 2005
(UNAUDITED)
(In thousands, except per share amounts)**

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
ASSETS		
PROPERTIES:		
Income producing	\$ 1,737,809	\$ 1,661,243
Less: accumulated depreciation	(119,522)	(111,031)
Income producing property, net	1,618,287	1,550,212
Construction in progress and land held for development	102,784	64,202
Properties held for sale	281,579	282,091
Properties, net	2,002,650	1,896,505
CASH AND CASH EQUIVALENTS	2,216	102
ACCOUNTS AND OTHER RECEIVABLES, NET	19,139	17,600
SECURITIES	85,336	67,588
GOODWILL	11,982	12,013
OTHER ASSETS	59,234	58,225
TOTAL	<u>\$ 2,180,557</u>	<u>\$ 2,052,033</u>

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2006 AND DECEMBER 31, 2005
(UNAUDITED)
(In thousands, except per share amounts)

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
NOTES PAYABLE		
Mortgage notes payable	\$ 378,922	\$ 392,480
Mortgage notes payable related to property held for sale	54,186	54,445
Unsecured revolving credit facilities.....	115,000	93,165
Unsecured senior notes payable	<u>589,052</u>	<u>465,404</u>
	1,137,160	1,005,494
Unamortized premium/discount on notes payable	<u>12,041</u>	<u>15,830</u>
Total notes payable	1,149,201	1,021,324
OTHER LIABILITIES		
Accounts payable and accrued expenses	35,423	40,161
Tenant security deposits	10,071	9,561
Other liabilities	<u>7,037</u>	<u>6,833</u>
Total liabilities	<u>1,201,732</u>	<u>1,077,879</u>
MINORITY INTERESTS	<u>989</u>	<u>1,425</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, 75,360 and 75,409 shares issued and outstanding for 2006 and 2005, respectively	754	754
Additional paid-in capital.....	956,762	955,378
Retained earnings.....	22,562	22,950
Accumulated other comprehensive (loss) income.....	(2,177)	3,404
Unamortized restricted stock compensation.....	-	(9,692)
Notes receivable from issuance of common stock	<u>(65)</u>	<u>(65)</u>
Total stockholders' equity.....	<u>977,836</u>	<u>972,729</u>
TOTAL.....	<u>\$ 2,180,557</u>	<u>\$ 2,052,033</u>

See accompanying notes to the condensed consolidated financial statements.

(Concluded)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2006 AND 2005
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2006	2005
RENTAL REVENUE:		
Minimum rents	\$ 49,693	\$ 47,015
Expense recoveries	15,176	12,661
Termination fees	292	468
Percentage rent payments	1,290	1,129
Total rental revenue	<u>66,451</u>	<u>61,273</u>
COSTS AND EXPENSES:		
Property operating expenses	18,143	15,391
Rental property depreciation and amortization	11,970	10,241
General and administrative expenses	4,616	4,340
Total costs and expenses	<u>34,729</u>	<u>29,972</u>
INCOME BEFORE OTHER INCOME AND EXPENSE, MINORITY INTEREST,		
AND DISCONTINUED OPERATIONS	31,722	31,301
OTHER INCOME AND EXPENSE:		
Interest expense	(14,804)	(12,030)
Amortization of deferred financing fees	(355)	(379)
Investment income	4,652	709
Other income	819	64
Loss on extinguishment of debt	(292)	-
INCOME BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS	<u>21,742</u>	<u>19,665</u>
MINORITY INTEREST	<u>(28)</u>	<u>(50)</u>
INCOME FROM CONTINUING OPERATIONS	<u>21,714</u>	<u>19,615</u>
DISCONTINUED OPERATIONS:		
Operations of income producing properties sold or held for sale	159	560
Gain on disposal of income producing properties	492	1,615
Income from discontinued operations	651	2,175
NET INCOME	<u>\$ 22,365</u>	<u>\$ 21,790</u>

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2006 AND 2005
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2006	2005
EARNINGS PER SHARE:		
BASIC EARNINGS PER SHARE		
Income from continuing operations	\$ 0.29	\$ 0.27
Income from discontinued operations	0.01	0.03
Total basic earnings per share	<u>\$ 0.30</u>	<u>\$ 0.30</u>
NUMBER OF SHARES USED IN COMPUTING		
BASIC EARNINGS PER SHARE.....	<u>75,151</u>	<u>73,043</u>
DILUTED EARNINGS PER SHARE		
Income from continuing operations.....	\$ 0.28	\$ 0.26
Income from discontinued operations	0.01	0.03
Total diluted earnings per share	<u>\$ 0.29</u>	<u>\$ 0.29</u>
NUMBER OF SHARES USED IN COMPUTING		
DILUTED EARNINGS PER SHARE.....	<u>75,978</u>	<u>74,193</u>

(Concluded)

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2006 AND 2005
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2006	2005
NET INCOME	\$ 22,365	\$ 21,790
OTHER COMPREHENSIVE INCOME (LOSS):		
Net unrealized holding loss on securities available-for-sale	(7,112)	(84)
Reclassification adjustment for gain on the sale of securities included in net income	(3)	-
Net realized gain on settlement of interest rate contracts	1,543	-
Amortization of interest rate contracts	(9)	-
COMPREHENSIVE INCOME	<u>\$ 16,784</u>	<u>\$ 21,706</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006
(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, 2006.....	\$ 754	\$ 955,378	\$ 22,950	\$ 3,404	\$ (9,692)	\$ (65)	\$ 972,729
Cumulative effect of change in accounting principle	(5)	(5,188)	-	-	9,692	-	4,499
Issuance of common stock	5	5,214	-	-	-	-	5,219
Stock issuance costs	-	(29)	-	-	-	-	(29)
Share-based compensation expense.....	-	1,387	-	-	-	-	1,387
Net income.....	-	-	22,365	-	-	-	22,365
Dividends paid.....	-	-	(22,753)	-	-	-	(22,753)
Other comprehensive loss.....	-	-	-	(5,581)	-	-	(5,581)
BALANCE,							
MARCH 31, 2006.....	<u>\$ 754</u>	<u>\$ 956,762</u>	<u>\$ 22,562</u>	<u>\$ (2,177)</u>	<u>\$ -</u>	<u>\$ (65)</u>	<u>\$ 977,836</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2006 AND 2005
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2006	2005
OPERATING ACTIVITIES:		
Net income.....	\$ 22,365	\$ 21,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Straight-line rent adjustment	(621)	(1,267)
Amortization of above/(below) market intangibles	(523)	(148)
Provision for losses on accounts receivable.....	(226)	319
Amortization of premium/discount on notes payable.....	(2,886)	(1,285)
Amortization of deferred financing fees.....	355	379
Rental property depreciation and amortization.....	12,039	10,446
Amortization of restricted stock compensation	1,314	1,486
Amortization of stock option expense	73	-
Gain on disposal of real estate.....	(806)	(1,615)
Gain on sale of securities.....	(4)	-
Minority interests	28	50
Changes in assets and liabilities:		
Accounts and other receivables.....	312	5,176
Other assets.....	(3,592)	(3,590)
Accounts payable and accrued expenses.....	108	1,627
Tenant security deposits.....	510	230
Other liabilities.....	205	(405)
Net cash provided by operating activities	<u>28,651</u>	<u>33,193</u>
INVESTING ACTIVITIES:		
Additions to and purchases of properties.....	(83,421)	(1,299)
Purchases of land held for development	(26,950)	(14,411)
Additions to construction in progress	(6,350)	(3,913)
Proceeds from disposal of properties.....	2,883	14,460
Proceeds from sale of securities	57	-
Cash used to purchase securities.....	(25,078)	(8,921)
Proceeds from repayment of notes receivable	1,476	9
Increase in deferred leasing costs	(1,253)	(1,827)
Net cash used in investing activities	<u>(138,636)</u>	<u>(15,902)</u>

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2006 AND 2005
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2006	2005
FINANCING ACTIVITIES:		
Repayment of mortgage notes payable	\$ (13,817)	\$ (6,239)
Net borrowings (repayments) under revolving credit facilities	21,835	(2,237)
Proceeds from senior debt offering	123,284	-
Increase in deferred financing costs	(1,611)	-
Proceeds from issuance of common stock	5,219	7,631
Stock issuance costs	(29)	(112)
Cash dividends paid to stockholders	(22,753)	(21,426)
Distributions to minority interests	(29)	(30)
Net cash provided by (used in) financing activities	<u>112,099</u>	<u>(22,413)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,114	(5,122)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	102	5,122
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,216</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amount capitalized	<u>\$ 12,382</u>	<u>\$ 12,387</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Change in unrealized holding loss on securities	<u>\$ (7,112)</u>	<u>\$ (84)</u>
The Company issued senior unsecured notes:		
Face value of notes	\$ 125,000	
Underwriting Costs	(812)	
Discount	<u>(904)</u>	
Cash received	<u>\$ 123,284</u>	
See accompanying notes to the condensed consolidated financial statements.		(Concluded)

EQUITY ONE, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2006 AND 2005
(UNAUDITED)

(In thousands, except per share, property count, and square feet amounts)

1. Organization and Basis of Presentation

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 and northeastern United States. These shopping centers are primarily anchored by supermarkets or other necessity-oriented retailers such as drugstores or discount retail stores.

Basis of Presentation

The consolidated financial statements include the accounts of Equity One, Inc. and its wholly-owned subsidiaries and those partnerships where the Company 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 one joint venture which no individual party controls and, accordingly, uses the equity method of accounting for this joint venture.

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

Portfolio

As of March 31, 2006, the Company owned a total of 196 properties, encompassing 127 supermarket-anchored shopping centers, four drug store-anchored shopping centers, 47 other retail-anchored shopping centers, eleven developments and redevelopments parcels and seven other non-retail properties, as well as a non-controlling interest in one unconsolidated joint venture.

Interim Financial Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company’s management in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (the “SEC”). Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for the three month period ended March 31, 2006 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 consolidated financial statements and related footnotes, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, filed with the SEC on March 2, 2006.

2. Summary of Significant Accounting Policies

Properties

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.

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.

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 shorter of the term of the related lease or economic useful life
Equipment	5-7 years

Business Combinations

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 intangibles.

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 and below-market 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 intangibles.

Critical estimates in valuing certain of the intangibles 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, third party cost segregation studies or other market data, as well as, information obtained in its pre-acquisition due diligence and marketing and leasing activities.

In the event that a tenant terminates its lease, the unamortized portion of each related intangible would be expensed.

Intangibles associated with property acquisitions are included in other assets in the Company's consolidated balance sheet.

Construction in progress and land held for development

Land held for development is stated at cost. 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. Properties undergoing significant renovations and improvements are considered under development. The Company estimates the cost of a property undergoing renovations as a basis for determining eligible costs. Interest, real estate taxes and other costs directly related to the properties and projects under development are capitalized until the property is ready for its intended use. Similar costs related to properties not under development are expensed as incurred. In addition, the Company writes off costs related to predevelopment projects when it determines that it will no longer pursue the project.

Total interest expense capitalized to construction in progress and land held for development was \$1,076 and \$633 for the months ended March 31, 2006 and 2005, respectively.

Property Held for Sale

The Company adopted the provisions of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, effective January 1, 2002. The definition of a component of an entity under SFAS

144, assuming no significant continuing involvement, requires that operating properties that are sold or classified as held for sale be accounted for as discontinued operations. Accordingly, the results of operations of operating properties disposed of, or classified as held for sale after January 1, 2002, for which the Company has no significant continuing involvement are reflected as discontinued operations.

As of March 31, 2006, the Company has entered into an agreement for the disposition of 29 of its properties located in Texas (“the 29 Texas properties”) to EQYInvest Texas, LLC, a Delaware limited liability company (the “JV”) in exchange for cash consideration and a 20% interest in the JV. The Company also entered into a Management Agreement pursuant to which the Company would continue to manage and lease the properties on behalf of the JV (collectively, the “JV Transaction”). The Company classified the properties as held for sale as of March 31, 2006, but as a result of the Company’s significant continuing involvement in these properties after the JV Transaction, the operating results of the 29 Texas properties are included in income from continuing operations for the current reporting periods, and not discontinued operations. On April 25, 2006, the Company completed the disposition of the 29 Texas properties pursuant to the JV Transaction. In future periods, the results of operations of the 29 Texas properties will not be consolidated, but will be accounted for under the equity method of accounting. The 29 Texas properties’ effect on results of operations for the reporting periods is presented in footnote 4.

As of March 31, 2006, in addition to the 29 Texas properties, two other properties located in Texas were classified as property held for sale.

Long-lived assets

On a periodic basis, or whenever events or change in circumstances indicate, the Company assesses whether the value of the real estate properties may be impaired. A property’s value is impaired only if it is probable that management’s estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the historical net carrying value of the property. In management’s estimate of cash flows, it considers facts such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other actors. In addition, the undiscounted cash flows may consider a probability weighted cash flow estimation approach when alternative courses of action to recover the carrying amount of a long-lived asset are under consideration or a range is estimated. The determination of undiscounted cash flows requires significant estimates by management and considers the expected course of action at the balance sheet date. Subsequent changes in estimated undiscounted cash flows arising from changes in anticipated actions could impact the determination of whether impairment exists and whether the effects could materially impact the Company’s net income. To the extent that impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property.

When assets are identified by the Company as held for sale, the Company estimates the sales prices, net of selling costs, of such assets. Assets that will be sold together in a single transaction are aggregated in determining if the net sales proceeds of the group are expected to be less than the net book value of the assets. If, in management’s opinion, the net sales prices of the assets, which have been identified for sale, are expected to be less than the net book value of the assets, an impairment charge is recorded. For the three months ended March 31, 2006, \$86 of impairment loss was recognized and is reflected in income from discontinued operations.

The Company is required to make subjective assessments as to whether there are impairments in the value of its real estate properties and other investments. The assessments have a direct impact on the Company’s net income because recording an impairment charge results in an immediate charge to expense.

Cash and cash equivalents

The Company considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable include amounts billed to tenants and accrued expense recoveries due from tenants. Management evaluates the collectibility of these receivables and adjusts the allowance for doubtful accounts to reflect amounts estimated to be uncollectible. The allowance for doubtful accounts was \$1,138 and \$1,533 at March 31, 2006 and December 31, 2005, respectively.

Securities

The Company's investments consist primarily of equity and debt securities. The Company's equity investments are classified as available-for-sale and recorded at fair value based on current market prices. Changes in the fair value of the equity investments are included in accumulated other comprehensive income (loss). The Company's debt securities are recorded at cost and are classified as held-to-maturity, with the related discount/premium amortized over the life of the investment using the effective interest method.

For securities classified as held-to-maturity, the Company determines whether a decline in fair value below the amortized cost basis is other-than-temporary. If it is probable that the Company will be unable to collect all amounts due according to the contractual terms of a debt security, an other-than-temporary impairment is considered to have occurred. The determination of other-than-temporary declines in value requires significant estimates and assumptions by management and requires the consideration of expected outcomes that are out of management's control. Subsequent changes in estimates, assumptions used or expected outcomes could impact the determination of whether a decline in value is other-than-temporary and whether the effects could materially impact the Company's financial position or net income. If the decline in fair value is judged to be other-than-temporary, the cost basis of the individual security will be written down to fair value as a new cost basis and the amount of the write-down will be included in earnings (that is, accounted for as a realized loss).

As of March 31, 2006, the Company directly or indirectly owned approximately 3,574 ordinary shares of DIM Vastgoed N.V. ("DIM"). DIM is a public company organized under the laws of the Netherlands, the shares of which are listed on Euronext Amsterdam and which operates as a closed-end investment company owning and operating a portfolio of 19 shopping center properties aggregating approximately 2.7 million square feet in the southeastern United States. DIM's capital structure has priority shares and ordinary shares. The priority shares are 100% owned by a foundation that, until recently, was controlled by two members of its supervisory board and its management board. The ordinary shares have voting rights; however, only the priority shares have the right to nominate members to the supervisory board and to approve certain other corporate matters. As of April 30, 2006, the Company has increased its ownership of DIM to approximately 3,681 ordinary shares, representing approximately 46.9% of DIM's total outstanding ordinary shares. In addition, the Company has committed to buy, in September 2007, an additional 45 certificates representing ordinary shares for total consideration of \$941.

As of March 31, 2006, the fair value of DIM's ordinary shares is less than the carrying amount of the Company's investment. The Company's aggregate cost is \$73,328 and, based on the closing market price on March 31, 2006, the ordinary shares of DIM had a fair value of \$69,339. This results in an unrealized loss of \$3,989. The Company has evaluated the near-term prospects of the issuer in relation to the severity and the duration of the impairment and, based on its evaluation and ability and intent to hold

the investment for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider the investment to be other-than-temporarily impaired at March 31, 2006.

As of March 31, 2006, management believes the investment in DIM should be accounted for as an available-for-sale security because, as of that date, the Company was unable to exert significant influence over DIM's operating or financial policies and, based on DIM's organizational and capital structure, the Company was unable to nominate candidates for election to, or otherwise participate in the affairs of, DIM's supervisory board.

In February 2006, DIM's supervisory board proposed certain changes to its management structure, including the termination of the existing Directorship and Management Agreement with Dane Investors Management B.V., the execution of a new management agreement with more favorable terms to DIM, the nomination of an additional independent director recommended by the Company to the supervisory board and the termination of the management board's rights with respect to the priority shares. Shareholder meetings were held on March 23 and April 25, 2006 at which the shareholders of DIM approved these changes. As a result of this restructuring and the increase in Company's ownership, the Company believes it has acquired significant influence over the operating and financial activities of DIM. The consequence of this influence is that in accordance with Accounting Principles Board Opinion No. 18, "*The Equity Method of Accounting for Investments in Common Stock*", the Company will be required commencing in the second quarter of 2006 to account for its investment in DIM under the equity method of accounting. The equity method of accounting will be applied retroactively to the commencement of the Company's ownership in DIM and the financial results of the Company for these prior periods will be restated to reflect that method of accounting.

As of March 31, 2006, the fair value of the Company's debt securities is less than the carrying amount of the investment. The Company holds \$14,110 in original principal amount of Winn-Dixie Stores, Inc. ("Winn-Dixie") 8.875% senior notes due April 2008, at a carrying amount of \$11,918 and an unrealized loss of \$771. The decline in value occurred due to the declaration of bankruptcy by Winn-Dixie in February 2005. Management has considered and evaluated the pertinent facts available to it, including that: (i) Winn-Dixie's equity at March 31, 2006 had a fair value of approximately \$41,000, which the Company believes is an indicator that the notes are most likely recoverable, (ii) the notes' decline in value is most likely due in part to the timeliness of the principal and interest payments, (iii) subsequent to the declaration of bankruptcy the notes' market price has increased in fair value; and (iv) as a bond holder and landlord, Winn-Dixie is an anchor tenant in several of the Company's shopping centers, the Company has received input from outside advisors, and those analyses and inputs reflect a positive enterprise value. Management believes that these factors provide reasonable assurance that the Company will recover its cost. Accordingly, as of March 31, 2006, the Company expects to recover the carrying amount of the investment. The Company has not recognized any investment income on the notes for the period ended March 31, 2006.

Changes in estimates, assumptions used or expected outcomes could impact the determination of whether a decline in value is other-than-temporary and whether the effects could materially impact the Company's financial position or net income in future periods. If the market value of the notes remains less than the Company's carrying amount of the notes for an extended period of time and/or the financial condition and near-term prospects of Winn-Dixie deteriorate or do not otherwise improve in the future, among other factors, the Company may be required to record a write-down of the investment.

Deferred Costs and Intangibles

Deferred costs and intangibles included in other assets consist of loan origination fees, leasing costs and the value of intangible assets when a property was acquired. Loan and other fees directly related to rental property financing with third parties are amortized over the term of the loan which approximates

the effective interest method. Direct salaries, third party fees and other costs incurred by the Company to originate a lease are capitalized and are being amortized using the straight-line method over the term of the related leases. Intangible assets consist of in-place lease values, tenant origination costs and above/below market rents that was acquired in connection with the acquisition of the properties and is being amortized using the straight-line method over the terms of the related lease.

Deposits

Deposits included in other assets are composed of funds held by various institutions for future payments of property taxes, insurance and improvements, utility and other service deposits.

Goodwill

Goodwill has been recorded to reflect the excess of cost over the fair value of net assets acquired in various business acquisitions. The Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 142 on January 1, 2002 and no longer amortizes goodwill.

The Company is required to perform annual impairment tests of its goodwill, or more frequently in certain circumstances. The Company has elected to test for goodwill impairment in November of each year. The goodwill impairment test is a two-step process, which requires management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of each reporting unit and comparing those estimated fair values with the carrying values, which include the allocated goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an “implied fair value” of goodwill. The determination of a reporting unit’s “implied fair value” of goodwill requires the Company to allocate the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit. Any unallocated fair value represents the “implied fair value” of goodwill, which is compared to its corresponding carrying amount. During the periods presented, no impairment of goodwill was incurred.

The key assumptions management employs to determine the fair value of the Company’s reporting units (each property is considered a reporting unit) include (a) net operating income; (b) cash flows; and (c) an estimation of the fair value of each reporting unit, which was based on the Company’s experience in evaluating properties for acquisition and relevant market conditions. A variance in the net operating income or discount rate could have a significant impact on the amount of any goodwill impairment charge recorded.

Management cannot predict the occurrence of certain future events that might adversely affect the reported value of goodwill that totaled \$11,982 at March 31, 2006. Such events include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on the Company’s tenant base, or a material negative change in its relationships with significant tenants.

For the three months ended March 31, 2006 and 2005, \$29 and \$213, respectively, of goodwill was included in the determination of the gain on disposal of income producing properties due to the disposition of certain properties.

Minority interest

On January 1, 1999, Equity One (Walden Woods) Inc., a wholly-owned subsidiary of the Company, entered into a limited partnership as a general partner. An income producing shopping center (“Walden Woods Village”) was contributed by its owners (the “Minority Partners”), and the Company contributed

93.656 shares of the Company's common stock (the "Walden Woods Shares") to the limited partnership at an agreed-upon price of \$10.30 per share. Based on this per share price and the net value of property contributed by the Minority Partners, each of the partners received 93.656 limited partnership units. The Company has entered into a Redemption Agreement with the Minority Partners whereby the Minority Partners can request that the Company purchase either their limited partnership units or any shares of common stock which they received in exchange for their 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 Company has consolidated the accounts of the partnership with the Company's financial data. In addition, under the terms of the limited partnership agreement, the Minority Partners do not have an interest in the Walden Woods Shares except to the extent of dividends. Accordingly, a preference in earnings has been allocated to the Minority Partners to the extent of the dividends declared. The Walden Woods Shares are not considered outstanding in the consolidated financial statements and are excluded from the share count in the calculation of primary earnings per share.

Until January 1, 2006, the Company had a controlling general partnership interest (75% interest) in Venice Plaza and recorded a minority interest for the limited partners' share of equity. In January 2006, the Company acquired the minority partner's interest (and eliminated the related minority interest).

The Company has a controlling, general partnership interest in Sunlake-Equity Joint Venture. The Company has funded all of the acquisition costs, is required to fund any necessary development and operating costs, receives an 8% preferred return on its advances and is entitled to 60% of the profits thereafter. The minority partners are not required to make contributions and, to date, have not contributed any capital. The joint venture is in the process of obtaining the required approvals and permits to continue its mixed-use business plan. No minority interest has been recorded as the venture has incurred operating losses after taking into account the Company's preferred return.

The Company has a controlling, membership interest in Dolphin Village Partners, LLC. The Company has funded all of the acquisition costs, is required to fund any necessary development and operating costs, receives an 8% preferred return on its advances and is entitled to 50% of the profits thereafter. The minority partners are not required to make contributions and, to date, have not contributed any capital. The joint venture operations consist of Dolphin Village Shopping Center and are in the process of obtaining the required approvals and permits to continue its mixed-use business plan. No minority interest has been recorded as the venture has incurred operating losses after taking into account the Company's preferred return.

Use of Derivative Financial Instruments

The Company accounts for derivative and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. These accounting standards require the Company to measure derivatives, including certain derivatives embedded in other contracts, at fair value and to recognize them in the Consolidated Balance Sheets as assets or liabilities, depending on the Company's rights or obligations under the applicable derivative contract. For derivatives designated as fair value hedges, the changes in the fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in fair value of the derivative are reported in other comprehensive income ("OCI") and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in fair value of derivative instruments not designated as hedging instruments, and ineffective portions of hedges, are recognized in earnings in the current period.

The Company entered into an aggregate notional amount of \$95,000 of treasury locks. The treasury locks were executed to hedge the benchmark interest rate associated with forecasted interest payments relating to an anticipated issuance of fixed-rate borrowings. The treasury locks were terminated in connection with the issuance of \$125,000 of unsecured senior notes in March 2006. The realized gain on these hedging relationships has been deferred in OCI and will be reclassified into earnings over the term of the debt as an adjustment to interest expense.

During 2004, concurrent with the issuance of the 3.875% \$200,000 senior unsecured notes, the Company entered into a \$100,000 notional principal variable rate interest swap with an estimated fair value of \$5,900 as of March 31, 2006. This swap converted fixed rate debt to variable rate based on the 6 month LIBOR in arrears plus 0.4375%, and matures April 15, 2009.

Notes receivable from issuance of common stock

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 \$7,047 has been repaid. The remaining note bears interest only, payable quarterly, at the rate of 5% per annum and the principal is due in June 2007. In accordance with the provisions of the Sarbanes-Oxley Act of 2002, there have been no material modifications to the terms of this outstanding loan.

Revenue Recognition

Rental income comprises minimum rents, expense reimbursements, termination fees and percentage rent payments. Minimum rents are recognized over the lease term on a straight-line basis. Expense reimbursements are recognized in the period that the applicable costs are incurred. The Company accounts for these leases as operating leases as the Company has retained substantially all risks and benefits of property ownership. Percentage rent is recognized when the tenant's reported sales have reached certain levels specified in the respective lease. Termination fees are recognized upon the termination of a tenant's lease.

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required rent payments. The computation of this allowance is based on the tenants' payment history and current credit quality.

Other Income

Other income includes fees earned in connection with certain third-party leasing activities and other third-party management activities. Management and third party leasing fees are recognized when earned.

Earnings Per Share

Basic earnings per share ("EPS") are computed by dividing net income by the weighted average number of shares of the Company's common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur from shares issuable under stock-based compensation plans, which would include the exercise of stock options, and the conversion of the operating partnership units held by minority limited partners.

Income Taxes

The Company elected to be taxed as a real estate investment trust (“REIT”) under the Internal Revenue Code (“Code”), commencing with its taxable year ended December 31, 1995. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its REIT taxable income to its stockholders. Also, at least 95% of the Company’s gross income in any year must be derived from qualifying sources. The difference between net income available to common stockholders for financial reporting purposes and taxable income before dividend deductions relates primarily to temporary differences, principally real estate depreciation and amortization, deduction of deferred compensation and deferral of gains on sold properties utilizing like kind exchanges. It is management’s intention to adhere to these requirements and maintain the Company’s REIT status. As a REIT, the Company generally will not be subject to corporate level federal income tax on taxable income it distributes currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to the Company’s consolidated taxable REIT subsidiaries (“TRS’s”). The Company’s TRS’s did not have significant tax provisions or deferred income tax items.

Stock-Based Compensation

Cumulative Effect of Change in Accounting Principle

Prior to January 1, 2006, the Company accounted for stock-based compensation under the recognition and measurement provisions of Accounting Principle Board Opinion (“APB”) No. 25, *Accounting for Stock Issued to Employees*, and related interpretations as permitted by Financial Accounting Standard (“SFAS”) No. 123, *Accounting for Stock-Based Compensation*. Under APB No. 25, no stock-based compensation costs were recognized in the Statement of Operations for stock options, as our options granted had an exercise price equal to the market value of our common shares on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payment*, using the modified prospective transition method. Under this transition method, compensation cost recognized beginning January 1, 2006, includes (a) compensation costs for all share-based payments granted prior to, but not vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). The Company has used the binomial option-pricing model to estimate the fair value of each option grant.

On January 1, 2006, the Company recorded the cumulative effect of adopting SFAS 123(R). This cumulative effect resulted in decreasing accrued liabilities by \$4,499 and increasing shareholder equity by \$4,499. These balance sheet changes related to deferred compensation on unvested shares. There was no effect on the consolidated statement of operations or cash flows. Under SFAS No. 123(R), deferred compensation is no longer recorded at the time unvested shares are issued. Share-based compensation is now recorded over the requisite service period with an offsetting credit to equity (generally additional paid-in capital).

Share-Based Compensation Subsequent to the Adoption of SFAS 123(R)

Share-based compensation expense included in net income for the three months ended March 31, 2006, was \$1,387, of which \$1,314 related grants of restricted stock and \$73 related to grants of options. If the Company had not adopted SFAS No. 123(R), our net income for the period ended March 31, 2006, would have excluded \$73 of share-based compensation related to options.

Accordingly, if the Company had not adopted 123(R), our income from continuing operations, net income, basic earnings per share and dilutive earnings per share for the three months ended March 31, 2006, would not have been significantly different. While there are certain differences between SFAS No. 123 and 123(R), the Company believes the pro forma disclosures under SFAS No. 123 presented below approximate the effect of SFAS No. 123(R) for the three months ended March 31, 2005.

Pro Forma Information for Period Prior to Adoption of SFAS No. 123(R)

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to our stock-based compensation for the three months ended March 31, 2005:

		Three Months Ended March 31, 2005
Net Income	As reported	\$ 21,790
Add:	Stock-based employee compensation expense included in reported net income.....	1,486
Deduct:	Total fair value stock-based employee compensation expense for all awards	(1,681)
	Pro forma.....	<u>\$ 21,595</u>
Basic earnings per share	As reported	<u>\$ 0.30</u>
	Pro forma.....	<u>\$ 0.30</u>
Diluted earnings per share	As reported	<u>\$ 0.29</u>
	Pro forma.....	<u>\$ 0.29</u>

Segment information

The Company's properties are community and neighborhood shopping centers located predominantly in high growth markets in the southern and northeastern United States. Each of the Company's centers are separate operating segments which have been aggregated and reported as one reportable segment because they have characteristics so similar that they are expected to have essentially the same future prospects. The economic characteristics include similar returns, occupancy and tenants and each is located near a metropolitan area with similar economic demographics and site characteristics. Further, all of the Company's property operations are within the United States and no tenant comprises more than 10% of rental income.

Use of estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements

In March 2004, the EITF reached a consensus on EITF Issue No. 03-1, *The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments*. The guidance prescribes a three-step model for determining whether an investment is other-than-temporarily impaired and requires disclosures about unrealized losses on investments. The accounting guidance became effective for reporting periods beginning after June 15, 2004, while the disclosure requirements became effective for annual reporting periods ending after June 15, 2004. In September 2004, the FASB issued FASB Staff Position (FSP) EITF 03-1-1, Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1-1, *The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments*, (FSP EITF 03-11). FSP EITF 03-1-1 delayed the effective date for the measurement and recognition guidance contained in paragraphs 10-20 of EITF Issue 03-1. In November 2005, the FASB issued FSP FAS 115-1 and FAS 124-1, *The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments*. This FSP addresses the determination as to when an investment is considered impaired, whether the impairment is other-than-temporary, and the measurement of an impairment loss. This statement specifically nullifies the requirements of paragraph 10-18 of EITF 03-1 and references existing other-than-temporary impairment guidance. The guidance under this FSP is effective for reporting periods beginning after December 15, 2005, and the Company continued to apply relevant “other-than-temporary” guidance, as provided for in FSP EITF 03-1-1 during fiscal 2005. The adoption in 2006 of the guidance of FSP FAS 115-1 and FAS 124-1 did not have a significant effect on the Company’s consolidated financial statements.

In December 2004, the FASB issued SFAS 123(R), *Share-Based Payment*. This standard will require compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant date fair value of the equity instruments issued. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. This standard replaces SFAS No. 123 and supersedes Accounting Principles Board (“APB”) Opinion No. 25, *Accounting for Stock Issued to Employees*, and applies to all awards granted, modified, repurchased or cancelled after July 1, 2005. In April 2005, the Securities and Exchange Commission (“SEC”) amended the compliance date of SFAS No. 123(R) through an amendment of Regulation S-X. Public companies with calendar year-ends would be required to adopt the provision of the standard effective for fiscal years beginning after June 15, 2005. The adoption on January 1, 2006 by the Company of SFAS 123(R)’s fair value method will have an impact on the Company’s results of operations, although it will have no impact on the Company’s overall financial position. The Company has elected to apply the modified prospective transition method to all past awards outstanding and unvested as of the date of adoption. The estimated impact on operating income of adopting SFAS 123(R) for the year ended December 31, 2006, relating to prior year and unvested stock option grants only, will be approximately \$276. However, had the Company adopted SFAS 123(R) in prior periods, the impact of the standard would have approximated the impact as presented in the disclosure of pro forma net income and earnings per share in Note 1, Stock-Based Compensation.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Correction* (SFAS 154”), which replaces PB Opinions No. 20 *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements – An Amendment of APB Opinion No. 28*. SFAS 154 provides

guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, on the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, and are required to be adopted by the Company in the first quarter of 2006. The adoption of this standard did not materially impact the financial position, results of operations or cash flows of the Company.

3. Acquisitions

The following table reflects a series of individual properties that were acquired during 2006:

<u>Property</u>	<u>Location</u>	<u>Month Purchased</u>	<u>Square Feet/ Acres</u>	<u>Purchase Price</u>
Brookside Plaza.....	Enfield, CT	January	210,787	\$ 28,500
Commonwealth II.....	Jacksonville, FL	January	53,598	600
Dolphin Village.....	St. Pete Beach, FL	January	138,129	28,000
Piedmont Peachtree Crossing..	Buckhead, GA	March	152,239	47,950
Prosperity Office Building	Palm Beach Gardens, FL	March	3,200	1,400
Total				<u>\$ 106,450</u>

No equity interests were issued or issuable in connection with the above purchase and no contingent payments, options or commitments are provided for in the agreements. No goodwill was recorded in conjunction with any of the individual property acquisitions.

4. Property Held for Sale and Dispositions

As of March 31, 2006, in addition to the 29 Texas properties, two other properties located in Texas were held for sale. The 31 properties had a net book value of \$281,579 comprising an aggregate of 2.9 million square feet of gross leasable area. All of the properties subsequently have been sold.

The following table reflects the properties sold during the first quarter of 2006:

<u>Date Sold</u>	<u>Property</u>	<u>Location</u>	<u>Square Feet/ Acres</u>	<u>Gross Sales Price</u>	<u>Gain On Sale</u>
March 2006	Scottsville.....	Bowling Green, KY	38,450	\$ 2,500	\$ 492
	Sale of income producing property			2,500	492
February 2006	Westridge out parcel.....	McDonough, GA	1.0 acres	875	314
	Total			<u>\$ 3,375</u>	<u>\$ 806</u>

The summary selected operating results for income producing properties disposed of or designated as held for sale, with no significant continuing involvement, are as follows:

	<u>Three Months Ended</u>	
	<u>March 31,</u>	
	<u>2006</u>	<u>2005</u>
Rental Revenue	\$ 391	\$ 1,404
Expenses		
Property operating expenses.....	(77)	(472)
Rental property depreciation and amortization.....	(69)	(205)
Interest expense	-	(167)
Other.....	(86)	-
Operations of income producing properties sold or held for sale	<u>\$ 159</u>	<u>\$ 560</u>

As a result of the Company's significant continuing involvement in the 29 Texas properties after the JV Transaction, the Company is required to still include the operating results of the properties in the consolidated income from continuing operations and not discontinued operations. Despite such treatment, upon completion of the JV Transaction in April 2006, the results of operations of the 29 Texas properties would not be consolidated, but would be accounted for under the equity method of accounting.

The summary selected operating results for the 29 Texas properties designated as held for sale, with significant continuing involvement are as follows:

	Three Months Ended	
	March 31,	
	2006	2005
Rental Revenue	\$10,745	\$10,149
Expenses		
Property operating expenses	(2,667)	(2,590)
Rental property depreciation and amortization	(2,018)	(1,787)
Interest expense	(833)	(1,214)
Other	(9)	(12)
Operations of income producing properties held for sale with continuing involvement	<u>\$ 5,218</u>	<u>\$ 4,546</u>

5. Investments in Joint Ventures

The Company has included in other assets in its consolidated balance sheets at March 31, 2006, and December 31, 2005, an investment of \$285 for both periods in an unconsolidated joint venture which owns a parcel of land that is held for future development or sale. The Company is obligated to fund 50% of any working capital that is required (as determined jointly by the Company and its joint venture partner). The current obligations are a nominal amount to pay property taxes and other carrying costs. The joint venture currently has no outstanding debt obligations or contractual commitments and the Company has not guaranteed any obligations of the joint venture.

6. 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:

	March 31,	December 31,
	2006	2005
Mortgage Notes Payable		
Fixed rate mortgage loans.....	\$ 433,108	\$ 446,925
Unamortized net premium on mortgage notes payable	8,995	11,006
Total	<u>\$ 442,103</u>	<u>\$ 457,931</u>

The weighted average interest rate of the mortgage notes payable at March 31, 2006 and December 31, 2005 was 7.30% and 7.19%, respectively, excluding the effects of the net premium adjustment.

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 \$103,137 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. In the event that the mortgage holders declare defaults under the mortgage documents, the Company will, if required, repay the remaining mortgage from existing resources, refinancing of such mortgages, borrowings under its revolving 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>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Unsecured Senior Notes Payable		
7.77% Senior Notes, due 4/1/06	\$ 50,000	\$ 50,000
7.25% Senior Notes, due 8/15/07	75,000	75,000
3.875% Senior Notes, due 4/15/09	200,000	200,000
Fair value of interest rate swap	(5,948)	(4,596)
7.84% Senior Notes, due 1/23/12	25,000	25,000
5.375% Senior Notes, due 10/15/15	120,000	120,000
6.0% Senior Notes, due 9/15/16	125,000	-
Unamortized net premium on unsecured senior notes payable.....	<u>3,046</u>	<u>4,824</u>
Total	<u>\$ 592,098</u>	<u>\$ 470,228</u>

The weighted average interest rate of the unsecured senior notes at March 31, 2006 and December 31, 2005 was 5.47% and 5.2%, respectively, excluding the effects of the interest rate swap and net premium adjustment.

In March 2006, the Company completed the issuance of \$125,000 of 6.0% senior unsecured notes that mature on September 15, 2016. Interest is due semi-annually on March 15 and September 15 of each year commencing on September 15, 2006. The notes were issued at a discount of \$904 that will be amortized as interest expense over the life of the notes.

The indentures under which the Company's unsecured senior notes were issued have several covenants which limit the ability to incur debt, require the Company to maintain an unencumbered assets ratio above a specified level and limit the ability to consolidate, sell, lease, or convey substantially all of the assets to, or merge with any other entity. These notes have also been guaranteed by most of the Company's subsidiaries.

The Company swapped \$100,000 notional principal of the \$200,000, 3.875% senior notes to a floating interest rate based on the 6-month LIBOR in arrears plus 0.4375%.

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Unsecured Revolving Credit Facilities		
Wells Fargo	\$ 115,000	\$ 93,000
City National Bank	-	165
Total	<u>\$ 115,000</u>	<u>\$ 93,165</u>

In January 2006, the Company entered into an amended and restated 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 has a maximum principal amount of \$275,000 and bears interest at the Company's option at (i) LIBOR plus 0.45% to 1.15%, depending on the credit ratings of the

Company's senior unsecured notes or (ii) 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 0.80%. 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 \$137,500, 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 January 17, 2009 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 and permitted investments. The facility also prohibits stockholder distributions in excess of 95% of funds from operations calculated at the end of each fiscal quarter for the four fiscal quarters then ending. Notwithstanding this limitation, the Company can make stockholder distributions to avoid income taxes on asset sales. If a default under the facility exists, the Company's ability to pay dividends would be limited to the amount necessary to maintain the Company's status as a REIT unless the default is a payment default or bankruptcy event in which case the Company would be prohibited from paying any dividends. The weighted average interest rate at March 31, 2006 and December 31, 2005, was 5.14% and 4.68% respectively.

The Company also has a \$5,000 unsecured credit facility with City National Bank of Florida, of which there was no outstanding balance at March 31, 2006 and \$165 at December 31, 2005. This facility also provides collateral for \$1,371 in outstanding letters of credit.

As of March 31, 2006, the availability under the various credit facilities was approximately \$163,600 net of outstanding balances and letters of credit.

7. Stockholders' Equity and Earnings Per Share

The following table reflects the change in number of shares of common stock issued for the three months ended March 31, 2006:

	<u>Common Stock*</u>	<u>Options Exercised</u>	<u>Total</u>
Board of Directors	1	-	1
Officers	141 **	98	239
Employees and other	14	3	17
Cumulative effect of a change in accounting principle ***	(517)	-	(517)
Dividend Reinvestment and Stock Purchase Plan	<u>211</u>	<u>-</u>	<u>211</u>
Total	<u>(150)</u>	<u>101</u>	<u>(49)</u>

* Effective January 1, 2006, the Company changed the method of accounting for restricted stock to comply with the provisions of FASB Statement No. 123(R). During the first quarter of 2006, the Company granted 97 shares of restricted stock which are subject to forfeiture and vest over periods from one to three years. Under FASB Statement No. 123(R), restricted stock with a requisite service period is not deemed to be issued until the shares vest and, accordingly, the above schedule includes 216 shares that vested during the current period.

**Is net of shares surrendered on the exercise of options.

***Represents the reversal of unvested restricted stock being reported at December 31, 2005 to comply with the provisions of FASB Statement 123(R).

The following table sets forth the computation of basic and diluted shares used in computing earnings per share for the three month periods ended March 31, 2006 and 2005:

	Three Months Ended March 31,	
	2006	2005
Denominator for basic earnings per share – weighted average shares	75,151	73,043
Walden Woods Village, Ltd.....	94	94
Unvested restricted stock	447	628
Stock options (using treasury method).....	286	428
Subtotal	827	1,150
Denominator for diluted earnings per share – weighted average shares	75,978	74,193

8. Share-Based Compensation Plans

As of March 31, 2006, we have grants outstanding under two share-based compensations plans. The 1995 Stock Option Plan (“the 1995 Plan”) authorized the grant of options, common shares and other share-based awards for up to 1,000 shares of common stock. In June 2000, the shareholders approved the Equity One 2000 Executive Incentive Compensation Plan (“the 2000 Plan”), which authorized the grant of an additional 5,500 shares for options, common shares and other share-based awards.

The term of each award is determined by the Compensation Committee of the Company (the “Committee”), but in no event can be longer than ten years from the date of the grant. The vesting of the awards is determined by the Committee, in its sole and absolute discretion, at the date of grant of the award. Dividends are paid on unvested shares. Certain options and share awards provide for accelerated vesting if there is a change in control.

The fair value of each option award is estimated on the date of grant using binomial option-pricing model. Expected volatilities, option life (years), dividend yields, employee exercises and employee terminations are primarily based on historical data. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The Company measures compensation costs for restricted stock awards based on the fair value of the Company’s common stock at the date of the grant and charges to expense such amounts to earnings ratably over the vesting period.

The following table provides a summary of option activity:

	Shares Under Option	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value
Outstanding at December 31, 2005 ...	977	\$ 16.00		
Granted	-	-		
Exercised	(101)	14.22		
Forfeited or expired	-	-		
Outstanding at March 31, 2006	<u>876</u>	<u>\$ 16.00</u>	<u>7.2</u>	<u>\$ 7,499</u>
Exercisable at March 31, 2006	<u>598</u>	<u>\$ 15.46</u>	<u>6.6</u>	<u>\$ 5,444</u>

There were no options granted during the three months ended March 31, 2006. The total intrinsic value of options exercised during the three months ended March 31, 2006, was \$1,043. The total cash received from option exercised was \$1,433.

The following table provides a summary of restricted share activity:

	Unvested Shares	Weighted- Average Price
Unvested at December 31, 2005.....	518	\$ 18.72
Granted	96	\$ 23.41
Vested	(216)	\$ 18.38
Forfeited	(7)	\$ 22.75
Unvested at March 31, 2006.....	<u>391</u>	<u>\$ 19.99</u>

As of March 31, 2006, there was \$8,025 of total unrecognized compensation expense related to unvested share-based compensation arrangements (options and unvested restricted shares) granted under our plans. This cost is expected to be recognized over the next 1.6 years. The total vesting-date value of the shares that vested during the three months ended March 31, 2006, was \$5,060.

9. Condensed Consolidating Financial Information

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

Condensed Balance Sheet As of March 31, 2006	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
ASSETS					
Properties, net.....	\$ 359,754	\$1,104,550	\$ 538,346	\$ -	\$2,002,650
Investment in affiliates	628,317	-	-	(628,317)	-
Other assets	66,313	30,410	81,184	-	177,907
Total	<u>\$1,054,384</u>	<u>\$1,134,960</u>	<u>\$ 619,530</u>	<u>\$ (628,317)</u>	<u>\$2,180,557</u>
LIABILITIES					
Mortgage notes payable.....	\$ 48,342	\$ 126,163	\$ 258,603	\$ -	\$ 433,108
Unsecured revolving credit facilities	115,000	-	-	-	115,000
Unsecured senior notes payable.....	589,052	-	-	-	589,052
Unamortized premium on notes payable...	3,234	2,764	6,043	-	12,041
Other liabilities	24,766	18,504	9,261	-	52,531
Total liabilities	780,394	147,431	273,907	-	1,201,732
MINORITY INTERESTS.....	-	-	-	989	989
STOCKHOLDERS' EQUITY.....	273,990	987,529	345,623	(629,306)	977,836
Total.....	<u>\$1,054,384</u>	<u>\$1,134,960</u>	<u>\$ 619,530</u>	<u>\$ (628,317)</u>	<u>\$2,180,557</u>

Condensed Balance Sheet As of December 31, 2005	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated Equity One
ASSETS					
Properties, net.....	\$ 356,624	\$ 1,085,261	\$ 454,620	\$ -	\$ 1,896,505
Investment in affiliates	628,317	-	-	(628,317)	-
Other assets	58,754	29,114	67,660	-	155,528
Total	<u>\$ 1,043,695</u>	<u>\$ 1,114,375</u>	<u>\$ 522,280</u>	<u>\$ (628,317)</u>	<u>\$ 2,052,033</u>

LIABILITIES

Mortgage notes payable.....	\$ 48,738	\$ 139,177	\$ 259,010	\$ -	\$ 446,925
Unsecured revolving credit facilities	93,165	-	-	-	93,165
Unsecured senior notes, net	465,404	-	-	-	465,404
Unamortized premium on notes payable	5,024	2,832	7,974	-	15,830
Other liabilities	23,365	24,086	9,104	-	56,555
Total liabilities	635,696	166,095	276,088	-	1,077,879
MINORITY INTEREST	-	-	-	1,425	1,425
STOCKHOLDERS' EQUITY	407,999	948,280	246,192	(629,742)	972,729
Total	\$ 1,043,695	\$ 1,114,375	\$ 522,280	\$ (628,317)	\$ 2,052,033

Condensed Statement of Operations	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
For the three months ended March 31, 2006					
RENTAL REVENUE:					
Minimum rents	\$ 9,005	\$ 28,169	\$ 12,519	\$ -	\$ 49,693
Expense recoveries	2,587	8,981	3,608	-	15,176
Termination fees.....	38	248	6	-	292
Percentage rent	111	771	408	-	1,290
Total rental revenue	11,741	38,169	16,541	-	66,451
EQUITY IN SUBSIDIARIES					
EARNINGS.....	27,175	-	-	(27,175)	-
COSTS AND EXPENSES:					
Property operating expenses.....	3,063	11,291	3,789	-	18,143
Rental property depreciation and amortization	1,830	6,627	3,513	-	11,970
General and administrative expenses	4,298	313	5	-	4,616
Total costs and expenses.....	9,191	18,231	7,307	-	34,729
INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST AND DISCONTINUED OPERATIONS					
	29,725	19,938	9,234	(27,175)	31,722
OTHER INCOME AND EXPENSES:					
Interest expense	(8,192)	(2,082)	(4,530)	-	(14,804)
Amortization of deferred financing fees...	(292)	(31)	(32)	-	(355)
Investment income	296	60	4,296	-	4,652
Other income	350	469	-	-	819
Loss on extinguishment of debt.....	-	-	(292)	-	(292)
INCOME BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS					
	21,887	18,354	8,676	(27,175)	21,742
MINORITY INTEREST	-	(28)	-	-	(28)
INCOME FROM CONTINUING OPERATIONS					
	21,887	18,326	8,676	(27,175)	21,714
DISCONTINUED OPERATIONS:					
Operations of income producing properties sold or held for sale.....	(14)	173	-	-	159
Gain on disposal of income producing properties.....	492	-	-	-	492

Condensed Statement of Operations	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
For the three months ended March 31, 2006					
Income from discontinued operations.....	478	173	-	-	651
NET INCOME.....	<u>\$ 22,365</u>	<u>\$ 18,499</u>	<u>\$ 8,676</u>	<u>\$ (27,175)</u>	<u>\$ 22,365</u>

Condensed Statement of Operations	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
For the three months ended March 31, 2005					
RENTAL REVENUE:					
Minimum rents.....	\$ 11,945	\$ 23,523	\$ 11,547	\$ -	\$ 47,015
Expense recoveries.....	3,048	5,783	3,830	-	12,661
Termination fees.....	330	71	67	-	468
Percentage rent.....	222	230	677	-	1,129
Total rental revenue.....	<u>15,545</u>	<u>29,607</u>	<u>16,121</u>	<u>-</u>	<u>61,273</u>
EQUITY IN SUBSIDIARIES					
EARNINGS.....	19,226	-	-	(19,226)	-
COSTS AND EXPENSES:					
Property operating expenses.....	3,889	6,981	4,521	-	15,391
Rental property depreciation and amortization.....	2,437	5,300	2,504	-	10,241
General and administrative expenses.....	4,166	174	-	-	4,340
Total costs and expenses.....	<u>10,492</u>	<u>12,455</u>	<u>7,025</u>	<u>-</u>	<u>29,972</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST AND DISCONTINUED OPERATIONS.....					
	24,279	17,152	9,096	(19,226)	31,301
OTHER INCOME AND EXPENSES:					
Interest expense.....	(4,747)	(3,399)	(3,884)	-	(12,030)
Amortization of deferred financing fees.....	(292)	(36)	(51)	-	(379)
Investment income.....	616	87	6	-	709
Other income.....	21	43	-	-	64
INCOME BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS ..					
	19,877	13,847	5,167	(19,226)	19,665
MINORITY INTEREST.....	-	(28)	(22)	-	(50)
INCOME FROM CONTINUING OPERATIONS.....					
	<u>19,877</u>	<u>13,819</u>	<u>5,145</u>	<u>(19,226)</u>	<u>19,615</u>
DISCONTINUED OPERATIONS:					
Operations of income producing properties sold or held for sale.....	298	119	143	-	560
Gain on disposal of income producing properties.....	1,615	-	-	-	1,615
Income from discontinued operations.....	1,913	119	143	-	2,175
NET INCOME.....	<u>\$ 21,790</u>	<u>\$ 13,938</u>	<u>\$ 5,288</u>	<u>\$ (19,226)</u>	<u>\$ 21,790</u>

Condensed Statement of Cash Flows For the three months ended March 31, 2006	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities.....	\$ 469	\$ 17,365	\$ 10,817	\$ 28,651
INVESTING ACTIVITIES:				
Additions to and purchase of properties.....	(1,937)	(953)	(80,531)	(83,421)
Purchases of land held for development	-	(1,906)	(25,044)	(26,950)
Additions to construction in progress	(313)	(5,606)	(431)	(6,350)
Proceeds from disposal of properties	2,569	314	-	2,883
Proceeds from sale of securities.....	57	-	-	57
Cash used to purchase securities	(434)	-	(24,644)	(25,078)
Proceeds from repayment of notes receivable	1,477	(2)	1	1,476
Increase in deferred leasing costs	(253)	(814)	(186)	(1,253)
Advances from (to) affiliates	(125,041)	(7,344)	132,385	-
Net cash (used in) provided by investing activities.....	(123,875)	(16,311)	1,550	(138,636)
FINANCING ACTIVITIES:				
Repayment of mortgage notes payable	(396)	(1,054)	(12,367)	(13,817)
Net borrowings under revolving credit facilities	21,835	-	-	21,835
Proceeds from senior debt offering	123,284	-	-	123,284
Increase in deferred financing costs	(1,611)	-	-	(1,611)
Proceeds from issuance of common stock.....	5,219	-	-	5,219
Stock issuance costs	(29)	-	-	(29)
Cash dividends paid to stockholders	(22,753)	-	-	(22,753)
Distributions to minority interest	(29)	-	-	(29)
Net cash provided by (used in) financing activities.....	125,520	(1,054)	(12,367)	112,099
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	2,114	-	-	2,114
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD.....	102	-	-	102
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 2,216	\$ -	\$ -	\$ 2,216

Condensed Statement of Cash Flows For the three months ended March 31, 2005	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities.....	\$ 6,970	\$ 24,829	\$ 1,394	\$ 33,193
INVESTING ACTIVITIES:				
Additions to and purchase of properties.....	-	(1,299)	-	(1,299)
Purchases of land held for development	-	(14,411)	-	(14,411)
Additions to construction in progress	(488)	(3,425)	-	(3,913)
Proceeds from disposal of properties	-	14,460	-	14,460
Cash used to purchase securities	(8,921)	-	-	(8,921)

Condensed Statement of Cash Flows	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Proceeds from repayment of notes receivable	-	9	-	9
Increase in deferred leasing costs	-	(1,827)	-	(1,827)
Advances from (to) affiliates	13,900	(13,432)	(468)	-
Net cash provided by (used in) investing activities	4,491	(19,925)	(468)	(15,902)
FINANCING ACTIVITIES:				
Repayment of mortgage notes payable	(439)	(4,874)	(926)	(6,239)
Net repayments under revolving credit facilities	(2,237)	-	-	(2,237)
Proceeds from issuance of common stock	7,631	-	-	7,631
Stock issuance costs	(112)	-	-	(112)
Cash dividends paid to stockholders	(21,426)	-	-	(21,426)
Distributions to minority interest	-	(30)	-	(30)
Net cash provided by (used in) financing activities	(16,583)	(4,904)	(926)	(22,413)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,122)	-	-	(5,122)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	5,122	-	-	5,122
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ -	\$ -	\$ -	\$ -

10. Commitments and Contingencies

As of March 31, 2006, the Company has pledged letters of credit totaling \$1,426 as additional security for certain financings and other activities.

The Company has committed to fund approximately \$33,721, based on current plans and estimates, in order to complete pending development and redevelopment projects. These obligations, comprised principally of construction contracts, are generally due as the work is performed and are expected to be financed by the funds available under our credit facilities.

Certain of the Company's properties are subject to a ground lease, which are accounted for as operating leases and have annual obligations of approximately \$100.

The Company is subject to litigation in the normal course of business. However, none of the litigation outstanding as of March 31, 2006, in the opinion of management, will have a material adverse effect on the financial condition or results of operations of the Company.

11. Subsequent Events

On April 25, 2006, the Company completed the disposition of 29 Texas properties pursuant to a JV Transaction. In consideration for the sale, the Company realized net proceeds of approximately \$308,700 and has received a 20% interest in the JV. In addition, the Company entered into a Management Agreement pursuant to which it will manage and lease the properties on behalf of the JV.

In February 2006, DIM's supervisory board proposed certain changes to its management structure, including the termination of the existing Directorship and Management Agreement with Dane Investors Management B.V., the execution of a new management agreement with more favorable terms to DIM, the nomination of an additional independent director recommended by the Company to the supervisory board and the termination of the management board's rights with respect to the priority shares. Shareholder meetings were held on March 23 and April 25, 2006 at which the shareholders of

DIM approved these changes. As a result of this restructuring and the increase in Company's ownership, the Company believes it has acquired significant influence over the operating and financial activities of DIM. The consequence of this influence is that in accordance with Accounting Principles Board Opinion No. 18, *"The Equity Method of Accounting for Investments in Common Stock"*, the Company will be required commencing in the second quarter of 2006 to account for its investment in DIM under the equity method of accounting. The equity method of accounting will be applied retroactively to the commencement of the Company's ownership in DIM and the financial results of the Company for these prior periods will be restated to reflect that method of accounting.

On May 5, 2006, the Company announced that the Executive Committee of its Board of Directors has authorized the repurchase of up to \$40,000 of the Company's common stock in the open market or in privately negotiated transactions, at the discretion of the Company's management and as market conditions warrant, during the period commencing May 5, 2006, through December 31, 2006.

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

The following discussion should be read in conjunction with our unaudited Condensed Consolidated Financial Statements, including the notes thereto, which are included elsewhere herein, our audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2005, and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in our Annual Report on Form 10-K for the year ended December 31, 2005. 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 2005 Annual Report on Form 10-K contains a description of our critical accounting policies, including revenue recognition, cost capitalization, impairment of real estate assets, purchase accounting treatment for acquisitions, accounting for securities, impairment testing of goodwill, and joint venture accounting. For the three month period ended March 31, 2006, there were no material changes to these policies.

Overview

The execution of our business strategy during the first quarter of 2006 resulted in:

- Our acquisition of three retail centers and two non-retail properties for aggregate consideration of \$106.5 million;
- Our sale of one non-core income producing property for total consideration of \$2.5 million and realized gains of \$492,000 and the sale of an out parcel for total consideration of \$875,000 and realized gains of \$314,000;
- An increase in the occupancy rate in our core shopping center portfolio to 94.4% at March 31, 2006 from 93.4% at December 31, 2005;
- An increase in the average rental rate on 109 lease renewals aggregating 406,938 square feet by 5.2% to \$11.23 per square foot;
- The execution of 85 new leases totaling 264,789 square feet at an average rental rate of \$11.71 per square foot, a 5.8% increase over the \$11.07 average rental rate for lost leases;
- The completion and leasing of \$4.0 million of development projects with an incremental NOI yield on cost of approximately 11.0%; and

- Our issuance of \$125.0 million principal amount of 6% senior unsecured notes maturing September 2016.

On February 22, 2005, Winn-Dixie Stores, Inc., an anchor tenant in 16 of our shopping centers occupying 730,000 square feet of gross leasable area and accounting for approximately \$5 million in annualized minimum rent, filed for bankruptcy protection. During 2005, Winn-Dixie rejected two of its leases and closed those related stores in connection with its restructuring activities. The two affected stores provided for approximately \$596,000 in annualized minimum rent. If it elects to close more or all of their other stores at our centers and terminate those leases, it would adversely affect our operating results, including funds from operations and cash flows. In addition, we own approximately \$14.1 million original principal amount of Winn-Dixie's 8.875% senior notes. Since it filed for bankruptcy, Winn Dixie has not paid any interest payment on these notes; therefore, there is no guarantee that we will receive any additional payments or any principal payment at maturity.

As of March 31, 2006, we entered into an agreement for the disposition of 29 of our properties located in Texas ("the 29 Texas properties") to EQYInvest Texas, LLC, a Delaware limited liability company (the "JV") in exchange for cash consideration and a 20% interest in the JV. We also entered into a Management Agreement pursuant to which we would continue to manage and lease the properties on behalf of the JV (collectively, the "JV Transaction"). We classified the properties as held for sale as of March 31, 2006, but as a result of our significant continuing involvement in these properties after the JV Transaction, the operating results of the 29 Texas properties are included in income from continuing operations for the current reporting periods, and not discontinued operations. On April 25, 2006, we completed the disposition of the 29 Texas properties pursuant to the JV Transaction. In future periods, the results of operations of the 29 Texas properties will not be consolidated, but will be accounted for under the equity method of accounting. The 29 Texas properties' effect on results of operations for the reporting periods is presented in footnote 4.

In February 2006, the supervisory board of DIM Vastgoed NV, a company in which we own approximately 47% ("DIM"), proposed certain changes to its management structure, including the termination of the existing Directorship and Management Agreement with Dane Investors Management B.V., the execution of a new management agreement with more favorable terms to DIM, the nomination of an additional independent director to the supervisory board and the termination of the management board's rights with respect to the priority shares. Shareholder meetings were held on March 23 and April 25, 2006 at which the shareholders of DIM approved these changes. As a result of this restructuring and the increase in Company's ownership, we believe it has acquired significant influence over the operating and financial activities of DIM. The consequence of this influence is that in accordance with Accounting Principles Board Opinion No. 18, "*The Equity Method of Accounting for Investments in Common Stock*", we will be required, commencing in the second quarter of 2006, to account for our investment in DIM under the equity method of accounting. The equity method of accounting will be applied retroactively to the commencement of our ownership in DIM and our financial results for these prior periods will be restated to reflect that method of accounting.

Results of Operations

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

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 2006 compared to 2005 (in thousands):

	Three Months Ended		
	March 31,		
	2006	2005	% Change
Total rental revenue.....	\$ 66,451	\$ 61,273	8.5%
Property operating expenses.....	\$ 18,143	\$ 15,391	17.9%
Rental property depreciation and amortization.....	\$ 11,970	\$ 10,241	16.9%
General and administrative expenses	\$ 4,616	\$ 4,340	6.4%
Interest expense	\$ 14,804	\$ 12,030	23.1%
Investment income	\$ 4,652	\$ 709	556.1%
Other income	\$ 819	\$ 64	1,179.7%
Discontinued operations	\$ 651	\$ 2,175	70.1%

Comparison of the Three Months Ended March 31, 2006 to the Three Months Ended March 31, 2005

Total rental revenue increased by \$5.2 million, or 8.5%, to \$66.5 million in 2006 from \$61.3 million in 2005. The following factors accounted for this difference:

- Same property rental revenue increased by approximately \$2.1 million primarily due to higher leasing rates at the centers, which increased rental revenue by \$464,000, higher expense recovery revenue of \$2.0 million, offset by lower termination fees of \$330,000;
- Properties acquired during 2006 increased rental revenue by approximately \$1.6 million;
- Properties acquired during 2005 increased rental revenue by approximately \$909,000; and
- The completion of development and redevelopment properties increased rental revenue by \$525,000.

Property operating expenses increased by \$2.7 million, or 17.9%, to \$18.1 million for 2006 from \$15.4 million in 2005. The following factors contributed to this difference:

- Same property operating expenses increased by \$1.3 million due to an increase in property maintenance, insurance and management expenses resulting from higher occupancy rates;
- Properties acquired during 2006 increased operating expenses by approximately \$995,000;
- Properties acquired during 2005 increased operating expenses by approximately \$373,000; and
- Other property operating expenses increased by \$115,000 related to the completion of development and redevelopment properties.

Rental property depreciation and amortization increased by \$1.8 million, or 16.9%, to \$12.0 million for 2006 from \$10.2 million in 2005. The following factors contributed to this difference:

- Same property depreciation and amortization increased by approximately \$613,000 due to tenant improvements and leasing commission amortization;
- Properties acquired during 2006 increased depreciation and amortization by approximately \$927,000;
- Properties acquired during 2005 increased depreciation and amortization by approximately \$165,000; and
- Completed developments and redevelopments increased depreciation and amortization by approximately \$63,000.

General and administrative expenses increased by \$276,000, or 6.4%, to \$4.6 million for 2006 from \$4.3 million in 2005. Included in this increase were \$121,000 in higher directors' fees from adding two additional members to our board of directors, \$100,000 in office operating expenses related to our new corporate office, and \$77,000 of compensation and employee-related expenses.

Interest expense increased by \$2.8 million, or 23.1%, to \$14.8 million for 2006 from \$12.0 million in 2005. This difference was primarily due to:

- An increase of \$2.1 million attributable to the issuance of the \$120 million unsecured senior notes issued during September 2005;
- An increase of \$1.4 million in interest expense attributable to an increase in the variable interest rate swap on \$100.0 million notional principal of our unsecured notes;
- An increase of \$105,000 attributable to the debt related to the acquisition of properties during 2005;
- An increase of \$689,000 attributable to a higher interest rate on our line of credit;
- A decrease of \$931,000 attributable to the payoff of certain mortgage notes; and
- A decrease of \$443,000 of interest expense related to an increase in capitalized interest attributable to development activity.

Investment income increased by \$3.9 million, primarily due to \$4.3 million of dividend income related to the \$1.20 dividend per ordinary share declared by DIM in March 2006.

Other income increased by \$755,000 due to a legal settlement of \$350,000, a gain on the sale of an out parcel of \$314,000 and an increase in third party leasing commissions of \$91,000.

We sold one income producing property in the first quarter of 2006 and had 2 properties held for sale, excluding the 29 Texas properties, as of March 31, 2006, that were included in discontinued operations. The associated operating results of \$159,000 for these properties are reflected as operations of income producing properties sold or held for sale. The 2005 discontinued operations reflect a reclassification of operations for properties sold during 2005 and 2006 and the two properties held for sale that are included in discontinued operations at March 31, 2006. We recognized a gain of \$492,000 in the first quarter of 2006 related to the disposal of this one operating property and recognized a gain of \$1.6 million in the first quarter of 2005 related to one operating property disposed of in the first quarter of 2005.

As a result of the foregoing, net income increased by \$575,000, or 2.6% to \$22.4 million for 2006 from \$21.8 million in 2005.

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 depreciable real 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 months periods ended March 31, 2006 and 2005 (in thousands):

	Three Months Ended March 31,	
	2006	2005
Net income	\$ 22,365	\$ 21,790
Adjustments:		
Rental property depreciation and amortization, including discontinued operations	12,039	10,446
Gain on disposal of depreciable real estate	(492)	(1,615)
Minority interest	28	28
Funds from operations	\$ 33,940	\$ 30,649

FFO increased by \$3.3 million, or 10.7%, to \$33.9 million for the three months ended March 31, 2006, from \$30.6 million for the comparable period of 2005.

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

	Three Months Ended March 31,	
	2006	2005
Earnings per diluted share*	\$ 0.29	\$ 0.29
Adjustments:		
Rental property depreciation and amortization, including discontinued operations	0.16	0.14
Gain on disposal of depreciable real estate...	-	(0.02)

	Three Months Ended March 31,	
	2006	2005
Funds from operations per diluted share	\$ 0.45	\$ 0.41

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

CASH FLOWS

Net cash provided by operations of \$28.6 million for the three months ended March 31, 2006 included: (i) net income of \$22.4 million, (ii) adjustments for non-cash and gain on sale items which increased cash flow by \$8.7 million, and (iii) a net change in operating assets and operating liabilities that decreased cash flow by \$2.5 million, compared to net cash provided by operations of \$33.2 million for the three months ended March 31, 2005, which included (i) net income of \$21.8 million, (ii) adjustments for non-cash and gain on sale items which increased cash flow by \$8.4 million, and (iii) a net change in operating liabilities over operating assets that increased cash flow by \$3.0 million.

Net cash used in investing activities of \$138.6 million for the three months ended March 31, 2006 included: (i) the acquisition of three shopping centers and two non-retail properties for \$83.4 million, (ii) construction, development and other capital improvements of \$33.3 million, (iii) increased leasing costs of \$1.2 million, and (iv) the purchase of securities for \$25.1 million, offset by (a) proceeds from the sale of properties of \$2.9 million and (b) proceeds from collection of notes receivable of \$1.5 million. These amounts should be compared to net cash used in investing activities of \$15.9 million for the three months ended March 31, 2005 which included: (i) the acquisition of two parcels of land held for future development for \$14.4 million, (ii) construction, development and other capital improvements of \$5.2 million, (iii) increased leasing costs of \$1.8 million, and (iv) the purchase of securities for \$8.9 million, offset by proceeds from the sale of properties of \$14.5 million.

Net cash provided by financing activities of \$112.1 million for the three months ended March 31, 2006 included (i) net proceeds from the issuance of senior notes of \$123.3 million, (ii) net borrowings under credit facilities of \$21.8 million, (iii) net proceeds from the issuance of common stock of \$5.2 million, offset by (a) the repayment of three mortgage notes of \$11.2 million and monthly principal payments on mortgage notes of \$2.6 million, (b) cash dividends paid to common stockholders of \$22.8 million, and (c) an increase in deferred financing costs related to the issuance of senior notes of \$1.6 million. These amounts should be compared to net cash used by financing activities of \$22.4 million for the three months ended March 31, 2005 which included net proceeds from the issuance of common stock of \$7.6 million, offset by (i) the payoff of one mortgage note for \$3.5 million and monthly principal payments on mortgage notes of \$2.7 million, (ii) cash dividends paid to common stockholders of \$21.4 million, and (iii) net repayments under credit facilities of \$2.2 million.

LIQUIDITY AND CAPITAL RESOURCES

Our 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 our stockholders. The principal sources of funding for our operations are operating cash flows, the issuance of equity and debt securities, the placement of mortgage loans and periodic borrowings under our revolving credit facilities.

The following table presents our mortgage notes payable as of March 31, 2006 and December 31, 2005:

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	(in thousands)	
Mortgage Notes Payable		
Fixed rate mortgage loans.....	\$ 433,108	\$ 446,925
Unamortized premium on mortgage notes payable	8,995	11,006
Total.....	<u>\$ 442,103</u>	<u>\$ 457,931</u>

The weighted average interest rate of the mortgage notes payable at March 31, 2006 was 7.30%, excluding the effects of the premium adjustment.

Each of the existing mortgage loans is secured by a mortgage on one or more of our properties. Certain of the mortgage loans involving an aggregate principal balance of approximately \$103.1 million contain prohibitions on transfers of ownership which may have been violated by our previous issuances of common stock or in connection with past acquisitions and may be violated by transactions involving our 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 us that it intends to accelerate its mortgage. If 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, we believe that the mortgages will not be accelerated. Accordingly, we believe that the violations of these prohibitions will not have a material adverse impact on our results of operations, financial condition or cash flows.

The following table presents unsecured senior notes payable as of March 31, 2006 and December 31, 2005:

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	(in thousands)	
Unsecured Senior Notes Payable		
7.77% Senior Notes, due 4/1/06	\$ 50,000	\$ 50,000
7.25% Senior Notes, due 8/15/07	75,000	75,000
3.875% Senior Notes, due 4/15/09	200,000	200,000
Fair value of interest rate swap.....	(5,948)	(4,596)
7.84% Senior Notes, due 1/23/12	25,000	25,000
5.375% Senior Notes, due 10/15/15	120,000	120,000
6.00% Senior Notes, due 9/15/16	125,000	-
Unamortized premium on unsecured senior notes payable	3,046	4,824
Total.....	<u>\$ 592,098</u>	<u>\$ 470,228</u>

The weighted average interest rate of the unsecured senior notes at March 31, 2006 was 5.47%, excluding the effects of the interest rate swap and net premium adjustment.

In March 2006, we completed the issuance of \$125,000 of 6.0% senior unsecured notes that mature on September 15, 2016. Interest is due semi-annually on March 15 and September 15 of each year commencing on September 15, 2006. The notes were issued at a discount of \$904 that will be amortized as interest expense over the life of the notes.

We swapped \$100.0 million notional principle of the \$200.0 million 3.875% senior notes to a floating interest rate based on the 6-month LIBOR in arrears plus 0.4375%.

The indentures under which the notes were issued have several covenants which limit our ability to incur debt, require us to maintain an unencumbered assets ratio above a specified level and limit our ability to consolidate, sell, lease, or convey substantially all of our assets to, or merge with any other entity. These notes have also been guaranteed by most of our subsidiaries.

The following table presents the unsecured revolving credit facilities as of March 31, 2006 and December 31, 2005:

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
	(in thousands)	
Unsecured Revolving Credit Facilities		
Wells Fargo	\$ 115,000	\$ 93,000
City National Bank	-	165
Total	<u>\$ 115,000</u>	<u>\$ 93,165</u>

In January 2006, we entered into an amended and restated 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 has a maximum principal amount of \$275.0 million and bears interest at our option at (i) LIBOR plus 0.45% to 1.15%, depending on the credit ratings of our senior unsecured long term notes or (ii) Federal Funds Rate plus 0.5%. The facility is guaranteed by most of our subsidiaries. Based on our current rating, the LIBOR spread is 0.80%. The facility also includes a competitive bid option which allows us to conduct auctions among the participating banks for borrowings in an amount not to exceed \$137.5 million, a \$35.0 million swing line facility for short term borrowings, a \$20.0 million letter of credit commitment and may, at our request be increased up to a total commitment of \$400.0 million. The facility expires January 17, 2009 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 and permitted investments. 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, we can make stockholder distributions to avoid income taxes on asset sales. If a default under the facility exists, our ability to pay dividends would be limited to the amount necessary to maintain our status as a REIT unless the default is a payment default or bankruptcy event in which case we would be prohibited from paying any dividends. The weighted average interest rate at March 31, 2006, was 5.14%.

We also has a \$5.0 million unsecured credit facility with City National Bank of Florida, of which there was no outstanding balance at March 31, 2006 and \$165,000 at December 31, 2005. This facility also provides collateral for \$1.4 million in outstanding letters of credit.

As of March 31, 2006, the availability under these credit facilities was approximately \$163.6 million net of outstanding balances and letters of credit.

As of March 31, 2006, scheduled principal amortization and the balances due at the maturity of our various mortgage and unsecured senior notes payable and revolving credit facilities (excluding the premium adjustment and fair value of the interest rate swap) are as follows (in thousands):

Year	Secured Debt		Unsecured Debt		Total Principal Balance Due
	Scheduled Amortization	Balloon Payments	Revolving Credit Facilities	Unsecured Senior Notes	
2006	\$ 7,487	\$ 17,829	\$ -	\$ 50,000	\$ 75,316
2007	10,464	2,864	-	75,000	88,328
2008	10,532	40,104	-	-	50,636
2009	10,189	24,332	115,000	200,000	349,521
2010	9,203	98,471	-	-	107,674
2011	7,376	93,433	-	-	100,809
2012	6,110	40,056	-	25,000	71,166
2013	5,696	-	-	-	5,696
2014	5,666	-	-	-	5,666
2015	4,192	30	-	120,000	124,222
Thereafter..	29,089	9,985	-	125,000	164,074
Total	<u>\$ 106,004</u>	<u>\$ 327,104</u>	<u>\$ 115,000</u>	<u>\$ 595,000</u>	<u>\$ 1,143,108</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 March 31, 2006, we have development and redevelopment projects underway or in the planning stages totaling approximately \$145.1 million of asset value and, based on current plans and estimates, requiring approximately \$33.7 million of additional capital to complete beyond the \$111.4 million already invested. We expect to fund the necessary costs from working capital and availability under our revolving credit facilities. These include:

- The near-term completion of two supermarket-anchored shopping centers, in McDonough, Georgia, and Huntsville, Alabama;
- Shops at Skylake in North Miami Beach, Florida, where we completed the addition of 37,000 square feet of retail space in April 2006;
- Belfair Towne Village in Bluffton, South Carolina, where we are adding 41,250 square feet of retail space to the existing center;
- St. Lucie West Plaza, adjacent to our Cashmere Corners property in Port St. Lucie, Florida, where we are building 20,000 square feet of retail shops;
- Windy Hill in North Myrtle Beach, South Carolina, where we are adding 4,000 square feet of retail space to the existing center;
- West Roxbury in West Roxbury, Massachusetts, where we are adding 8,000 square feet of retail space to the existing center; and

- Bluebonnet Village in Baton Rouge, Louisiana, where we are adding 10,750 square feet of retail space on an out parcel.

These developments and redevelopments are scheduled for completion beginning in the second quarter of 2006. During the first quarter of 2006, we completed and leased a total of \$4.0 million of development projects resulting in incremental net operating income of approximately \$444,000 on an annualized basis.

EQUITY

For the three months ended March 31, 2006, we issued 211,070 shares of our common stock at prices ranging from \$22.92 to \$24.01 per share pursuant to our Dividend Reinvestment and Stock Purchase Plan (the "DRIP"). As of March 31, 2006, we have 5.4 million shares remaining for sale under that plan. Effective March 1, 2006, all aspects of the DRIP were suspended.

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 we have exposure is interest rate risk. Changes in interest rates can affect our net income and cash flows. As changes in market conditions occur and interest rates increase or decrease, interest expense on the variable component of our 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 our interest expense as these notes are predominantly at fixed-rates for extended terms. Because we had the intent to hold our existing fixed rate notes either to maturity or until the sale of the associated property, these fixed-rate notes do not pose an interest rate risk to our results of operations or our working capital position, only upon the refinancing of that mortgage. Our 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 our real estate.

As of March 31, 2006, we had approximately \$215.0 million of outstanding floating rate debt, including \$100.0 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 March 31, 2006, in relation to our \$1.1 billion of outstanding debt, \$2.2 billion of total assets and \$1.9 billion total equity 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 \$2.2 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 \$2.2 million. This assumes that the amount outstanding under our variable rate debt remains at approximately \$215.0 million (including the \$100 million of fixed rate debt converted to floating rate debt through the use of hedging agreements), the balance as of March 31, 2006.

The fair value of our fixed rate debt is \$844.9 million, which includes the mortgage notes and fixed rate portion of the senior unsecured notes payable (excluding the unamortized premium). If interest rates increase by 1%, the fair value of our total fixed rate debt would decrease by approximately \$20.5 million. If interest rates decrease by 1%, the fair value of our total outstanding debt would increase by approximately \$50.2 million. This assumes that our total outstanding fixed rate debt remains at \$928.1 million, the balance as of March 31, 2006.

Hedging Activities

To manage, or hedge, the 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 hedges or derivative financial instruments be effective in managing the interest rate risk exposure that they are designated to hedge. This effectiveness is essential to qualify for hedge accounting. Hedges that meet these hedging criteria are formally designated as such at the inception of the contract. When the terms of an underlying transaction are modified, or when the underlying hedged item ceases to exist, resulting in some ineffectiveness, the change in the fair value of the derivative instrument will be included in earnings. Additionally, any derivative instrument used for risk management that becomes ineffective is marked-to-market each period and would be charged to operations.

We are exposed to credit risk, in the event of non-performance by the counter-parties to the hedge agreements. We believe that we mitigate our 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.

We entered into an aggregate notional amount of \$95.0 million of treasury locks. The treasury locks were executed to hedge the benchmark interest rate associated with forecasted interest payments relating to an anticipated issuance of fixed-rate borrowings. The treasury locks were terminated in connection with the issuance of \$125.0 million of unsecured senior notes in March 2006. The realized

gain on these hedging relationships has been deferred in other comprehensive income and will be reclassified into earnings over the term of the debt as an adjustment to interest expense.

During 2004, we entered into a \$100.0 million notional principal variable rate interest swap with an estimated fair value of \$5.9 million as of March 31, 2006. This swap converted fixed rate debt to variable rate based on the 6 month LIBOR in arrears plus 0.4375%, and matures April 15, 2009.

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

Other Market Risks

As of March 31, 2006, 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.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during the quarter ended March 31, 2006, 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 we nor our properties are subject to any material litigation. We and our 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 our cash flows.

ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for the year ended December 31, 2005, Part I –Item 1A, Risk Factors, describes important risk factors that could cause our actual operating results to differ materially from those indicated or suggested by forward-looking statements made in this Form 10-Q or presented elsewhere by management from time to time.

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2005.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(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: May 10, 2006

EQUITY ONE, INC.

/s/ HOWARD M. SIPZNER

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

INDEX TO EXHIBITS

<u>Exhibits</u>	<u>Description</u>
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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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosures controls and procedures and presented in 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
 - d. Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrants most recent fiscal quarter (the registrants fourth quarter in the case of an annual report) 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: May 10, 2006

/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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in 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
 - d. Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) 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: May 10, 2006

/s/ HOWARD M. SIPZNER

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 March 31, 2006 (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.

May 10, 2006

/s/ CHAIM KATZMAN

Chaim Katzman
Chief Executive Officer

May 10, 2006

/s/ HOWARD M. SIPZNER

Howard M. 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).