

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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 November 7, 2006, 73,133,986 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
SEPTEMBER 30, 2006 AND DECEMBER 31, 2005
(UNAUDITED)
(In thousands, except per share amounts)**

	<u>September 30, 2006</u>	<u>December 31, 2005</u>
ASSETS		
PROPERTIES:		
Income producing	\$ 1,724,194	\$ 1,661,243
Less: accumulated depreciation	<u>(128,266)</u>	<u>(111,031)</u>
Income producing property, net	1,595,928	1,550,212
Construction in progress and land held for development	99,339	64,202
Properties held for sale	<u>116,650</u>	<u>282,091</u>
Properties, net	1,811,917	1,896,505
CASH AND CASH EQUIVALENTS	12,272	102
CASH HELD IN ESCROW	6,288	-
ACCOUNTS AND OTHER RECEIVABLES, NET	16,444	17,600
SECURITIES	80,719	67,588
GOODWILL	11,504	12,013
INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED JOINT VENTURE	-	285
OTHER ASSETS	<u>57,397</u>	<u>57,940</u>
TOTAL	<u>\$ 1,996,541</u>	<u>\$ 2,052,033</u>

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2006 AND DECEMBER 31, 2005
(UNAUDITED)
(In thousands, except per share amounts)

	September 30, 2006	December 31, 2005
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
NOTES PAYABLE		
Mortgage notes payable	\$ 360,471	\$ 392,480
Mortgage notes payable related to properties held for sale	4,016	54,445
Unsecured revolving credit facilities	44,000	93,165
Unsecured senior notes payable	590,479	465,404
Total debt	998,966	1,005,494
Unamortized premium/discount on notes payable	8,890	15,830
Total notes payable	1,007,856	1,021,324
OTHER LIABILITIES		
Accounts payable and accrued expenses	51,735	40,161
Tenant security deposits	9,376	9,561
Other liabilities	9,015	6,833
Total liabilities	1,077,982	1,077,879
MINORITY INTEREST	989	1,425
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value – 10,000 shares authorized but unissued	-	-
Common stock, \$0.01 par value – 100,000 shares authorized, 72,674 and 75,409 shares issued and outstanding for 2006 and 2005, respectively	727	754
Additional paid-in capital	896,275	955,378
Retained earnings	30,054	22,950
Accumulated other comprehensive (loss) income	(9,486)	3,404
Unamortized restricted stock compensation	-	(9,692)
Notes receivable from issuance of common stock	-	(65)
Total stockholders' equity	917,570	972,729
TOTAL	\$ 1,996,541	\$ 2,052,033

(Concluded)

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
REVENUE:				
Minimum rents	\$ 41,539	\$ 45,167	\$ 131,390	\$ 134,232
Expense recoveries	11,451	12,218	39,285	37,438
Termination fees	269	824	950	3,314
Percentage rent	288	69	1,621	1,411
Management and leasing services	745	133	1,341	325
Total revenue	<u>54,292</u>	<u>58,411</u>	<u>174,587</u>	<u>176,720</u>
COSTS AND EXPENSES:				
Property operating	14,933	15,568	48,689	45,585
Services	610	42	1,173	138
Lease termination	-	-	953	-
Rental property depreciation and amortization	9,928	10,153	31,952	29,922
General and administrative	6,591	4,232	15,872	12,942
Total costs and expenses	<u>32,062</u>	<u>29,995</u>	<u>98,639</u>	<u>88,587</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST, GAIN ON SALE OF REAL ESTATE AND DISCONTINUED OPERATIONS.....				
	22,230	28,416	75,948	88,133
OTHER INCOME AND EXPENSES:				
Interest expense	(13,161)	(13,805)	(41,005)	(38,586)
Amortization of deferred financing fees	(383)	(372)	(1,114)	(1,120)
Investment income	830	5,593	6,595	7,516
Equity in (loss) income of unconsolidated joint ventures	(130)	-	1,525	-
Gain (loss) on extinguishment of debt	457	-	(1,813)	-
Other income (loss)	-	-	389	(1)
INCOME BEFORE MINORITY INTEREST, GAIN ON SALE OF REAL ESTATE AND DISCONTINUED OPERATIONS				
	9,843	19,832	40,525	55,942
MINORITY INTEREST				
	(28)	(48)	(178)	(144)
INCOME BEFORE GAIN ON SALE OF REAL ESTATE AND DISCONTINUED OPERATIONS				
	9,815	19,784	40,347	55,798
GAIN ON SALE OF REAL ESTATE				
	396	-	93,077	-
INCOME FROM CONTINUING OPERATIONS.....				
	<u>10,211</u>	<u>19,784</u>	<u>133,424</u>	<u>55,798</u>
DISCONTINUED OPERATIONS:				
Operations from income-producing properties sold or held for sale	1,741	2,169	6,124	7,716
Gain on disposal of income-producing properties	2,168	6,088	8,284	11,460
Income from discontinued operations	<u>3,909</u>	<u>8,257</u>	<u>14,408</u>	<u>19,176</u>
NET INCOME				
	<u>\$ 14,120</u>	<u>\$ 28,041</u>	<u>\$ 147,832</u>	<u>\$ 74,974</u>

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
EARNINGS PER SHARE:				
BASIC EARNINGS PER SHARE				
Income from continuing operations	\$ 0.14	\$ 0.27	\$ 1.80	\$ 0.76
Income from discontinued operations	0.05	0.11	0.19	0.26
Total basic earnings per share	<u>\$ 0.19</u>	<u>\$ 0.38</u>	<u>\$ 1.99</u>	<u>\$ 1.02</u>
NUMBER OF SHARES USED IN COMPUTING				
BASIC EARNINGS PER SHARE.....	<u>73,152</u>	<u>74,087</u>	<u>74,207</u>	<u>73,592</u>
DILUTED EARNINGS PER SHARE				
Income from continuing operations.....	\$ 0.14	\$ 0.26	\$ 1.78	\$ 0.74
Income from discontinued operations	0.05	0.11	0.19	0.26
Total diluted earnings per share	<u>\$ 0.19</u>	<u>\$ 0.37</u>	<u>\$ 1.97</u>	<u>\$ 1.00</u>
NUMBER OF SHARES USED IN COMPUTING				
DILUTED EARNINGS PER SHARE	<u>73,893</u>	<u>75,144</u>	<u>74,944</u>	<u>74,637</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 AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2006, AND 2005
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
NET INCOME	\$ 14,120	\$ 28,041	\$ 147,832	\$ 74,974
OTHER COMPREHENSIVE INCOME (LOSS):				
Net unrealized holding gain (loss) on securities				
available-for-sale.....	(567)	1,025	(11,086)	2,082
Changes in fair value of cash flow hedges.....	(3,014)	-	(3,254)	-
Reclassification adjustment for gain (loss) on the				
sale of securities included in net income.....	-	(5,342)	(10)	(5,534)
Net realized gain on settlement of interest rate				
contracts.....	-	-	1,543	-
Amortization of interest rate contracts.....	(37)	-	(83)	-
COMPREHENSIVE INCOME.....	<u>\$ 10,502</u>	<u>\$ 23,724</u>	<u>\$ 134,942</u>	<u>\$ 71,522</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 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	6	6,647	-	-	-	-	6,653
Stock issuance costs	-	(69)	-	-	-	-	(69)
Repurchase of common stock	(28)	(64,709)	-	-	-	-	(64,737)
Share-based compensation expense.....	-	4,216	-	-	-	-	4,216
Repayments of notes receivable from issuance of common stock	-	-	-	-	-	65	65
Net income.....	-	-	147,832	-	-	-	147,832
Dividends paid.....	-	-	(140,728)	-	-	-	(140,728)
Other comprehensive loss.....	-	-	-	(12,890)	-	-	(12,890)
BALANCE,							
SEPTEMBER 30, 2006.....	<u>\$ 727</u>	<u>\$ 896,275</u>	<u>\$ 30,054</u>	<u>\$ (9,486)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 917,570</u>

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005
(UNAUDITED)
(In thousands, except per share amounts)

	Nine Months Ended	
	September 30,	
	2006	2005
OPERATING ACTIVITIES:		
Net income.....	\$ 147,832	\$ 74,974
Adjustments to reconcile net income to net cash provided by operating activities:		
Straight-line rent adjustment	(2,171)	(3,510)
Amortization of above/(below) market rent intangibles	(1,933)	(752)
Provision for losses on accounts receivable.....	159	785
Amortization of premium/discount on notes payable	(5,383)	(3,895)
Amortization of deferred financing fees.....	1,114	1,120
Rental property depreciation and amortization.....	34,161	32,308
Amortization of restricted stock compensation	3,925	4,475
Amortization of stock options and other stock benefit plan expense.....	291	-
Amortization of derivatives.....	(83)	-
Gain on disposal of real estate	(101,361)	(11,460)
Loss (gain) on sale of securities.....	339	(5,222)
Equity in income of unconsolidated joint ventures.....	(1,525)	-
Operating distributions from unconsolidated joint ventures	742	-
Minority interest.....	178	144
Changes in assets and liabilities:		
Accounts and other receivables.....	2,420	951
Other assets.....	(3,792)	(5,014)
Accounts payable and accrued expenses.....	14,244	14,560
Tenant security deposits.....	(184)	833
Other liabilities.....	1,708	(2,278)
Net cash provided by operating activities	<u>90,681</u>	<u>98,019</u>
INVESTING ACTIVITIES:		
Additions to and purchases of properties.....	(151,900)	(27,674)
Purchases of land held for development	(35,530)	(28,041)
Additions to construction in progress	(38,045)	(14,528)
Proceeds from disposal of properties.....	390,345	44,024
Increase in cash held in escrow	(6,288)	(3,308)
Proceeds from sale of securities	4,422	34,888
Cash used to purchase securities.....	(28,890)	(24,963)
Advances to joint ventures	(393)	-
Distributions from unconsolidated joint ventures from sale of property	1,935	-
Proceeds from repayment of notes receivable	5,725	27
Additions to notes receivables	(33)	(4,215)
Increase in deferred leasing costs	(4,959)	(4,568)
Net cash provided by (used in) investing activities.....	<u>136,389</u>	<u>(28,358)</u>

(Continued)

EQUITY ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2006, AND 2005
(UNAUDITED)

(In thousands, except per share amounts)

	Nine Months Ended	
	September 30,	
	2006	2005
FINANCING ACTIVITIES:		
Repayment of mortgage notes payable	(86,565)	(45,510)
Net repayments under revolving credit facilities	(49,165)	(108,000)
Proceeds from senior debt offerings	246,868	118,606
Repayment of senior debt	(125,000)	-
Increase in deferred financing costs	(2,015)	(426)
Proceeds from issuance of common stock	6,653	25,394
Stock issuance costs	(69)	(164)
Repurchase of common stock	(64,737)	-
Cash dividends paid to stockholders	(140,728)	(64,684)
Repayment of notes receivable from issuance of common stock	65	85
Distributions to minority interests	(207)	(84)
Net cash used in financing activities	<u>(214,900)</u>	<u>(74,783)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,170	(5,122)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	102	5,122
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 12,272	\$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amount capitalized	<u>\$ 43,482</u>	<u>\$ 40,894</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Change in unrealized holding loss on securities	<u>\$ (11,096)</u>	<u>\$ (3,452)</u>
The Company issued senior unsecured notes:		
Face value of notes	\$ 250,000	\$ 120,000
Underwriting costs	(1,624)	(780)
Discount	(1,508)	(614)
Cash received	<u>\$ 246,868</u>	<u>\$ 118,606</u>
The Company acquired and assumed a mortgage note payable on the acquisition of a rental property:		
Fair value of rental property	\$ 6,804	
Assumption of mortgage note payable	(4,127)	
Fair value adjustment of mortgage payable	50	
Cash paid for rental property	<u>\$ 2,727</u>	

(Concluded)

See accompanying notes to the condensed consolidated financial statements.

EQUITY ONE, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005
(UNAUDITED)

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 and high barrier 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.”

Investments in joint ventures not controlled by the Company are accounted for under the equity method of accounting where the Company has concluded that the venture is not a variable interest entity or the Company is not the primary beneficiary and subject to the consolidation rules of FIN 46.

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

Portfolio

As of September 30, 2006, the Company had interests in a total of 201 properties (including 29 properties held in an unconsolidated joint venture), encompassing 129 supermarket-anchored shopping centers, five drug store-anchored shopping centers, 56 other retail-anchored shopping centers, four development parcels and seven other non-retail properties.

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 and nine month periods ended September 30, 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 were to terminate its lease, the unamortized portion of each related intangible would be expensed.

Intangibles associated with property acquisitions are included in other assets in the accompanying consolidated balance sheets.

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 \$1.7 million and \$876,000 for the three months ended September 30, 2006 and 2005,

respectively, and \$4.3 million and \$2.3 million for the nine months ended September 30, 2006 and 2005, respectively.

Property Held for Sale

The Company adopted the provisions of Statement of Financial Accounting Standards, or SFAS, No. 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 No.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.

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 factors. 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 nine months ended September 30, 2006, \$86,000 of impairment loss was recognized related to a property that was subsequently sold 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.

Cash Held in Escrow

Cash held in escrow represents the cash proceeds of property sales that are being held by qualified intermediaries in anticipation of the acquisition of replacement properties in tax-free exchanges under Section 1031 of the Internal Revenue Code.

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 approximately \$1.2 million and \$1.5 million at September 30, 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 September 30, 2006, the fair value of the Company's debt securities is less than the carrying amount of the investment. The Company holds \$9.0 million in original principal amount of Winn-Dixie Stores, Inc. ("Winn-Dixie") 8.875% senior notes due April 2008, at a carrying amount of \$7.6 million and an unrealized loss of \$1.5 million. The decline in value occurred due to the filing of petitions under Chapter 11 of the Bankruptcy Code by Winn-Dixie and certain of its affiliated entities in February 2005. Since the Chapter 11 filings, the market price of the notes has increased over time, and a Chapter 11 plan of reorganization was recently confirmed by the Bankruptcy Court, as a result of which Winn Dixie is expected to emerge from bankruptcy within the next several months. Management has considered and evaluated these and other pertinent facts available to it, and expects that the Company will receive consideration under the recently confirmed Chapter 11 plan in the form of common stock of the reorganized Winn-Dixie that should enable it to recover the carrying value of the Winn Dixie notes. Management believes that these factors provide reasonable assurance that the Company will recover its cost. Accordingly, as of September 30, 2006, the Company expects to recover the carrying amount of the investment and has not recognized any investment income on the notes since February 2005.

As of September 30, 2006, the Company indirectly owned approximately 3.7 million ordinary shares of DIM Vastgoed N.V. (“DIM”). In addition, the Company has committed to buy, in September 2007, certificates representing an additional 45,000 ordinary shares for total consideration of \$941,000. 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 20 shopping center properties aggregating approximately 2.8 million square feet in the southeastern United States. DIM’s capital structure includes priority shares and ordinary shares. The priority shares are 100% owned by a foundation that is controlled by its supervisory 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 September 30, 2006, management believes that 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 participate in the affairs of DIM’s supervisory board.

As of September 30, 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 \$77.2 million and, based on the closing market price on September 30, 2006, the ordinary shares of DIM had a fair value of \$69.3 million. This results in an unrealized loss of \$7.9 million. The Company has evaluated the near-term prospects of DIM in relation to the severity and the duration of the impairment, the thin trading market for DIM shares and the ability and intent to hold the investment for a reasonable period of time sufficient for a forecasted recovery of the carrying cost. As a result of these factors and the Company’s own evaluation of the net asset value of the underlying properties of DIM, the Company does not consider the investment to be other-than-temporarily impaired at September 30, 2006.

As of September 30, 2006, the Company also owned 148,000 shares of preferred stock of a publicly traded REIT that had a fair value of \$3.9 million, a carrying amount of \$3.7 million and an unrealized gain of approximately \$200,000.

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 were acquired in connection with the acquisition of the properties and are being amortized using the straight-line method over the term of the related leases.

Deposits

Deposits included in other assets represent 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 SFAS No. 142 on January 1, 2002 and no longer amortizes goodwill.

The Company is required to perform annual, or more frequently in certain circumstances, impairment tests of its goodwill. 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 \$11.5 million at September 30, 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 materially negative change in its relationships with significant tenants.

Goodwill was included in the determination of the gain on disposal of real estate due to the disposition of certain properties. For the three months ended September 30, 2006 and 2005, no expense and \$112,000, respectively, was included in the gain on sale determination and for the nine months ended September 30, 2006 and 2005, \$63,000 and \$325,000, respectively, was included in the gain on sale determination.

Investments in and Advances to Unconsolidated Ventures

The Company has direct equity investments in joint venture projects. The Company accounts for these investments in unconsolidated ventures using the equity method of accounting, as the Company exercises significant influence over, but does not control and is not the primary beneficiary of, these entities. These investments are initially recorded at cost, as “Investments in and advances to unconsolidated ventures,” and subsequently adjusted for equity in earnings and cash contributions and distributions.

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, the limited partners received 93,656 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 controlling interests in two joint ventures that, together, own the Company's Sunlake-development project. 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 ventures are in the process of obtaining the required approvals and permits to continue their 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 partner is not required to make contributions and, to date, has not contributed any capital. The joint venture encompasses the Dolphin Village Shopping Center and 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.

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* 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 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 currently has in place an aggregate notional amount of \$85.0 million of treasury locks, at a weighted average interest rate of 5.10% per annum, which were executed to hedge the

benchmark interest rate associated with forecasted interest payments relating to an anticipated issuance of fixed-rate borrowings in August 2007.

The Company entered into an aggregate notional amount of \$95.0 million of treasury locks which were terminated in connection with the issuance of the 6.0% \$125 million senior unsecured notes in March 2006. The realized gain of \$1.5 million 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.

The Company entered into an aggregate notional amount of \$75.0 million of treasury locks which were terminated in connection with the issuance of the 6.25% \$125 million senior unsecured notes in August 2006. There was no realized gain or loss on the termination of these treasury locks.

During 2004, concurrent with the issuance of the 3.875% \$200 million senior unsecured notes, the Company entered into a \$100.0 million notional principal variable rate interest swap with an estimated fair value of \$4.5 million as of September 30, 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 \$7.1 million to various executives in connection with their exercise of options to purchase shares of the Company's common stock, all of which has been repaid as of September 30, 2006.

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. As part of the leasing process, the Company may provide the lessee with an allowance for the construction of leasehold improvements. Leasehold improvements are capitalized and recorded as tenant improvements and depreciated over the shorter of the useful life of the improvements or the lease term. If the allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, the allowance is considered to be a lease incentive and is recognized over the lease term as a reduction to revenue. Factors considered during this evaluation include, among others, the type of improvements made, who holds legal title to the improvements, and other controlling rights provided by the lease agreement. Determination of the accounting for a tenant allowance is made on a case-by-case basis, considering the facts and circumstances of the individual tenant lease. Lease revenue recognition commences when the lessee is given possession of the leased space upon completion of any landlord-owned tenant improvements.

Substantially all of the lease agreements contain provisions that require the payment of additional rents based on the respective tenant's sales volume (contingent or percentage rent) and reimbursement of the tenant's share of real estate taxes, insurance and common area maintenance ("CAM") costs. Percentage rents are recognized when the tenant's reported sales have achieved the specified levels as defined in their respective lease agreements. Expense recoveries of real estate taxes, insurance and CAM costs are recognized in the period that the applicable costs are incurred in accordance with the lease agreements. The Company accounts for these leases as operating leases as the Company has retained substantially all risks and benefits of property ownership.

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 tenant's payment history and current credit quality.

The Company has been engaged by joint ventures and other third parties to provide property management and leasing services. The fees are market-based and generally calculated as a percentage of either revenues received or reimbursement of costs and are recognized as services are provided.

Earnings Per Share

Basic earnings per share ("EPS") is 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 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 ("TRSs"). The Company's TRSs did not have significant tax provisions or deferred income tax items during the periods reported hereunder.

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 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 \$4.5 million and increasing shareholder equity by \$4.5 million. 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 nine months ended September 30, 2006, was \$4.2 million, of which \$3.9 million related to grants of restricted stock, \$284,000 related to option grants and \$7,000 related to the Company's employee stock purchase plan. If the Company had not adopted SFAS No. 123(R), our net income for the period ended September 30, 2006 would have excluded \$291,000 of share-based compensation related to options and the employee stock purchase plan.

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 nine months ended September 30, 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 and nine months periods ended September 30, 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(R) to our stock-based compensation for the three and nine months periods ended September 30, 2005 (in thousands, except per share amounts):

		Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Net Income	As reported.....	\$ 28,041	\$ 74,974
	Add:		
	Stock-based employee compensation expense included in reported net income	1,440	4,244
	Deduct:		
	Total fair value stock-based employee compensation expense for all awards.....	(1,649)	(4,857)
	Pro forma	<u>\$ 27,832</u>	<u>\$ 74,361</u>

Basic earnings per share	As reported.....	\$ 0.38	\$ 1.02
	Pro forma	\$ 0.38	\$ 1.01
Diluted earnings per share	As reported.....	\$ 0.37	\$ 1.00
	Pro forma	\$ 0.37	\$ 1.00

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 is a separate operating segment which has 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. In addition, each center is located near a metropolitan area with similar economic demographics and site characteristics. No individual property constitutes more than 10% of the Company's combined revenue, net income or assets, and thus the individual properties have been aggregated into one reportable segment based upon their similarities with regard to both the nature and economics of the centers, tenants and operational processes, as well as long-term average financial performance. In addition, no single tenant accounts for 10% or more of revenue and none of the shopping centers are located outside the United States.

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 requires 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 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 September 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 \$276,000. 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 was adopted by the Company in the first quarter of 2006. The adoption of this standard did not materially impact the Company’s financial position, results of operations or cash flows of the Company.

In April 2006, the FASB issued FASB Staff Position FIN 46 (R) 6, *Determining the Variability to be Considered in Applying FASB Interpretation No. 46(R)*, that became effective for the third quarter of 2006. FSP FIN No. 46(R)-6 clarifies that the variability to be considered in applying Interpretation 46(R) shall be based on an analysis of the design of the variable interest entity. The adoption of this standard did not materially impact the Company’s consolidated financial statements.

In June 2006, the EITF reached a consensus on EITF Issue No. 06-02, *Accounting for Sabbatical Leave and Other Similar Benefits* (“EITF 06-02”). EITF 06-06 provides that an employee’s right to a compensated absence under a sabbatical leave or similar benefit arrangement in which the employee is not required to perform any duties during the absence is an accumulating benefit. Therefore, such arrangements should be accounted for as a liability with the cost recognized over the service period during which the employee earns the benefit. The provisions of EITF 06-02 will be effective as of January 1, 2007 and will impact the accounting for certain of the Company’s employment arrangements. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48 – *Accounting for Uncertainty in Income Taxes* (“FIN 48”). In summary, FIN 48 requires that all tax positions subject to SFAS No. 109 – *Accounting for Income Taxes*, to be analyzed using a two-step approach. The first step requires an entity to determine if a tax position is more likely than not to be sustained upon examination. In

the second step, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon ultimate settlement. FIN 48 is effective for fiscal years beginning after December 15, 2006, with any adjustment in a company's tax provision being accounted for as a cumulative effect of accounting change in beginning equity. The Company is in the process of determining the effect, if any, that the adoption of this standard will have on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements NO. 87, 88, 106 and 132(R)*, ("SFAS 158"). SFAS 158 requires recognition of the overfunded or underfunded status of a benefit postretirement plan in the statement of financial position, as well as recognition of changes in that funded status through comprehensive income in the year in which they occur. SFAS 158 also requires a change in the measurement of a plan's assets and benefit obligations as of the end date of the employer's fiscal year. SFAS 158 is effective for fiscal years ending after December 15, 2006, except for the measurement date provisions, which are effective for fiscal years ending after December 15, 2008. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"), which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. We will be required to adopt the provisions of SAB 108 in our annual financial statements for fiscal year 2006. The Company is in the process of determining the effect, if any, that the adoption of this standard will have on the Company's consolidated financial statements.

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 (000's)</u>
Dolphin Village.....	St. Pete Beach, FL	January	138,129	\$ 28,000
Brookside Plaza.....	Enfield, CT	January	210,787	28,500
Commonwealth II	Jacksonville, FL	January	53,598	600
Piedmont Peachtree Crossing...	Buckhead, GA	March	152,239	47,950
Prosperity Office Building	Palm Beach Gardens, FL	March	3,200	1,400
Alafaya Village	Orlando, FL	April	39,477	6,638
Chestnut Square out parcel.....	Brevard, NC	April	1,070	475
Sunpoint Shopping Center	Ruskin, FL	May	132,374	7,500
Chapel Trail Plaza	Pembroke Pines, FL	May	56,378	8,900
Deep Creek land.....	Fairburn, GA	June	101 acres	8,000
Milestone Plaza	Greenville, SC	August	93,655	20,200
Shoppes at Quail Roost	Miami, FL	August	73,550	15,435
Coral Reef Shopping Center ...	Palmetto Bay, FL	September	74,680	21,200

<u>Property</u>	<u>Location</u>	<u>Month Purchased</u>	<u>Square Feet/ Acres</u>	<u>Purchase Price (000's)</u>
Pointe Royale out parcel	Miami, FL	September	6,897	1,350
Westport out parcels (2)	Davie, FL	September	9,768	2,200
Total				<u>\$ 198,348</u>

No equity interests were issued or issuable in connection with the above purchases 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

Portfolio Dispositions

In April 2006, the Company disposed of 29 of its properties located in Texas (“the Texas Properties”) to EQYInvest Texas, LLC, a Delaware limited liability company (the “JV”), in exchange for cash consideration of \$387.2 million and a 20% interest in the JV. The Texas Properties had a net book value of \$222.0 million. As a result of this transaction, the Company recognized a gain of \$92.2 million. The Company also entered into a management agreement pursuant to which the Company continues to manage and lease the properties on behalf of the JV. The Company will not receive any contingent consideration for the sale. The Company has guaranteed the joint venture an operating return based on certain predetermined targets for the first twelve months following the sale, which will require the Company to pay to the joint venture an amount of up to \$2.0 million in the event that the joint venture does not achieve its targeted operating returns. The Company has also agreed to fund remaining construction costs to complete various projects in an amount up to \$2.5 million. These contingent obligations are reflected in other liabilities in the accompanying consolidated balance sheets.

As a result of the Company’s significant continuing involvement in these properties following the sale, the operating results of the properties are included in income from continuing operations for the current reporting periods up to April 25, 2006 and not as discontinued operations. The results of operations of the Texas Properties for the periods after April 25, 2006 have not been consolidated, but have been accounted for under the equity method of accounting.

As of September 30, 2006, 14 Louisiana properties were held for sale and are being reported in discontinued operations, with a net book value of \$96.8 million.

Individual Property Dispositions

As of September 30, 2006, the Company also held for sale two parcels of land and an operating property with a net book value of \$19.9 million.

The following table reflects individual properties sold during 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>
				(000's)	
<u>Income-producing properties</u>					
March 2006	Scottsville Square	Bowling Green, KY	38,450	\$ 2,500	\$ 478
April 2006	Sutherland Lumber	Marble Falls, TX	53,571	2,000	3
May 2006	Hedwig	Houston, TX	69,504	13,350	5,635
July 2006	Crossroads (Lowe's)	Pembroke Pines, FL	177,929	<u>7,678</u>	<u>2,168</u>
Total				<u>\$25,528</u>	<u>\$ 8,284</u>

<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>
<u>Sale of real estate</u>					
February 2006	Westridge out parcel.....	McDonough, GA	1.0 acres	\$ 875	\$ 314
April 2006	Westridge out parcel.....	McDonough, GA	1.0 acres	583	205
September 2006	River Green land parcel.....	Canton, GA	2.0 acres	1,500	396
Total				<u>\$ 2,958</u>	<u>\$ 915</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 (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Rental Revenue	\$ 3,383	\$ 3,745	\$ 10,741	\$ 13,195
Expenses				
Property operating expenses	873	719	2,117	2,509
Rental property depreciation and amortization.....	701	773	2,209	2,386
Interest expense.....	68	84	205	584
Other.....	-	-	86	-
Operations of income-producing properties sold or held for sale	<u>\$ 1,741</u>	<u>\$ 2,169</u>	<u>\$ 6,124</u>	<u>\$ 7,716</u>

The summary selected operating results for the Texas Properties in which the Company has significant continuing involvement are as follows (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Rental Revenue	\$ -	\$ 10,003	\$ 13,713	\$ 30,782
Expenses				
Property operating expenses	-	2,936	4,719	9,220
Rental property depreciation and amortization.....	-	2,031	2,695	5,855
Interest expense.....	-	857	1,064	3,164
Amortization of deferred financing fees	-	14	13	43
Operations included in income from continuing operations up to April 25, 2006	<u>\$ -</u>	<u>\$ 4,165</u>	<u>\$ 5,222</u>	<u>\$ 12,500</u>

5. Investments in and Advances to Unconsolidated Joint Ventures

The Company accounts for investments in which it has significant influence over operating and financial policies of the investee, but does not have a controlling financial interest and is not the primary beneficiary, using the equity method of accounting. The Company has determined that these investments do not meet the consolidation criteria of variable interest entities. Major decisions, including property acquisitions and dispositions, financings, annual budgets and dissolution of the ventures are subject to the approval of all partners. Any difference between the carrying amount of these investments and the underlying equity in net assets is amortized to equity in income in unconsolidated ventures over the expected useful lives of the properties and other intangible assets. Net income from the Texas joint venture, which includes all operating results, as well as gains and losses on sales of properties within the joint venture, is allocated to the Company in accordance with

the operative agreement of the joint venture. Such allocations of net income or loss are recorded in equity in income of unconsolidated joint ventures in the accompanying consolidated statements of operations.

The following is a summary of the Company's investments in unconsolidated joint ventures at September 30, 2006 and December 31, 2005 (in thousands):

<u>Entity</u>	<u>Location</u>	<u>Ownership</u>	<u>September 30, 2006</u>	<u>December 31, 2005</u>
Parcel F, LLC	Palm Beach Gardens, FL	50.0%	\$ -	\$ 285
EQYInvest Texas, LLC	Texas	20.0%	-	-
Total investments in and advances to joint ventures			<u>\$ -</u>	<u>\$ 285</u>

The following is a brief summary of the interest and obligations in the unconsolidated joint ventures that the Company had as of September 30, 2006:

- *Parcel F, LLC.* The Company had a 50% interest in this joint venture that owned a parcel of land that was held for sale. In May 2006, the venture sold this parcel of land and the Company's pro rata share of the gain was approximately \$1.6 million.
- *EQYInvest Texas, LLC.* The Company has a 20% interest in this joint venture, which interest was obtained in connection with the sale of the Texas Properties. Under the terms of this joint venture, the Company is not obligated to contribute any additional capital to the joint venture; however, in the event that additional capital is contributed by the other joint venture partner, the Company has the option to contribute the amount necessary to maintain its 20% ownership interest. As of September 30, 2006, this joint venture owned 29 properties located in Texas. The joint venture had loans outstanding of approximately \$312.2 million as of September 30, 2006.

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

	<u>As of September 30, 2006</u>	<u>As of December 31, 2005</u>
Assets:		
Rental properties, net.....	\$ 374,572	\$ -
Land held for sale	-	1,055
Other assets.....	26,110	-
Total assets	<u>\$ 400,682</u>	<u>\$ 1,055</u>
Liabilities and Ventures' Equity:		
Mortgage notes	\$ 312,200	\$ -
Other liabilities	8,169	-
Ventures' equity	80,313	1,055
Total	<u>\$ 400,682</u>	<u>\$ 1,055</u>

The mortgage loans to the JV are non-recourse. However, a single-purpose subsidiary of the Company has indemnified the lender with respect to certain customary non-recourse carve-out provisions such as environmental conditions, misuse of funds and material misrepresentations, which is limited by the subsidiary's capitalization of \$3.0 million. As of September 30, 2006, the JV had mortgage notes outstanding of approximately \$312.2 million, and the Company's proportionate share of these loans was \$62.4 million.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30	
	2006	2005	2006	2005
Revenues:				
Revenue	\$ 10,520	-	\$ 18,165	-
Expenses:				
Operating expenses	3,110	-	5,256	-
Interest and amortization of deferred financing fees	5,015	-	8,399	-
Depreciation and amortization	4,875	-	8,203	-
Other (income) expense	(126)	-	(200)	-
Gain on sale of real estate	-	-	(3,300)	-
Total expenses	12,874	-	18,358	-
Net income	\$ (2,354)	-	\$ (193)	-
The Company's equity in income (loss) from joint ventures	\$ (130)	-	\$ 1,525	-

6. Borrowings

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

	September 30,	December 31,
	2006	2005
Mortgage Notes Payable	(in thousands)	
Fixed rate mortgage loans	\$ 364,487	\$ 446,925
Unamortized net premium on mortgage notes payable	8,946	11,006
Total	\$ 373,433	\$ 457,931

The weighted average interest rate of the mortgage notes payable at September 30, 2006 and December 31, 2005 was 7.29% 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 \$76.7 million contain prohibitions on transfers of ownership which may have been violated by the Company's previous issuances of common stock or in connection with past acquisitions and may be violated by transactions involving the Company's capital stock in the future. If a violation were established, it could serve as a basis for a lender to accelerate amounts due under the affected mortgage. To date, no lender has notified the Company that it intends to accelerate its mortgage. 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.

	September 30, 2006	December 31, 2005
Unsecured Senior Notes Payable	(in thousands)	
7.77% Senior Notes, due 4/1/06.....	\$ -	\$ 50,000
7.25% Senior Notes, due 8/15/07.....	-	75,000
3.875% Senior Notes, due 4/15/09.....	200,000	200,000
Fair value of interest rate swap.....	(4,521)	(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	-
6.25% Senior Notes, due 1/15/17.....	125,000	-
Unamortized net (discount) premium on unsecured senior notes payable.....	(56)	4,824
Total.....	\$ 590,423	\$ 470,228

The weighted average interest rate of the unsecured senior notes at September 30, 2006 and December 31, 2005 was 5.65% and 5.20%, respectively, excluding the effects of the interest rate swap and net premium adjustment.

The Company exercised its rights to redeem the 7.25% \$75 million senior notes due August 2007 on August 25, 2006.

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 million notional principal of the 3.875% \$200 million senior notes to a floating interest rate based on the 6-month LIBOR in arrears plus 0.4375%.

	September 30, 2006	December 31, 2005
Unsecured Revolving Credit Facilities	(in thousands)	
Wells Fargo.....	\$ 44,000	\$ 93,000
City National Bank.....	-	165
Total.....	\$ 44,000	\$ 93,165

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 \$275.0 million 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 \$137.5 million, a \$35.0 million swing line facility for short term borrowings, a \$20.0 million letter of credit commitment and may, at the request of the Company, be increased up to a total commitment of \$400.0 million. The facility expires 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, unless a waiver has been granted allowing such action. 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 September 30, 2006 and December 31, 2005, was 5.64% and 4.68%, respectively. The facility also provides collateral for \$4.5 million in outstanding letters of credit.

The Company also has a \$5.0 million unsecured credit facility with City National Bank of Florida, of which there was no outstanding balance at September 30, 2006 and a balance of \$165,000 at December 31, 2005. This facility also provides collateral for \$1.4 million in outstanding letters of credit.

As of September 30, 2006, the availability under the various credit facilities was approximately \$230.1 million net of outstanding balances and letters of credit.

7. Stockholders' Equity and Earnings Per Share

On August 25, 2006, the Company's Board of Directors approved a quarterly dividend of \$0.30 per share, which was paid on September 30, 2006, to stockholders of record on September 15, 2006, aggregating \$22.1 million.

On July 24, 2006, the Company's Board of Directors increased the authorization of the Company's previously announced common stock repurchase program from \$50.0 million to \$100.0 million. Future purchases of shares of common stock will be made in the open market or in privately negotiated transactions, at the discretion of the Company's management and as market conditions warrant, through December 31, 2006. As of September 30, 2006, approximately 2,865,600 shares have been repurchased and retired at an average purchase price of \$22.59 per share for aggregate consideration of \$64.7 million.

The following table reflects the change in number of shares of common stock issued (retired) for the nine months ended September 30, 2006 (in thousands):

	Common Stock*	Options Exercised	Total
Board of Directors	4	11	15
Officers	197**	189	386
Employees and other	22	14	36
Cumulative effect of a change in accounting principle ***	(518)	-	(518)
Company stock repurchase program	(2,865)	-	(2,865)
Dividend Reinvestment and Stock Purchase Plan	211	-	211
Total.....	<u>(2,949)</u>	<u>214</u>	<u>(2,735)</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 nine months of 2006, the Company granted 231,916 shares of restricted stock which are subject to forfeiture and vest over periods from one to four 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 276,337 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 and nine months periods ended September 30, 2006 and 2005 (in thousands):

	Three Months ended September 30,		Nine Months ended September 30,	
	2006	2005	2006	2005
Denominator for basic earnings per share – weighted average shares	73,152	74,087	74,207	73,592
Walden Woods Village, Ltd	94	94	94	94
Unvested restricted stock	417	566	420	591
Stock options (using treasury method)....	230	397	223	360
Subtotal	741	1,057	737	1,045
Denominator for diluted earnings per share – weighted average shares	73,893	75,144	74,944	74,637

8. Share-Based Compensation Plans

As of September 30, 2006, we have options outstanding under four share-based compensations plans. The Equity One, Inc. 2000 Stock Option Plan authorized the grant of options, common stock and other share-based awards for up to 5.5 million shares of common stock, of which 1.4 million shares are available for issuance. The IRT Property Company 1998 Long Term Incentive Plan similarly authorized the grant of options, common stock and other share-based awards for up to 1,462,500 shares of common stock, of which 14,400 shares are available for issuance. The Equity One, Inc. 1995 Stock Option Plan authorized the grant of option awards for up to 1.0 million shares of common stock, all of which have been issued. The IRT Property Company 1989 Stock Option Plan authorized the grant of stock options and other share-based awards for up to 956,250 shares of common stock, of which no shares are available for issuance.

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 of restricted stock. Certain options and share awards provide for accelerated vesting if there is a change in control.

The fair value of each option award during 2006 is estimated on the date of grant using the Black-Scholes 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 (000's)	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (000's)
Outstanding at December 31, 2005	977	\$ 16.00		
Granted	1,243	24.50		
Exercised	(214)	14.52		
Forfeited or expired	-	-		
Outstanding at September 30, 2006.....	<u>2,006</u>	<u>\$ 21.42</u>	<u>8.7</u>	<u>\$ 5,111</u>
Exercisable at September 30, 2006.....	<u>337</u>	<u>\$ 15.10</u>	<u>6.3</u>	<u>\$ 2,993</u>
Weighted average fair value of options granted during the nine months ended September 30, 2006		<u>\$ 3.79</u>		

There were 1.2 million options granted during the nine months ended September 30, 2006, which have no intrinsic value. The total intrinsic value of options exercised during the nine months ended September 30, 2006, was \$1.7 million. The total cash received from options exercised was \$1.6 million.

The fair value of each option grant during 2006 was estimated on the grant date using a binomial option-pricing model with the following assumptions:

Dividend Yield	4.6% - 4.8%
Risk-free interest rate	4.5% - 4.8%
Expected option life (years)	10
Expected volatility	21.5%

The options were granted with an exercise price equivalent to the current stock price on the grant date or the ten-day average price of the stock prior to the grant date.

The following table provides a summary of restricted stock activity:

	Unvested Shares (000's)	Weighted- Average Price
Unvested at December 31, 2005	518	\$18.72
Granted	232	23.94
Vested	(277)	18.23
Forfeited.....	(13)	22.06
Unvested at September 30, 2006	<u>460</u>	21.55

As of September 30, 2006, there was \$14.8 million 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 3.06 years. The total vesting-date value of the shares that vested during the nine months ended September 30, 2006 was \$6.6 million.

9. Condensed Consolidating Financial Information

Most of the Company's subsidiaries have guaranteed the Company's unsecured senior notes and revolving credit facility. The guarantees are joint and several and full and unconditional (in thousands).

Condensed Balance Sheet As of September 30, 2006	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
ASSETS					
Properties, net.....	\$ 356,586	\$ 967,187	\$ 488,144	\$ -	\$ 1,811,917
Investment in affiliates	628,309	-	-	(628,309)	-
Other assets	68,288	30,414	85,922	-	184,624
Total	<u>\$ 1,053,183</u>	<u>\$ 997,601</u>	<u>\$ 574,066</u>	<u>\$ (628,309)</u>	<u>\$ 1,996,541</u>
LIABILITIES					
Mortgage notes payable.....	\$ 47,530	\$ 100,834	\$ 216,123	\$ -	\$ 364,487
Unsecured revolving credit facilities	44,000	-	-	-	44,000
Unsecured senior notes payable.....	590,479	-	-	-	590,479
Unamortized premium on notes payable...	107	2,486	6,297	-	8,890
Other liabilities	30,834	28,044	11,248	-	70,126
Total liabilities	712,950	131,364	233,668	-	1,077,982
MINORITY INTERESTS.....	-	-	-	989	989
STOCKHOLDERS' EQUITY.....	340,233	866,237	\$340,398	(629,298)	917,570
Total.....	<u>\$ 1,053,183</u>	<u>\$ 997,601</u>	<u>\$ 574,066</u>	<u>\$ (628,309)</u>	<u>\$ 1,996,541</u>

Condensed Balance Sheet As of December 31, 2005	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
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.....	<u>\$1,043,695</u>	<u>\$1,114,375</u>	<u>\$ 522,280</u>	<u>\$ (628,317)</u>	<u>\$2,052,033</u>

Condensed Statement of Operations	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
For the three months ended September 30, 2006					
REVENUE:					
Minimum rents.....	\$ 9,078	\$ 20,490	\$ 11,971	\$ -	\$ 41,539
Expense recoveries.....	2,573	5,751	3,127	-	11,451
Termination fees	71	15	183	-	269
Percentage rent.....	38	182	68	-	288
Management and leasing services.....	-	745	-	-	745
Total revenue.....	<u>11,760</u>	<u>27,183</u>	<u>15,349</u>	<u>-</u>	<u>54,292</u>
EQUITY IN SUBSIDIARIES					
EARNINGS	<u>20,423</u>	<u>-</u>	<u>-</u>	<u>(20,423)</u>	<u>-</u>
COSTS AND EXPENSES:					
Property operating.....	2,939	8,425	3,569	-	14,933
Services.....	-	610	-	-	610
Rental property depreciation and amortization	1,851	4,738	3,339	-	9,928
General and administrative	6,259	323	9	-	6,591
Total costs and expenses	<u>11,049</u>	<u>14,096</u>	<u>6,917</u>	<u>-</u>	<u>32,062</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST, GAIN ON SALE OF REAL ESTATE AND DISCONTINUED OPERATIONS					
	21,134	13,087	8,432	(20,423)	22,230
OTHER INCOME AND EXPENSES:					
Interest expense.....	(7,897)	(1,569)	(3,695)	-	(13,161)
Amortization of deferred financing fees ...	(331)	(20)	(32)	-	(383)
Investment income	771	36	23	-	830
Equity (loss) in income of unconsolidated joint ventures.....	-	(130)	-	-	(130)
Gain on extinguishment of debt	457	-	-	-	457
INCOME BEFORE MINORITY INTEREST, GAIN ON SALE OF REAL ESTATE AND DISCONTINUED OPERATIONS					
	14,134	11,404	4,728	(20,423)	9,843
MINORITY INTEREST	-	(28)	-	-	(28)
INCOME BEFORE GAIN ON SALE OF REAL ESTATE AND DISCONTINUED OPERATIONS					
	14,134	11,376	4,728	(20,423)	9,815
GAIN ON SALE OF REAL ESTATE	-	396	-	-	396
INCOME FROM CONTINUING OPERATIONS					
	<u>14,134</u>	<u>11,772</u>	<u>4,728</u>	<u>(20,423)</u>	<u>10,211</u>
DISCONTINUED OPERATIONS:					
Operations of income-producing properties sold or held for sale	(14)	1,670	85	-	1,741
Gain on disposal of income-producing properties	-	-	2,168	-	2,168
Income from discontinued operations	(14)	1,670	2,253	-	3,909
NET INCOME	<u>\$ 14,120</u>	<u>\$ 13,442</u>	<u>\$ 6,981</u>	<u>\$ (20,423)</u>	<u>\$ 14,120</u>

Condensed Statement of Operations For the nine months ended September 30, 2006	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
REVENUE:					
Minimum rents	\$ 27,110	\$ 67,559	\$ 36,721	\$ -	\$ 131,390
Expense recoveries	7,790	20,958	10,537	-	39,285
Termination fees	168	555	227	-	950
Percentage rent	168	968	485	-	1,621
Management and leasing services	-	1,341	-	-	1,341
Total revenue	<u>35,236</u>	<u>91,381</u>	<u>47,970</u>	<u>-</u>	<u>174,587</u>
EQUITY IN SUBSIDIARIES					
EARNINGS	<u>162,942</u>	<u>-</u>	<u>-</u>	<u>(162,942)</u>	<u>-</u>
COSTS AND EXPENSES:					
Property operating	8,506	28,715	11,468	-	48,689
Services	-	1,173	-	-	1,173
Lease termination	275	498	180	-	953
Rental property depreciation and amortization	5,576	15,918	10,458	-	31,952
General and administrative	<u>14,969</u>	<u>879</u>	<u>24</u>	<u>-</u>	<u>15,872</u>
Total costs and expenses	<u>29,326</u>	<u>47,183</u>	<u>22,130</u>	<u>-</u>	<u>98,639</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST, GAIN ON SALE OF REAL ESTATE AND DISCONTINUED OPERATIONS					
	168,852	44,198	25,840	(162,942)	75,948
OTHER INCOME AND EXPENSES:					
Interest expense	(23,400)	(5,388)	(12,217)	-	(41,005)
Amortization of deferred financing fees..	(942)	(75)	(97)	-	(1,114)
Investment income	2,033	227	4,335	-	6,595
Equity in income of unconsolidated joint ventures	-	1,525	-	-	1,525
Gain (loss) on extinguishment of debt.....	457	(1,182)	(1,088)	-	(1,813)
Other income	<u>389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389</u>
INCOME BEFORE MINORITY INTEREST, GAIN ON SALE OF REAL ESTATE AND DISCONTINUED OPERATIONS					
	147,389	39,305	16,773	(162,942)	40,525
MINORITY INTEREST					
	-	(178)	-	-	(178)
INCOME BEFORE GAIN ON SALE OF REAL ESTATE AND DISCONTINUED OPERATIONS					
	147,389	39,127	16,773	(162,942)	40,347
GAIN ON SALE OF REAL ESTATE					
	<u>-</u>	<u>88,197</u>	<u>4,880</u>	<u>-</u>	<u>93,077</u>
INCOME FROM CONTINUING OPERATIONS					
	<u>147,389</u>	<u>127,324</u>	<u>21,653</u>	<u>(162,942)</u>	<u>133,424</u>
DISCONTINUED OPERATIONS:					
Operations of income-producing properties sold or held for sale.....	(38)	5,658	504	-	6,124

Condensed Statement of Operations	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
For the nine months ended September 30, 2006					
Gain on disposal of income-producing properties	481	5,633	2,170	-	8,284
Income from discontinued operations	443	11,291	2,674	-	14,408
NET INCOME	<u>\$ 147,832</u>	<u>\$ 138,615</u>	<u>\$ 24,327</u>	<u>\$ (162,942)</u>	<u>\$ 147,832</u>

Condensed Statement of Operations	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
For the three months ended September 30, 2005					
REVENUE:					
Minimum rents	\$ 8,858	\$ 25,200	\$ 11,109	\$ -	\$ 45,167
Expense recoveries.....	2,410	6,824	2,984	-	12,218
Termination fees.....	198	345	281	-	824
Percentage rent.....	25	34	10	-	69
Management and leasing services	50	83	-	-	133
Total revenue	<u>11,541</u>	<u>32,486</u>	<u>14,384</u>	<u>-</u>	<u>58,411</u>
EQUITY IN SUBSIDIARIES					
EARNINGS	<u>24,323</u>	<u>-</u>	<u>-</u>	<u>(24,323)</u>	<u>-</u>
COSTS AND EXPENSES:					
Property operating.....	2,653	9,873	3,042	-	15,568
Services	-	42	-	-	42
Rental property depreciation and amortization	1,801	5,805	2,547	-	10,153
General and administrative.....	4,052	178	2	-	4,232
Total costs and expenses.....	<u>8,506</u>	<u>15,898</u>	<u>5,591</u>	<u>-</u>	<u>29,995</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST AND DISCONTINUED OPERATIONS.....					
	27,358	16,588	8,793	(24,323)	28,416
OTHER INCOME AND EXPENSES:					
Interest expense.....	(6,844)	(2,157)	(4,804)	-	(13,805)
Amortization of deferred financing fees.....	(305)	(35)	(32)	-	(372)
Investment income	5,527	58	8	-	5,593
INCOME BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS ...					
	25,736	14,454	3,965	(24,323)	19,832
MINORITY INTEREST	(21)	(27)	-	-	(48)
INCOME FROM CONTINUING OPERATIONS					
	<u>25,715</u>	<u>14,427</u>	<u>3,965</u>	<u>(24,323)</u>	<u>19,784</u>
DISCONTINUED OPERATIONS:					
Operations of income-producing properties sold or held for sale.....	74	1,874	221	-	2,169
Gain on disposal of income-producing properties	2,252	3,836	-	-	6,088
Income from discontinued operations	<u>2,326</u>	<u>5,710</u>	<u>221</u>	<u>-</u>	<u>8,257</u>

Condensed Statement of Operations	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
For the three months ended September 30, 2005					
NET INCOME	<u>\$ 28,041</u>	<u>\$ 20,137</u>	<u>\$ 4,186</u>	<u>\$ (24,323)</u>	<u>\$ 28,041</u>
Condensed Statement of Operations	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
For the nine months ended September 30, 2005					
REVENUE:					
Minimum rents	\$ 26,650	\$ 74,727	\$ 32,855	\$ -	\$ 134,232
Expense recoveries	7,270	20,865	9,303	-	37,438
Termination fees	2,584	389	341	-	3,314
Percentage rent	170	748	493	-	1,411
Management and leasing services	50	275	-	-	325
Total revenue	<u>36,724</u>	<u>97,004</u>	<u>42,992</u>	<u>-</u>	<u>176,720</u>
EQUITY IN SUBSIDIARIES					
EARNINGS	<u>69,607</u>	<u>-</u>	<u>-</u>	<u>(69,607)</u>	<u>-</u>
COSTS AND EXPENSES:					
Property operating	7,499	28,975	9,111	-	45,585
Management and leasing services	-	138	-	-	138
Rental property depreciation and amortization	5,282	17,135	7,505	-	29,922
General and administrative	12,347	588	7	-	12,942
Total costs and expenses	<u>25,128</u>	<u>46,836</u>	<u>16,623</u>	<u>-</u>	<u>88,587</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST AND DISCONTINUED OPERATIONS					
	81,203	50,168	26,369	(69,607)	88,133
OTHER INCOME AND EXPENSES:					
Interest expense	(16,948)	(7,221)	(14,417)	-	(38,586)
Amortization of deferred financing fees	(884)	(109)	(127)	-	(1,120)
Investment income	7,153	345	18	-	7,516
Other income (expense)	-	(1)	-	-	(1)
INCOME BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS ...					
	70,524	43,182	11,843	(69,607)	55,942
MINORITY INTEREST	(62)	(82)	-	-	(144)
INCOME FROM CONTINUING OPERATIONS					
	<u>70,462</u>	<u>43,100</u>	<u>11,843</u>	<u>(69,607)</u>	<u>55,798</u>
DISCONTINUED OPERATIONS:					
Operations of income-producing properties sold or held for sale	646	6,324	746	-	7,716
Gain on disposal of income-producing properties	3,866	3,837	3,757	-	11,460
Income from discontinued operations	4,512	10,161	4,503	-	19,176
NET INCOME	<u>\$ 74,974</u>	<u>\$ 53,261</u>	<u>\$ 16,346</u>	<u>\$ (69,607)</u>	<u>\$ 74,974</u>

Condensed Statement of Cash Flows For the nine months ended September 30, 2006	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities	\$ 2,894	\$ 64,817	\$ 22,970	\$ 90,681
INVESTING ACTIVITIES:				
Additions to and purchase of properties	(9,521)	(67,384)	(74,995)	(151,900)
Purchases of land held for development	-	(10,486)	(25,044)	(35,530)
Additions to construction in progress	(1,384)	(27,106)	(9,555)	(38,045)
Proceeds from disposal of properties	2,569	360,074	27,702	390,345
Increase in cash held in escrow	(6,288)	-	-	(6,288)
Proceeds from sale of securities	4,422	-	-	4,422
Cash used to purchase securities	(434)	-	(28,456)	(28,890)
Advances to joint venture	-	(393)	-	(393)
Distributions from unconsolidated joint ventures	-	-	1,935	1,935
Proceeds from repayment of notes receivable	5,692	22	11	5,725
Additions to notes receivable	-	(18)	(15)	(33)
Increase in deferred leasing costs	(652)	(3,625)	(682)	(4,959)
Advances from (to) affiliates	144,237	(289,341)	145,104	-
Net cash (used in) provided by investing activities	138,641	(38,257)	36,005	136,389
FINANCING ACTIVITIES:				
Repayment of mortgage notes payable	(1,208)	(26,382)	(58,975)	(86,565)
Net borrowings (repayments) under revolving credit facilities	(49,165)	-	-	(49,165)
Proceeds from senior debt offering	246,868	-	-	246,868
Repayment of senior debt	(125,000)	-	-	(125,000)
Increase in deferred financing costs	(2,015)	-	-	(2,015)
Proceeds from issuance of common stock	6,653	-	-	6,653
Stock issuance costs	(69)	-	-	(69)
Repurchases of common stock	(64,737)	-	-	(64,737)
Cash dividends paid to stockholders	(140,728)	-	-	(140,728)
Repayment of notes receivable from issuance of common stock	65	-	-	65
Distributions to minority interest	(29)	(178)	-	(207)
Net cash used in financing activities	(129,365)	(26,560)	(58,975)	(214,900)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,170	-	-	12,170
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	102	-	-	102
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 12,272	\$ -	\$ -	\$ 12,272

Condensed Statement of Cash Flows For the nine months ended September 30, 2005	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities	\$ 4,314	\$ 70,834	\$ 22,871	\$ 98,019
INVESTING ACTIVITIES:				
Additions to and purchase of properties	-	(15,674)	(12,000)	(27,674)
Purchases of land held for development	-	(13,041)	(15,000)	(28,041)
Additions to construction in progress	-	(7,021)	(7,507)	(14,528)
Proceeds from disposal of properties	15,482	12,682	15,860	44,024
Increase in cash held in escrow.....	(3,308)	-	-	(3,308)
Proceeds from sale of securities.....	34,888	-	-	34,888
Cash used to purchase securities.....	(24,963)	-	-	(24,963)
Proceeds from repayment of notes receivable	27	-	-	27
Additions to notes receivable.....	(4,215)	-	-	(4,215)
Increase in deferred leasing costs	(2,751)	(655)	(1,162)	(4,568)
Advances from (to) affiliates	5,799	(26,291)	20,492	-
Net cash provided by (used in) investing activities.....	20,959	(50,000)	683	(28,358)
FINANCING ACTIVITIES:				
Repayment of mortgage notes payable	(1,124)	(20,832)	(23,554)	(45,510)
Net repayments under revolving credit facilities.....	(108,000)	-	-	(108,000)
Proceeds from issuance of unsecured notes ...	118,606	-	-	118,606
Increase in deferred financing costs.....	(426)	-	-	(426)
Proceeds from issuance of common stock	25,394	-	-	25,394
Stock issuance costs.....	(164)	-	-	(164)
Repayment of notes receivable from Issuance of common stock.....	85	-	-	85
Cash dividends paid to stockholders.....	(64,684)	-	-	(64,684)
Distributions to minority interest	(82)	(2)	-	(84)
Net cash provided by (used in) financing activities.....	(30,395)	(20,834)	(23,554)	(74,783)
NET 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 September 30, 2006, the Company has pledged letters of credit totaling \$7.0 million as additional security for certain financings and other activities.

The Company has committed to fund approximately \$22.8 million, 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 \$100,000.

Under certain Company and joint venture non-recourse mortgage loans, the Company could, under certain circumstances, be responsible for portions of the mortgage indebtedness in connection with certain customary non-recourse carve-out provisions such as environmental conditions, misuse of funds and material misrepresentations. As of September 30, 2006, the Company had mortgage notes outstanding of approximately \$364.5 million and the Texas joint venture in which the Company has an indirect interest had mortgage notes outstanding of approximately \$312.2 million.

The Company is subject to litigation in the normal course of business. However, none of the litigation outstanding as of September 30, 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

In October 2006, the Company purchased an additional 180,900 shares of the Company's common stock under the Share Repurchase Program for approximately \$4.4 million with an average cost of \$24.13 per share.

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.

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 nine-month period ended September 30, 2006; there were no material changes to these policies.

Overview

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

- An occupancy rate of 95.1% in the core shopping center portfolio at September 30, 2006 versus 93.7% at September 30, 2005.
- An average rental rate increase of 6.1% to \$11.52 per square foot on 114 lease renewals aggregating 380,667 square feet;
- The execution of 82 new leases totaling 414,193 square feet at an average rental rate of \$11.53 per square foot, representing a gain of 7.4% versus the \$10.74 average rental rate for lost leases; and
- The completion and leasing of \$17.7 million of development and redevelopment projects with an incremental yield on cost of approximately 9.3%.

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

- The acquisition of six supermarket-anchored shopping centers, eight other retail properties and a parcel of land held for future development for aggregate consideration of \$198.3 million;
- The completion and leasing of \$35.8 million of development and redevelopment projects with an incremental yield on cost of approximately 9.7%;
- Our sale of four income-producing properties for total consideration of \$25.5 million and realized gains of \$8.3 million, and the sale of three parcels of land for total consideration of \$3.0 million and realized gains of \$915,000;
- Our sale of 29 Texas shopping centers and associated land parcels to EQYInvest Texas, LLC, on April 25, 2006 for aggregate consideration of \$387.2 million and recorded total gains on the sale of \$92.2 million;
- Our repurchase of 2.9 million shares of our common stock for total consideration of \$64.7 million at an average cost of \$22.59 per share;
- Our issuance of \$125.0 million principal amount of 6.0% senior unsecured notes maturing in September 2016 and the issuance of \$125.0 million principal amount of 6.25% senior unsecured notes maturing in January 2017; and
- Our repayment of \$50.0 million of senior unsecured notes and our prepayment of \$75.0 million unsecured notes. Our prepayment or defeasance of \$68.7 million of mortgage notes.

On April 25, 2006, we sold 29 Texas Properties to a joint venture 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 joint venture. As a result of our significant continuing involvement with these properties after the sale, the operating results, up to April 25, 2006, of the Texas properties are included in income from continuing operations for the current reporting periods, and not discontinued operations. After April 25, 2006, the results of operations of the Texas properties have not been consolidated, but have been accounted for under the equity method of accounting.

As of September 30, 2006, 14 Louisiana properties were held for sale and are being reported in discontinued operations for all periods presented.

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 believe are important in understanding our operations and/or those items which have significantly changed in 2006 compared to 2005 (in thousands):

	Three Months Ended		
	September 30,		
	2006	2005	% Change
Total revenue	\$ 54,292	\$ 58,411	7.1%
Property operating expenses	\$ 14,933	\$ 15,568	4.1%
Services.....	\$ 610	\$ 42	1,352.4%

Rental property depreciation and amortization	\$ 9,928	\$ 10,153	2.2%
General and administrative expenses.....	\$ 6,591	\$ 4,232	55.7%
Interest expense	\$ 13,161	\$ 13,805	4.7%
Investment Income.....	\$ 830	\$ 5,593	85.2%
Equity in (loss) income from unconsolidated joint ventures	\$ (130)	-	N/A
Gain on extinguishment of debt.....	\$ 457	-	N/A
Discontinued operations	\$ 3,909	\$ 8,257	52.7%

Comparison of the Three Months Ended September 30, 2006 to the Three Months Ended September 30, 2005

Total revenue decreased by \$4.1 million, or 7.1%, to \$54.3 million in 2006 from \$58.4 million in 2005. The following factors accounted for this difference:

- Same property revenue increased by approximately \$1.1 million primarily due to higher leasing rates and occupancy at the shopping centers which increased minimum rents by \$549,000, higher percentage rent of \$186,000 and higher expense recovery revenue of \$948,000, offset by a decrease in termination fees of \$542,000;
- Properties acquired during 2006 increased revenue by approximately \$3.2 million;
- The full period effect of properties acquired during 2005 increased revenue by approximately \$400,000;
- The sale of the Texas Properties decreased revenues by approximately \$10.0 million;
- Redevelopment activities at our properties decreased revenue by approximately \$169,000;
- Completed development properties increased revenue by \$433,000; and
- Property management and leasing services revenue increased by \$689,000 as a result of providing property management and leasing services for the Texas Properties.

Property operating expenses decreased by \$635,000, or 4.1%, to \$14.9 million for 2006 from \$15.5 million in 2005. The following factors contributed to this difference:

- Same property operating expenses increased by approximately \$1.2 million due to an increase in property maintenance and insurance expenses;
- Properties acquired during 2006 increased operating expenses by \$777,000;
- The full period effect of properties acquired during 2005 increased operating expenses by \$246,000;
- The sale of the Texas Properties decreased property operating expenses by approximately \$2.9 million;

- Redevelopment activities at our properties decreased operating expenses by approximately \$171,000; and
- Completed development properties increased operating expenses by \$121,000.

Services expenses were \$610,000 for 2006 as a result of providing property management and leasing services for the Texas Properties.

Rental property depreciation and amortization decreased by \$225,000, or 2.2%, to \$9.9 million for 2006 from \$10.1 million in 2005. The following factors contributed to this difference:

- Same property depreciation and amortization increased by approximately \$279,000 due to the amortization of tenant improvements and leasing commissions;
- Properties acquired during 2006 increased depreciation and amortization by approximately \$1.4 million;
- The full period effect of properties acquired during 2005 increased depreciation and amortization by approximately \$71,000;
- The sale of the Texas Properties decreased depreciation and amortization by \$2.0 million; and
- Completed development properties increased depreciation and amortization by approximately \$112,000.

General and administrative expenses increased by \$2.4 million, or 55.7%, to \$6.6 million for 2006 from \$4.2 million in 2005. Included in this increase were \$857,000 of compensation and employment-related expenses due to our executive management changes and \$162,000 of additional staffing related to our growth, \$59,000 in higher directors' fees from adding two additional members to our Board of Directors, and a write-off of \$1.1 million of abandoned transaction costs related to a corporate and other transactions that did not materialize.

Interest expense decreased by \$644,000, or 4.7%, to \$13.2 million for 2006 from \$13.8 million in 2005. This difference was primarily due to:

- An increase of \$4.1 million attributable to the issuance in September 2005 of \$120.0 million principal amount of 5.375% unsecured senior notes, the issuance in March 2006 of \$125.0 million principal amount of 6.0% unsecured senior notes and the issuance in August 2006 of \$125.0 million principal amount of 6.25% unsecured senior notes, which was partially offset by the decrease of \$971,000 in interest on the repayment in March 2006 of the \$50.0 million principal amount of 7.77% unsecured senior notes and the prepayment in August 2006 of the \$75.0 million principal amount of 7.25% unsecured senior notes;
- An increase of \$208,000 in interest expense attributable to an increase in the variable interest rate on the \$100.0 million notional principal swap of our unsecured notes;
- A decrease of \$1.7 million of interest attributable to a lower outstanding balance on our line of credit;
- A decrease of \$616,000 attributable to the repayment of certain mortgage notes;

- A decrease of \$857,000 attributable to the repayment of certain mortgage notes related to the Texas Properties; and
- A decrease of \$797,000 of interest expense related to an increase in capitalized interest attributable to the redevelopment and development activity.

Investment income decreased \$4.8 million, or 85.2%, to \$830,000 for 2006 from \$5.6 million in 2005. The investment income for 2006 is primarily related to the interest earned on the cash held in escrow pending the acquisition of replacement properties. The investment income for 2005 primarily relates to the \$5.2 million gain on sale of common stock of Cedar Shopping Centers, Inc.

Equity in loss of unconsolidated joint ventures was \$130,000 for 2006 based on our pro rata share of the Texas joint venture's operating loss.

Gain on extinguishment of debt related to the prepayment in August 2006, of the 7.25% \$75.0 million senior notes due August 2007, realizing a \$1.7 million benefit on the associated unamortized debt premium, offset by a make-whole payment of \$1.2 million, resulting in a gain of approximately \$457,000.

For 2006, we sold a parcel of land and recognized a gain of \$396,000.

We sold one income-producing property in the third quarter of 2006 and had 15 operating properties held for sale as of September 30, 2006 in which we do not expect to have continuing involvement. The associated operating results of \$1.7 million 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 properties held for sale at September 30, 2006. We recognized a gain of \$2.2 million in the third quarter of 2006 related to the disposal of the income-producing property and recognized a gain of \$6.1 million in the third quarter of 2005 related to the income-producing properties disposed of in the third quarter of 2005.

As a result of the foregoing, net income decreased by \$13.9 million, or 49.6%, to \$14.1 million for 2006 from \$28.0 million in 2005.

The following summarizes items from our unaudited condensed consolidated statements of operations which we believe are important in understanding our operations and/or those items which have significantly changed in 2006 compared to 2005 (in thousands):

	Nine Months Ended		
	September 30,		
	2006	2005	% Change
Total revenue	\$ 174,587	\$ 176,720	1.2%
Property operating expenses	\$ 48,689	\$ 45,585	6.8%
Services.....	\$ 1,173	\$ 138	750.0%
Rental property depreciation and amortization	\$ 31,952	\$ 29,922	6.8%
General and administrative expenses.....	\$ 15,872	\$ 12,942	22.6%
Interest expense	\$ 41,005	\$ 38,586	6.3%
Investment income.....	\$ 6,595	\$ 7,516	12.3%
Equity in income from unconsolidated ventures.....	\$ 1,525	-	N/A

Loss on extinguishment of debt.....	\$ (1,813)	-	N/A
Gain on sale of real estate.....	\$ 93,077	-	N/A
Discontinued operations	\$ 14,408	\$ 19,176	24.9%

Comparison of the Nine Months Ended September 30, 2006 to the Nine Months Ended September 30, 2005

Total revenue decreased by \$2.1 million, or 1.2%, to \$174.6 million in 2006 from \$176.7 million in 2005. The following factors contributed to this difference:

- Same property revenue increased by approximately \$5.3 million primarily due to higher leasing rates and occupancy at the shopping centers which increased revenue by \$2.2 million and an increase in expense recovery revenue of \$3.9 million, partially offset by lower termination fees of \$1.1 million;
- Properties acquired during 2006 increased revenue by approximately \$7.6 million;
- The full period effect of properties acquired during 2005 increased revenue by approximately \$1.4 million;
- The disposition of the Texas Properties decreased revenue by approximately \$17.1 million;
- Redevelopment activities at our properties decreased revenue by \$1.8 million;
- Completed development properties increased revenue by approximately \$1.3 million; and
- Property management and leasing services revenue increased by \$1.0 million as a result of providing property management and leasing services for the Texas Properties.

Property operating expenses increased by \$3.1 million, or 6.8%, to \$48.7 million for 2006 from \$45.6 million in 2005. The following factors contributed to this difference:

- Same property operating expenses increased by approximately \$4.5 million due to an increase in property maintenance, insurance and real estate tax expenses;
- Properties acquired during 2006 increased operating expenses by approximately \$1.9 million;
- The full period effect of properties acquired during 2005 increased operating expenses by approximately \$736,000;
- The disposition of the Texas Properties decreased operating expenses by approximately \$4.5 million;
- Redevelopment activities at our properties increased operating expenses by \$74,000; and

- The completion of development properties increased property operating expenses by approximately \$370,000.

Services expenses increased by \$1.0 million as a result of providing property management and leasing services for the Texas Properties.

Rental property depreciation and amortization increased by approximately \$2.0 million, or 6.8%, to \$32.0 million for 2006 from \$30.0 million in 2005. The following factors contributed to this difference:

- Same property depreciation and amortization increased by approximately \$943,000 due to the amortization of tenant improvements and leasing commission amortization;
- Properties acquired during 2006 increased depreciation and amortization by approximately \$3.9 million;
- The full period effect of properties acquired during 2005 increased depreciation and amortization by approximately \$241,000;
- The sale of the Texas Properties decreased rental property depreciation and amortization by approximately \$3.2 million; and
- Completed development properties increased depreciation and amortization by approximately \$231,000.

General and administrative expenses increased by \$2.9 million, or 22.6%, to \$15.8 million for 2006 from \$12.9 million in 2005. Included in this increase were \$857,000 of compensation and employment-related expenses due to our executive management changes and \$116,000 additional staffing related to our growth, \$369,000 in higher fees paid to our non-employee members of the board of directors, \$271,000 in travel and entertainment expenses, \$111,000 of depreciation related to additional furniture and fixture purchases, and a write-off of \$1.1 million of abandoned transaction costs related to a corporate transaction that did not materialize.

Interest expense increased by \$2.4 million, or 6.3% to \$41.0 million for 2006 from \$38.6 million in 2005. This difference was primarily due to:

- An increase of \$11.2 million attributable to the issuance in September 2005 of \$120.0 million principal amount of 5.375% unsecured senior notes, the issuance in March 2006 of \$125.0 million principal amount of 6.0% unsecured senior notes and the issuance in August 2006 of \$125.0 million principal amount of 6.25% unsecured senior notes, all of which was partially offset by the decrease of \$2.5 million in interest on the repayment in March 2006 of the \$50.0 million principal amount of 7.77% unsecured senior notes and the prepayment in August 2006 of the \$75.0 million principal amount of 7.25% unsecured senior notes;
- An increase of \$1.1 million in interest expense attributable to an increase in the variable interest rate on the \$100.0 million notional principal swap of our unsecured notes;

- A decrease of \$2.0 million attributable to a lower outstanding balance on our line of credit;
- A decrease of \$1.5 million attributable to the repayment of certain mortgage notes;
- A decrease of \$1.9 million attributable to the repayment of certain mortgage notes related to the Texas Properties; and
- A decrease of \$2.1 million of interest expense related to an increase in capitalized interest attributable to development and redevelopment activity.

Investment income for 2006 primarily relates to interest earned on the funds held in escrow pending the acquisition of replacement properties and \$4.3 million of dividend income related to the \$1.20 dividend per ordinary share declared by DIM in March 2006. The 2005 investment income primarily relates to the gain of \$5.2 million on the sale of common stock of Cedar Shopping Centers.

Equity in income of unconsolidated joint ventures was \$1.5 million for 2006. This income is primarily due to Parcel F LLC selling its land parcel and our pro rata share of the gain of \$1.6 million and our pro rata share of the Texas joint venture's operating loss of \$130,000 for the period April 26, 2006 (inception) through September 30, 2006.

Loss on extinguishment of debt was \$1.8 million for 2006. This loss is primarily attributable to the repayment of the debt associated with the Texas Properties in connection with the Texas joint venture transaction, in which the cost incurred to retire the debt was in excess of the carrying value of \$2.0 million, and it also included the retirement of certain other mortgage debt, incurring costs in excess of the carrying value of \$300,000, was offset by the repayment of the \$75.0 million unsecured senior note that resulted in a \$1.7 million benefit on the associated unamortized debt premium, less a make-whole payment of \$1.2 million.

Other income increased by \$389,000 due to a legal settlement in 2006.

Gain on sale of real estate was \$93.1 million in 2006. The gain is primarily attributable to the sale of the Texas Properties in connection with the Texas joint venture transaction of \$92.2 million and the individual sale of three parcels of land resulting in a gain of \$915,000.

We sold four income-producing properties in the nine months period ended September 30, 2006 and had 15 operating properties held for sale as of September 30, 2006, in which we do not expect to have continuing involvement. The associated operating results of \$6.1 million 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 properties held for sale at September 30, 2006. We recognized a gain of \$8.3 million in the nine-month period ended September 30, 2006 related to the disposal of these income-producing properties and recognized a gain of \$11.5 million for the nine months ended September 30, 2005 related to the income-producing properties disposed of during 2005.

As a result of the foregoing, net income increased by \$72.9 million, or 97.2%, to \$147.8 million for 2006 from \$74.9 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 and nine months periods ended September 30, 2006 and 2005 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net income	\$ 14,120	\$ 28,041	\$ 147,832	\$ 74,974
Adjustments:				
Rental property depreciation and amortization, including discontinued operations.....	10,629	10,924	34,161	32,308
Gain on disposal of depreciable real property	-	(6,088)	(93,196)	(11,460)
Pro rata share of real estate depreciation from unconsolidated joint venture	736	-	1,244	-
Minority interest	28	27	178	82
Funds from operations	\$ 25,513	\$ 32,904	\$ 90,219	\$ 95,904

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Earnings per diluted share*	\$ 0.19	\$ 0.37	\$ 1.97	\$ 1.00
Adjustments:				
Rental property depreciation and amortization, including discontinued operations.....	0.15	0.15	0.45	0.43
Gain on disposal of depreciable real estate	-	(0.08)	(1.24)	(0.15)

Pro rata share of real estate depreciation from unconsolidated joint venture.....	0.01	-	0.02	-
Funds from operations per diluted share.....	\$ 0.35	\$ 0.44	\$ 1.20	\$ 1.28

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

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2006, we had approximately \$12.3 million of available cash and cash equivalents and \$6.3 million of cash held in escrow. As a REIT, we are required to distribute at least 90% of our taxable income to our stockholders on an annual basis. Therefore, as a general matter, it is unlikely that we will have any substantial cash balances that could be used to meet any immediate liquidity needs. We also have approximately \$230.1 million available that can be drawn under our unsecured revolving credit facilities.

The following summary discussion of our cash flows is based on the consolidated statements of cash flows and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below (in thousands):

	Nine Months Ended		
	September 30,		
	2006	2005	Increase (Decrease)
Net cash provided by operating activities	\$ 90,681	\$ 98,019	\$ (7,338)
Net cash provided by (used in) investing activities	136,389	(28,358)	164,747
Net cash (used in) financing activities	\$ (214,900)	\$ (74,783)	\$ (140,117)

Our principal source of operating cash flow is cash generated from our rental properties. Our properties provide a relatively consistent stream of cash flow that provides us with resources to fund operating expenses, debt service and quarterly dividends. In addition, over the past year, we have raised funds through the issuance of debt securities, the sale of the 29 Texas properties and the sale of selected individual properties.

Our principal demands for liquidity are maintenance expenditures, repairs, property taxes, insurance premiums 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.

Cash provided by investing activities is usually from the sale of properties. For the nine months ended September 30, 2006, the source of funds was primarily from the proceeds of the disposition of our Texas properties. Cash used in investing activities is to fund acquisitions, development and redevelopment costs, recurring and nonrecurring capital expenditures and leasing expenses. We invest in development projects that enable us to take advantage of our development, leasing and property management skills and invest in existing properties that meet our investment criteria.

Cash used in financing activities is primarily for the repayment of indebtedness and payment of our dividend. For the nine months ended September 30, 2006, we also repurchased \$64.7 million

of our common stock. Cash provided by financing activities is primarily from the issuance of debt and equity securities. For the nine months ended September 30, 2006, we issued \$250.0 million of senior unsecured notes and repaid \$125.0 million of senior unsecured notes.

The following table sets forth certain information regarding future contractual obligations, excluding interest, as of September 30, 2006 (in thousands):

Contractual Obligations	Payments due by period				
	Total	Less than 1 year ⁽²⁾	1-3 years	3-5 years	More than 5 years
Mortgage notes payable:					
Scheduled amortization	\$ 98,570	\$ 2,294	\$ 19,378	\$ 25,969	\$ 50,929
Balloon payments	265,917	-	31,338	180,953	53,626
Total mortgage obligations	364,487	2,294	50,716	206,922	104,555
Unsecured revolving credit					
facilities	44,000	-	44,000	-	-
Letters of credit	7,017	7,017	-	-	-
Unsecured senior notes ⁽¹⁾	595,000	-	200,000	-	395,000
Capital leases	-	-	-	-	-
Operating leases	484	87	228	89	80
Development and redevelopment ...	22,841	4,805	18,036	-	-
Total contractual obligations	\$1,033,829	\$ 14,203	\$ 312,980	\$ 207,011	\$ 499,635

⁽¹⁾ \$100 million of the outstanding balance has been swapped to a floating interest rate based on the 6 month LIBOR in arrears, plus 0.4375%. The contractual obligations for the unsecured senior notes do not reflect this interest rate swap.

⁽²⁾ Amount represents balance of obligation for the remainder of the 2006 year.

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.

Off-Balance Sheet Arrangements

We have pledged letters of credit totaling \$7.0 million as additional security for certain financings and other activities.

We have committed to fund approximately \$22.8 million, 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 our properties are subject to ground leases, which are accounted for as operating leases and have annual obligations of approximately \$100,000.

Under certain of the joint venture and our non-recourse mortgage loans, we could, under certain circumstances, be responsible for portions of the mortgage indebtedness in connection with certain customary non-recourse carve-out provisions such as environmental conditions, misuse of funds and material misrepresentations. As of September 30, 2006, we had mortgage notes

outstanding of approximately \$364.4 million and the joint venture in which we have an indirect interest had mortgage notes outstanding of approximately \$312.2 million, of which our exposure is limited by the subsidiary's capitalization of \$3.0 million. Our proportionate share of the joint venture's loans was \$62.4 million.

Developments and Redevelopments

As of September 30, 2006, we had various development and redevelopment projects underway or in the planning stage totaling approximately \$122.2 million of asset value, which based on current plans and estimates, are expected to require \$22.8 million of additional capital to complete beyond the \$99.3 million already invested. These include:

- Two Publix supermarket-anchored shopping centers in McDonough, Georgia and Huntsville, Alabama, which are substantially complete with the remaining space undergoing lease-up;
- Belfair Towne Village in Bluffton, South Carolina where we added 41,250 square feet to the existing center including a 33,000 square foot Steinmart which opened in October 2006 and are currently leasing the remaining 8,250 square feet of space;
- St. Lucie West Plaza, adjacent to our Cashmere Corners property in Port St. Lucie, Florida, where we added 19,361 square feet of retail shops and are currently leasing the balance of the space;
- Bluebonnet Village in Baton Rouge, Louisiana, where we added 10,750 square feet of retail space to the existing center and are currently leasing the balance of the space;
- South Beach in Jacksonville Beach, Florida, where we completed a partial redevelopment and released the former Food Lion space to Bed Bath & Beyond;
- Brookside Plaza in Enfield, Connecticut, where we are doing a partial redevelopment of the center and released the former Marshall's space to Bed Bath & Beyond;
- Chestnut Square in Brevard, North Carolina, where we are reconfiguring the existing center and adding a Walgreen's; and
- Hunters Creek in Orlando, Florida, where we reconfigured the former Winn Dixie space into an Office Depot and a Lifestyle Fitness.

These developments and redevelopments are scheduled for completion beginning in the fourth quarter of 2006. During the nine months ended September 30, 2006, we completed and leased a total of \$35.8 million of development and redevelopment projects resulting in incremental net operating income of approximately \$3.5 million on an annualized basis.

Equity

For the nine months ended September 30, 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. As of September 30, 2006, we have 5.4 million shares remaining for sale under that plan. Effective March 1, 2006, issuances of stock under the plan were suspended.

On August 25, 2006, our Board of Directors approved a quarterly dividend of \$0.30 per share, which was paid on September 30, 2006 to stockholders of record on September 15, 2006 of approximately \$22.1 million.

On July 24, 2006, our Board of Directors increased the authorization of our previously announced common stock repurchase program from \$50.0 million to \$100.0 million through the

period ending December 31, 2006. The program authorizes us to repurchase our outstanding common stock from time to time through periodic open market transactions or through privately negotiated transactions. As of September 30, 2006, approximately 2.9 million shares have been repurchased and retired at an average purchase price of \$22.59 per share for aggregate consideration of \$64.7 million.

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. Such statements 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 September 30, 2006, we had approximately \$144.0 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 September 30, 2006, in relation to our \$1.0 billion of outstanding debt, \$2.0 billion of total assets and \$1.7 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 \$1.4 million. If interest rates on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately \$1.4 million. This assumes that the amount outstanding under our variable rate debt remains at approximately \$144.0 million (including the \$100.0 million of fixed rate debt converted to floating rate debt through the use of hedging agreements), the balance as of September 30, 2006.

The fair value of our fixed rate debt is \$875.6 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 \$62.3 million. If interest rates decrease by 1%, the fair value of our total outstanding debt would increase by approximately \$35.2 million. This assumes that our total outstanding fixed rate debt remains at \$859.5 million, the balance as of September 30, 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 currently have in place an aggregate notional amount of \$85.0 million of treasury locks, at a weighted average interest rate of 5.10% per annum, which were executed to hedge the benchmark interest rate associated with forecasted interest payments relating to an anticipated issuance of fixed-rate borrowings in August 2007.

We entered into an aggregate notional amount of \$95.0 million of treasury locks which were terminated in connection with the issuance of the 6% \$125 million senior unsecured notes in March 2006. The realized gain of \$1.5 million 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.

The Company entered into an aggregate notional amount of \$75.0 million of treasury locks which were terminated in connection with the issuance of the 6.25% \$125 million of unsecured senior notes in August 2006. There was no realized gain or loss on the termination of these treasury locks.

During 2004, we entered into a \$100.0 million notional principal variable rate interest swap with an estimated fair value of \$6.0 million as of September 30, 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 September 30, 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 September 30, 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

Items 2(a) and (b) are not applicable.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the quarter ended September 30, 2006, the Company made the following purchases of its common stock:

ISSUER PURCHASES OF EQUITY SECURITIES

<u>Period (2006)</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u>
July 1-31.....	-	\$ -	-	\$ -
August 1-31.....	88,200	23.81	88,200	47,901,351
September 1-30	524,500	24.10	524,500	35,261,722
Total	<u>612,700</u>	<u>24.06</u>	<u>612,700</u>	<u>\$ 35,261,722</u>

In July 2006, the Board increased the Share Repurchase Program to \$100.0 million. Future purchases of shares of common stock will be made 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 August 4, 2006 through December 31, 2006.

In October 2006, the Company purchased an additional 180,900 shares of the Company's common stock under the Share Repurchase Program for approximately \$4.4 million with an average cost of \$24.13.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None

ITEM 5. OTHER INFORMATION

None On August 7, 2006, we announced that Mr. Jeffrey S. Olson would join our company and serve as our next Chief Executive Officer and President. We also announced that Mr. Olson would become a member of our Board of Directors. In connection with that announcement, we disclosed that Chaim Katzman, our current Chairman of the Board of Directors and Chief Executive Officer, would continue to serve as Chief Executive Officer until March 31, 2007 and would also continue to serve as Chairman. We also announced that Doron Valero, a Director and our then-current President and Chief Operating Officer, had given notice that he did not intend to renew his employment agreement which expires on December 31, 2006 but would continue to be employed through year-end to facilitate the management transition.

On August 31, 2006, in a Current Report on Form 8-K, we announced the execution of an amended and restated employment agreement with Mr. Olson. A copy of Mr. Olson's employment agreement is attached to this Quarterly Report on Form 10-Q as Exhibit 10.2, and the terms thereof are incorporated herein by reference thereto.

On October 17, 2006, we announced that Mr. Gregory Andrews will join our company and will serve as our next Chief Financial Officer. We also announced that our employment agreement with Howard M. Sipzner, our current Executive Vice President and Chief Financial Officer, would not be renewed upon its expiration on January 1, 2007, but that he would continue to be employed through year-end to facilitate the management transition. Mr. Andrew's employment agreement is attached to this Quarterly Report on Form 10-Q as Exhibit 10.3, and the terms thereof are incorporated herein by reference thereto.

On October 20, 2006, in a Current Report on Form 8-K, we announced the execution of a chairman compensation agreement with Mr. Katzman, memorializing the terms under which he would serve as our Chairman of the Board of Directors. A copy of Mr. Katzman's chairman compensation agreement is attached to this Quarterly Report on Form 10-Q as Exhibit 10.1, and the terms thereof are incorporated herein by reference thereto.

On November 6, 2006, we announced that on November 3, 2006 Mr. Olson had been elected to our Board of Directors and was appointed by the Board to serve as our President. Mr. Olson will also serve on the executive committee of the Board.

On November 6, 2006, we also announced that Jeffrey Stauffer had joined our company as our Chief Operating Officer. Mr. Stauffer, 45, joins us from Pan Pacific Retail Properties, Inc. where he served as Chief Operating Officer for the past eight years and held various senior management positions since joining the company in 1990. The initial term of Mr. Stauffer's employment agreement with us commenced on November 6, 2006, ends on December 31, 2010 and will automatically renew for successive one-year periods unless either party gives the other written notice at least six months before the expiration of the applicable term. During the employment period, Mr. Stauffer will receive an annual base salary of not less than \$350,000 and an annual cash bonus based upon the achievement of certain performance levels established by the Company's Compensation Committee, including growth of earnings, funds from operations per share of Company stock, earnings per share of Company stock and the executive's performance and contribution to increasing the funds from operations; provided however, that in no event will the annual bonus be less than \$175,000 (with a prorated amount for the 2006 calendar year).

In connection with the employment agreement, on November 6, 2006, we granted Mr. Stauffer:

- 40,000 shares of restricted stock, which shares vest pro rata over a four year period commencing on December 31, 2007; and
- options to purchase 400,000 shares of the Company's common stock with an exercise price equal to \$25.40 and which vest pro rata over a four-year period commencing on December 31, 2007.

In addition, at the discretion of the Compensation Committee, Mr. Stauffer will be entitled to additional annual incentive compensation over the employment period. Any such annual incentive award shall vest pro rata over a four-year period commencing on the first anniversary of the grant date.

Pursuant to the employment agreement, Mr. Stauffer is eligible to receive an additional cash bonus within 45 days of December 31, 2010 (or such shorter time as provided in the employment agreement) in an amount up to \$3 million if the total shareholder return to our stockholders for the period commencing on November 6, 2006 and ending December 31, 2010 (or such shorter time as provided in the employment agreement): (a) exceeds the average total shareholder return of a group of peer companies by certain predetermined amounts and (b) equals or exceeds a certain predetermined amount.

The employment agreement provides that Mr. Stauffer will be entitled to other customary fringe benefits and shall be reimbursed for all reasonable moving costs and expenses associated with his relocation to South Florida in an amount not to exceed \$40,000.

If Mr. Stauffer's employment is terminated due to death or disability other than following a "change of control" (as defined in the employment agreement), Mr. Stauffer or his estate will be entitled to receive, in addition to accrued base salary, bonus and vacation pay, a lump-sum payment as soon as practicable following the termination date equal to (a) either (i) his base salary and his average annual bonus, if any, for the three most recently completed fiscal years or (ii) if less, his base salary payable for the balance of the employment period plus a pro rata portion of his average bonus, if any, for the three most recently completed fiscal years, plus (b) the cash incentive payment, if any earned. In addition, all stock options and shares of restricted stock which were to vest based on the passage of time shall fully vest as of the date of such termination.

If Mr. Stauffer's employment is terminated (a) by us "without Cause," (b) by Mr. Stauffer for "good reason" or (c) by Mr. Stauffer's resignation, death or disability following a "change in control" (as such terms are defined in the employment agreement), Mr. Stauffer will receive, in addition to accrued base salary, bonus and vacation pay, a lump-sum payment equal to (i) two times (three times if following a "change of control") the sum of his then-current base salary plus his average bonus, if any, for the three most recently completed fiscal years plus (ii) the cash incentive payment, if any earned. In addition, following any such termination, all options and restricted stock that were to vest based on the passage of time shall fully vest as of the date of termination. If, in the case of resignation, death or disability (as defined in the employment agreement) following a "change of control," the termination precedes the otherwise applicable end-date for a performance period for stock options or restricted stock granted to Mr. Stauffer, a percentage of such stock options or restricted stock shall vest as of the date of termination equal to the period of time that has elapsed since the date of award of such stock options or restricted stock compared to the total time during the performance period stated in the award of such stock options or restricted stock.

In addition, if Mr. Stauffer's employment terminates for any reason other than "cause" (as defined in the employment agreement) after the end of any fiscal year for which an annual bonus is required under the employment agreement or for which objective performance criteria have been established, then Mr. Stauffer will be entitled to receive that bonus even if his termination preceded the payment date for such bonus.

If any amounts and benefits paid to Mr. Stauffer are deemed to be "parachute payments" within the meaning of Section 280G of the Internal Revenue Code and subject to the excise tax under Section 4999 of the Internal Revenue Code, such payments will be "grossed up" to make Mr. Stauffer whole for the impact of such excise tax.

Mr. Stauffer has also agreed to refrain from certain activities for one year following specified termination events under the employment agreement, including direct competition with our business and the solicitation of our employees.

Other than as described in this Form 10-Q, there are no arrangements or understandings between Mr. Stauffer and any other person pursuant to which Mr. Stauffer was selected as an officer of our company, other than our compensation arrangements and plans for executive officers and our other policies and procedures which are generally applicable to executive officers. In addition, since the beginning of our last fiscal year, neither we nor our subsidiaries has engaged in any transactions, and there are no proposed transactions, or series of similar transactions, in which Mr. Stauffer had a direct or indirect material interest. The foregoing description of Mr. Stauffer's employment agreement is qualified in its entirety by Mr. Stauffer's employment agreement, a copy of which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.4 and is incorporated herein by reference thereto.

The appointments of Mr. Olson and Mr. Stauffer followed the resignation of Mr. Valero on November 3, 2006 from his positions as a Director, President and Chief Operating Officer. Mr. Valero will remain employed by us until December 31, 2006. In connection with his resignation, Mr. Valero's existing employment agreement was amended to provide that, following his resignation as President and Chief Operating Officer, he would continue to serve as an operations advisor until the end of the term thereof. In addition, the amendment clarified that his outstanding incentive awards would vest upon the expiration of his agreement. The foregoing description of the amendment to Mr. Valero's employment agreement is qualified in its entirety by the amendment to Mr. Valero's employment agreement which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.5 and is incorporated herein by reference thereto.

Finally, on November 3, 2006, we also entered into a consulting agreement with Mr. Valero, which has an effective date of January 1, 2007 and pursuant to which he will continue to provide consulting services to us for the next two years. Under the agreement we have agreed to pay him \$1.75 million over the term of that agreement, payable in semi-annual payments commencing on its effective date. The foregoing description of Mr. Valero's consulting agreement is qualified in its entirety by Mr. Valero's consulting agreement which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.6 and is incorporated herein by reference thereto.

ITEM 6. EXHIBITS

(a) Exhibits:

- 4.1 Supplemental Indenture No. 10 dated as of August 18, 2006 among Equity One, Inc., the guaranters named therein and Sun Trust Bank (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 18, 2006.
- 10.1 Chairman Compensation Agreement dated October 17, 2006 between Equity One, Inc., and Chaim Katzman.
- 10.2 First Amended and Restated Employment Agreement dated August 28, 2006 between Equity One, Inc., and Jeffrey Olson.
- 10.3 Employment Agreement dated October 16, 2006 between Equity One, Inc., and Gregory R. Andrews.
- 10.4 Employment Agreement dated November 6, 2006 between Equity One, Inc., and Jeffrey S. Stauffer.
- 10.5 Second Amendment to Amended and Restated Employment Agreement dated November 3, 2006 between Equity One, Inc., and Doron Valero.
- 10.6 Consulting Agreement dated November 3, 2006 between Equity One, Inc., and Doron Valero.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

Date: November 9, 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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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.

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: November 9, 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-15e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)S 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: November 9, 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 September 30, 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.

November 9, 2006

/s/ CHAIM KATZMAN

Chaim Katzman
Chief Executive Officer

November 9, 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).