

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended June 30, 2008

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, a non-accelerated filer, or a "smaller reporting company". See definition of "accelerated filer, large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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 July 28, 2008, 74,035,328 shares of the Company's common stock, par value \$0.01 per share, were outstanding.

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**QUARTERLY REPORT ON FORM 10-Q**  
**QUARTER ENDED JUNE 30, 2008**  
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**PART I - FINANCIAL INFORMATION**  
**Item 1. Financial Statements**

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
**June 30, 2008 and December 31, 2007**  
(In thousands, except per share data)  
(Unaudited)

	<u>June 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
<b>ASSETS</b>		
Properties:		
Income producing	\$ 1,878,248	\$ 2,047,993
Less: accumulated depreciation	<u>(179,515)</u>	<u>(172,651)</u>
Income-producing property, net	1,698,733	1,875,342
Construction in progress and land held for development	63,124	81,574
Properties held for sale	<u>32,565</u>	<u>323</u>
Properties, net	1,794,422	1,957,239
Cash and cash equivalents	20,290	1,313
Cash held in escrow	-	54,460
Accounts and other receivables, net	10,879	14,148
Investment and advances in real estate joint ventures	7,661	-
Securities	119,874	72,299
Goodwill	12,385	12,496
Other assets	<u>60,478</u>	<u>62,429</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,025,989</u>	<u>\$ 2,174,384</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Notes Payable		
Mortgage notes payable	\$ 324,552	\$ 397,112
Mortgage notes payable related to properties held for sale	13,670	-
Unsecured revolving credit facilities	-	37,000
Unsecured senior notes payable	<u>706,645</u>	<u>744,685</u>
	1,044,867	1,178,797
Unamortized premium/discount on notes payable	<u>6,973</u>	<u>10,042</u>
Total notes payable	1,051,840	1,188,839
Other liabilities		
Accounts payable and accrued expenses	35,957	30,499
Tenant security deposits	9,025	9,685
Other liabilities	<u>17,883</u>	<u>28,440</u>
Total liabilities	<u>1,114,705</u>	<u>1,257,463</u>
Minority interest	<u>989</u>	<u>989</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value – 10,000 shares authorized but unissued	-	-
Common stock, \$0.01 par value – 100,000 shares authorized 73,416 and 73,300 shares issued and outstanding as of June 30, 2008 and December 31, 2007, respectively	734	733
Additional paid-in capital	909,729	906,174
Retained earnings	23,858	17,987
Accumulated other comprehensive loss	<u>(24,026)</u>	<u>(8,962)</u>
Total stockholders' equity	<u>910,295</u>	<u>915,932</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 2,025,989</u>	<u>\$ 2,174,384</u>

See accompanying notes to condensed consolidated financial statements.

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
**For the three and six months ended June 30, 2008 and 2007**  
(In thousands, except per share data)  
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
<b>REVENUE:</b>				
Minimum rent	\$ 46,815	\$ 47,979	\$ 94,816	\$ 94,325
Expense recoveries	13,101	14,026	26,769	26,949
Percentage rent	164	373	1,613	1,633
Management and leasing services	814	149	997	986
Total revenue	<u>60,894</u>	<u>62,527</u>	<u>124,195</u>	<u>123,893</u>
<b>COSTS AND EXPENSES:</b>				
Property operating	16,032	15,112	32,102	29,841
Rental property depreciation and amortization	11,667	11,618	23,434	22,544
General and administrative	7,553	6,826	14,355	16,630
Total costs and expenses	<u>35,252</u>	<u>33,556</u>	<u>69,891</u>	<u>69,015</u>
<b>INCOME BEFORE OTHER INCOME AND EXPENSE, MINORITY INTEREST AND DISCONTINUED OPERATIONS</b>	25,642	28,971	54,304	54,878
<b>OTHER INCOME AND EXPENSE:</b>				
Investment income	672	547	6,862	6,753
Equity in income in unconsolidated joint ventures	170	-	170	-
Other income	45	58	88	240
Interest expense	(15,413)	(17,046)	(31,395)	(32,626)
Amortization of deferred financing fees	(420)	(422)	(849)	(809)
Loss on sale of fixed assets	-	(283)	-	(283)
Gain on sale of real estate	18,499	518	18,457	1,585
Gain on extinguishment of debt	696	-	3,076	-
<b>INCOME BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS</b>	29,891	12,343	50,713	29,738
Minority interest	(28)	(28)	(56)	(56)
<b>INCOME FROM CONTINUING OPERATIONS</b>	<u>29,863</u>	<u>12,315</u>	<u>50,657</u>	<u>29,682</u>
<b>DISCONTINUED OPERATIONS:</b>				
Operations of income-producing properties sold or held for sale	38	565	98	1,485
(Loss) gain on disposal of income-producing properties	(483)	(12)	(483)	1,720
(Loss) income from discontinued operations	(445)	553	(385)	3,205
<b>NET INCOME</b>	<u>\$ 29,418</u>	<u>\$ 12,868</u>	<u>\$ 50,272</u>	<u>\$ 32,887</u>
<b>EARNINGS PER COMMON SHARE - BASIC:</b>				
Continuing operations	\$ 0.41	\$ 0.17	\$ 0.69	\$ 0.41
Discontinued operations	(0.01)	0.01	(0.01)	0.04
	<u>\$ 0.40</u>	<u>\$ 0.18</u>	<u>\$ 0.68</u>	<u>\$ 0.45</u>
Number of Shares Used in Computing Basic Earnings per Share	73,408	73,101	73,366	73,038
<b>EARNINGS PER COMMON SHARE – DILUTED:</b>				
Continuing operations	\$ 0.41	\$ 0.16	\$ 0.69	\$ 0.40
Discontinued operations	(0.01)	0.01	(0.01)	0.04
	<u>\$ 0.40</u>	<u>\$ 0.17</u>	<u>\$ 0.68</u>	<u>\$ 0.44</u>
Number of Shares Used in Computing Diluted Earning per Share	73,541	74,128	73,503	74,056

See accompanying notes to condensed consolidated financial statements.

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statement of Comprehensive Income**  
**For the three and six months ended June 30, 2008 and 2007**  
(In thousands)  
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
NET INCOME	\$ 29,418	\$ 12,868	\$ 50,272	\$ 32,887
OTHER COMPREHENSIVE INCOME:				
Net unrealized holding (loss) gain on securities available for sale	(4,785)	3,776	(15,318)	4,330
Changes in fair value of cash flow hedges	-	424	-	75
Reclassification adjustment for loss on sale of securities and cash flow hedges included in net income	-	2,379	15	2,365
Net realized (loss) gain of interest rate contracts included in net income	-	(2,498)	196	(2,498)
Net amortization of interest rate contracts	20	14	43	(23)
Other comprehensive income adjustment	(4,765)	4,095	(15,064)	4,249
COMPREHENSIVE INCOME	\$ 24,653	\$ 16,963	\$ 35,208	\$ 37,136

See accompanying notes to condensed consolidated financial statements.

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statement of Stockholders' Equity**  
**For the six months ended June 30, 2008**  
(In thousands)  
(Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
BALANCE, JANUARY 1, 2008	\$ 733	\$ 906,174	\$ 17,987	\$ (8,962)	\$ 915,932
Issuance of common stock	1	340	-	-	341
Share-based compensation expense	-	3,215	-	-	3,215
Net income	-	-	50,272	-	50,272
Dividends paid	-	-	(44,401)	-	(44,401)
Other comprehensive income adjustment	-	-	-	(15,064)	(15,064)
BALANCE, JUNE 30, 2008	<u>\$ 734</u>	<u>\$ 909,729</u>	<u>\$ 23,858</u>	<u>\$ (24,026)</u>	<u>\$ 910,295</u>

See accompanying notes to the condensed consolidated financial statements.

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
**For the six months ended June, 2008 and 2007**  
**(In thousands)**  
**(Unaudited)**

	<b>Six months ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 50,272	\$ 32,887
Adjustments to reconcile net income to net cash provided by operating activities:		
Straight line rent adjustment	(409)	(1,141)
Amortization of above/(below) market lease intangibles	(1,987)	(2,300)
Provision for losses on accounts receivable	1,005	1,035
Amortization of premium on notes payable	(1,106)	(967)
Amortization of deferred financing fees	849	812
Rental property depreciation and amortization	23,493	23,384
Stock-based compensation	3,215	3,723
Amortization of derivatives	43	(23)
Gain on disposal of real estate and income-producing properties	(17,974)	(3,306)
Loss on sale of fixed assets	-	283
Loss on sale of securities	-	(276)
Gain on extinguishment of debt	(3,076)	-
Equity in income of unconsolidated joint ventures	(170)	-
Distributions or earnings from joint ventures	88	-
Minority interest	56	56
Changes in assets and liabilities:		
Accounts and other receivables	2,264	4,442
Other assets	(4,346)	412
Accounts payable and accrued expenses	5,291	10,162
Tenant security deposits	(660)	452
Other liabilities	(5,209)	2,992
Net cash provided by operating activities	<u>51,639</u>	<u>72,627</u>
<b>INVESTING ACTIVITIES:</b>		
Additions to and purchases of rental property	(5,565)	(105,400)
Land held for development	(87)	(23)
Additions to construction in progress	(10,092)	(7,609)
Proceeds from disposal of real estate and rental properties	179,856	10,525
Decrease in cash held in escrow	54,460	1,405
Investments in joint ventures	(12,768)	
Distributions of capital from joint ventures	2,966	
Increase in deferred leasing costs	(3,088)	(2,737)
Additions to notes receivable	(3)	(14)
Proceeds from repayment of notes receivable	13	25
Proceeds from sale of securities	250	1,560
Cash used to purchase securities	(63,128)	(109)
Net cash provided by (used in) investing activities	<u>142,814</u>	<u>(102,377)</u>

(Continued)

See accompanying notes to condensed consolidated financial statements.

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
**For the six months ended June, 2008 and 2007**  
(In thousands)  
(Unaudited)

	<b>Six months ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>FINANCING ACTIVITIES:</b>		
Repayments of mortgage notes payable	\$ (59,620)	\$ (5,145)
Net repayments borrowings under revolving credit facilities	(37,000)	(70,500)
Proceeds from senior debt offerings	-	148,874
Repayment of senior debt	(34,689)	-
Cash paid for settlement of interest rate contracts	-	(2,498)
Proceeds from issuance of common stock	341	3,888
Increase in deferred financing costs	(51)	(532)
Cash dividends paid to stockholders	(44,401)	(44,281)
Distributions to minority interest	(56)	(56)
Net cash (used in) provided by financing activities	(175,476)	29,750
Net increase in cash and cash equivalents	18,977	-
Cash and cash equivalents at beginning of the period	1,313	-
Cash and cash equivalents at end of the period	\$ 20,290	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest (net of capitalized interest of \$1.5 million and \$1.8 million in 2008 and 2007, respectively)	\$ 33,648	\$ 31,791
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Change in unrealized holding gain (loss) on securities	\$ (15,318)	\$ 4,330
Change in fair value of hedges	\$ -	\$ 75
 The Company acquired and assumed mortgages on the acquisition of certain rental properties:		
Fair value of rental property	\$ -	\$ 69,069
Assumption of mortgage notes payable	-	(27,740)
Fair value adjustment of mortgage notes payable	-	(1,974)
Cash paid for rental property	\$ -	\$ 39,355
 The Company issued senior unsecured notes:		
rental properties:		
Face value of notes	\$ -	\$ 150,000
Underwriting costs	-	(975)
Discount	-	(151)
Cash received	\$ -	\$ 148,874

See accompanying notes to condensed consolidated financial statements.

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**June 30, 2008**  
**(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 neighborhood and community shopping centers anchored by leading supermarkets, drug stores or discount retail store chains. As of June 30, 2008, our property portfolio comprised 162 properties, including 145 shopping centers consisting of approximately 15.9 million square feet of gross leasable area (“GLA”), seven development/redevelopment properties, six non-retail properties and four parcels of land. As of June 30, 2008, our core portfolio was 92.8% leased and included national, regional and local tenants. Additionally, we own a 10% interest in GRI-EQY I, LLC, (“GRI Venture”) which owns eight neighborhood shopping centers totaling approximately 1.2 million square feet of GLA as of June 30, 2008. In total, the GRI Venture’s properties were 97.5% leased at June 30, 2008.

**Basis of Presentation**

The condensed consolidated financial statements include the accounts of Equity One, Inc. and its wholly-owned subsidiaries and those partnerships where it has financial and operating control. Equity One, Inc. and its subsidiaries, are hereinafter referred to as “the consolidated companies”, the “Company”, “we”, “our”, “us” or similar terms. All significant intercompany transactions and balances have been eliminated in consolidation.

Certain prior-period data have been reclassified to conform to the current period presentation.

The condensed consolidated financial statements included in this report are unaudited, except for amounts presented in the consolidated balance sheet as of December 31, 2007, which were derived from our audited financial statements at that date. In our opinion, all adjustments considered necessary for a fair presentation have been included. The results of operations for the three and six month periods ended June 30, 2008 are not necessarily indicative of the results that may be expected for the full year.

Our unaudited condensed consolidated financial statements and notes are prepared 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. Accordingly, these unaudited condensed consolidated financial statements do not contain certain information included in our annual financial statements and notes. These condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on February 25, 2008.

**2. Summary of Significant Accounting Policies**

**Revenue Recognition**

Rental income includes minimum rents, expense reimbursements, termination fees and percentage rental payments. Minimum rents are recognized on an accrual basis over the terms of the related leases on a straight-line basis. As part of the leasing process, we 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 we are not considered the owner of the improvements, the allowance is considered 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. Lease revenue recognition commences when the lessee is given possession of the leased space and there are no contingencies offsetting the lessee’s obligation to pay rent.

Many 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 substantially all contain provisions that require reimbursement of the tenant’s share of real estate taxes, insurance and common area maintenance costs, or CAM. Revenue based on percentage of tenants’ sales is recognized only after the tenant exceeds their sales breakpoint. Revenue from tenant reimbursements of taxes, CAM and insurance is recognized in the period that the applicable costs are incurred in accordance with the lease agreements.

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments. The computation of this allowance is based on an assessment of the tenants' payment history and current credit quality using the specific identification method.

We recognize gains or losses on sales of real estate in accordance with Statement Financial Accounting Standards, or SFAS, No. 66 "Accounting for Sales of Real Estate" ("SFAS 66"). Profits are not recognized until (a) a sale has been consummated; (b) the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property; (c) our receivable, if any, is not subject to future subordination; and (d) we have transferred to the buyer the usual risks and rewards of ownership, and we do not have a substantial continuing involvement with the property. The sales of income producing properties where we do not have a continuing involvement are presented in the discontinued operations section of our condensed consolidated statements of operations.

We are engaged by a joint venture to provide asset management, property management, leasing and investing services for such venture's shopping centers. We receive fees for these services, including a property management fee calculated as a percentage of gross revenues received, and recognize these fees as the services are rendered.

**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.

**Properties**

Income-producing properties are stated at cost, less accumulated depreciation and amortization. Costs include those related to acquisition, development and construction, including tenant improvements, interest incurred during development, costs of predevelopment and certain direct and indirect costs of development. All costs related to unsuccessful acquisition opportunities are expensed when it is probable that we will not be successful in the acquisition.

Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of up to 40 years for buildings and improvements, the minimum lease term or economic useful life for tenant improvements, and five to seven years for furniture and equipment. Expenditures for ordinary maintenance and repairs are expensed to operations as they are incurred. Significant renovations and improvements that improve or extend the useful life of assets are capitalized. The useful lives of amortizable intangible assets are evaluated each reporting period with any changes in estimated useful lives being accounted for over the revised remaining useful life.

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**Construction in Progress and Land Held for Development**

Properties also include construction in progress and land held for development. These properties are carried at cost, and no depreciation is recorded. Properties undergoing significant renovations and improvements are considered under development. All direct and indirect costs related to development activities are capitalized into construction in progress and land held for development on our condensed consolidated balance sheets. Costs incurred include predevelopment expenditures directly related to a specific project, including development and construction costs, interest, insurance and real estate tax expense. Indirect development costs include employee salaries and benefits, travel and other related costs that are directly associated with the development of the property. The capitalization of such expenses ceases when the property is ready for its intended use and has reached stabilization but no later than one-year from substantial completion of construction activity. If we determine that a project is no longer viable, all predevelopment project costs are immediately expensed. Similar costs related to properties not under development are expensed as incurred.

Our method of calculating capitalized interest is based upon applying our weighted average borrowing rate to that portion of actual costs incurred. Total interest expense capitalized to construction in progress and land held for development was \$686,000 and \$1.5 million for the three months ended June 30, 2008 and 2007 respectively, and was \$694,000 and \$1.8 million for the six months ended June 30, 2008 and 2007 respectively.

**Business Combinations**

When we purchase real estate properties, we allocate the initial purchase price of assets acquired (net tangible and identifiable intangible assets) and liabilities assumed based on their relative fair values at the date of acquisition pursuant to the provisions of SFAS No. 141, "*Business Combinations*". Our initial fair value purchase price allocations may be refined as final information regarding fair value of the assets acquired and liabilities assumed is received. The allocations are finalized within one year after the acquisition date. We allocate the purchase price of the acquired property to land, building, improvements and intangible assets. The aggregate value of other acquired intangible assets, consisting of in-place leases, is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates over (ii) the estimated fair value of the property as-if-vacant, determined as set forth above. The value of in-place leases exclusive of the value of above-market and below-market in-place leases is amortized to expense over the remaining non-cancelable periods of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off. There are three categories of intangible assets to be considered: (1) in-place leases; (2) above and below-market value of in-place leases; and (3) customer relationships.

The value of in-place leases is estimated based on the fair value of at-market in-place leases considering the cost of acquiring similar leases, the foregone rents associated with the lease-up period and carrying costs associated with the lease-up period. Intangible assets associated with at-market in-place leases are amortized as additional lease expense over the remaining contractual lease term.

Above-market and below-market in-place lease values for acquired properties are computed based on the present value of the difference between the contractual amounts to be paid pursuant to the leases negotiated and in-place at the time of acquisition and our estimate of fair market lease rates for the property or comparable property, measured over a period equal to the remaining contractual lease period. The value of above-market lease assets is amortized as a reduction of rental income over the remaining terms of the respective leases. The value of below-market lease liabilities is amortized as an increase to rental income over the remaining terms of the respective leases.

We evaluate business combinations to determine the value, if any, of customer relationships separate from customer contracts (leases). Other than as discussed above, we have determined that our real estate properties do not have any other significant identifiable intangibles.

The results of operations of acquired properties are included in our financial statements as of the dates they are acquired. The intangibles associated with property acquisitions are included in other assets and other liabilities in our condensed consolidated balance sheets. In the event that a tenant terminates its lease, all unamortized costs are written-off as a charge to depreciation expense.

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**Properties Held for Sale**

Under SFAS, No. 144, “*Accounting for the Impairment or Disposal of Long-Lived Assets*”, the definition of a component of an entity, assuming no significant continuing involvement, requires that income producing properties that are sold or classified as held for sale be accounted for as discontinued operations. Accordingly, the results of operations of income producing properties disposed of or classified as held for sale for which we have no significant continuing involvement are reflected as discontinued operations. Given the nature of real estate sales contracts, it is customary for such contracts to allow potential buyers a period of time to evaluate the property prior to becoming committed to its acquisition. In addition, certain conditions to the closing of a sale, such as financing contingencies, etc., often remain following the completion of the buyer’s due diligence review. As a result, properties under contract may not close within the expected time period, or may not close at all. However, notwithstanding these conditions, if we determine that the property meets the criteria of SFAS No. 144 and is likely to close within the time requirements, we typically classify a property as “discontinued operations” following completion of the buyer’s due diligence review. Otherwise, if we are unable to make such a determination, we do not classify a property as “discontinued operations” until all buyer contingencies are removed or it is sold.

**Long-lived Assets**

Our properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. If there is an event or change in circumstance indicating the potential for impairment in the value of a property, we evaluate our ability to recover our net investment in the long-lived assets by comparing the carrying value (net book value) of such asset to the estimated future undiscounted cash flows over their expected useful life. Future cash flow estimates are based on probability-weighted projections for a range of possible outcomes.

There was no impairment loss for the three and six months ended June 30, 2008 and 2007.

**Cash and Cash Equivalents**

We consider liquid investments with a purchase date life to 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. We evaluate the probability of collection for these receivables and adjust the allowance for doubtful accounts to reflect amounts estimated to be uncollectible. The allowance for doubtful accounts was approximately \$2.5 million and \$2.2 million at June 30, 2008 and December 31, 2007, respectively.

**Securities**

Our investments in securities are classified as available-for-sale and recorded at fair value based on current market prices. Changes in the fair value of the equity and debt investments are included in accumulated other comprehensive income.

As of June 30, 2008, we indirectly owned approximately 3.8 million ordinary shares of DIM Vastgoed N.V., or DIM, representing 46.5% of the total outstanding ordinary shares of DIM. DIM is a public company organized under the laws of the Netherlands, the shares of which are listed on NYSE Euronext and which operates as a closed-end investment company owning and operating a portfolio of 21 shopping center properties aggregating approximately 2.6 million square feet in the southeastern United States. DIM’s capital structure includes priority 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 June 30, 2008, we believe that the investment in DIM should be accounted for as an available-for-sale security because we are unable to exert significant influence over DIM’s operating or financial policies and, based on DIM’s organizational and capital structure, we were unable to participate in the affairs of DIM’s supervisory board.

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As of June 30, 2008, the fair value of DIM's ordinary shares is less than the carrying amount of our total investment. Our aggregate cost is approximately \$79.2 million. Based on the closing market price on June 30, 2008, the ordinary shares of DIM had a fair value of approximately \$56.2 million. This equates to an unrealized loss of \$23.1 million. In making a judgment as to whether our investment is other-than-temporarily impaired, we consider a number of factors including, but not necessarily limited to, the following:

- our assessment of the net asset value, or NAV, of the properties held by DIM based upon our expertise in the shopping center real estate business;
- our intent and ability to hold the securities for a period of time sufficient to allow for any anticipated recovery in fair value;
- the assessment by DIM's management of its NAV calculated in accordance with Dutch GAAP based upon its use of fair value accounting;
- the financial and operational condition of DIM's properties;
- market and economic conditions that might affect DIM's prospects;
- the extent to which fair value of DIM is below our cost basis and the period of time over which the decline has existed;
- the relevance of the market price given the thin trading in DIM shares and the concentration of share ownership between ourselves and one other institutional investor; and
- the share-price premium that might be warranted given our ownership of a large block of the outstanding ordinary shares.

We have evaluated the severity and duration of the possible impairment, together with the near-term prospects of DIM, the thin trading market for DIM shares and our ability and intent to hold the investment for a reasonable period sufficient for a forecasted recovery of the carrying cost. Based upon our intent and ability to hold DIM shares, our own evaluation of the NAV of the underlying properties held by DIM, and the duration and extent of the possible impairment, we do not consider the investment to be other-than-temporarily impaired at June 30, 2008. Changes in estimates, assumptions, or expected outcomes could impact the determination of whether a decline in value is other-than-temporary and whether the effects could materially impact our financial position or net income in future periods. If the market value of DIM remains less than our carrying amount for an extended period of time and/or the financial condition and near-term prospects of DIM deteriorate or do not otherwise improve in the future, among other factors, we may be required to record an impairment of the investment.

During the three months ended June 30, 2008, we purchased approximately \$63.5 million in debt securities with various maturities at a net discount of approximately \$500,000. Our investment in these debt securities are classified as available-for-sale as of June 30, 2008. Interest earned on these securities was approximately \$500,000 during the three months ended June 30, 2008.

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The following table reflects the gross unrealized losses and fair value of our investments with unrealized losses that are not deemed other-than-temporarily impaired:

<u>Investment</u>	<u>June 30,</u> <u>2008</u>		<u>December 31,</u> <u>2007</u>	
	(In thousands)		(In thousands)	
	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>
Equity securities	\$ 57,002	\$ (23,092)	\$ 72,299	\$ (7,911)
Debt securities	62,872	(122)	-	-
	<u>\$ 119,874</u>	<u>\$ (23,214)</u>	<u>\$ 72,299</u>	<u>\$ (7,911)</u>

### Goodwill

Goodwill has been recorded to reflect the excess of cost over the fair value of net assets acquired in various business acquisitions.

We are required to perform annual, or more frequently in certain circumstances, impairment tests of our goodwill. We have elected to test for goodwill impairment in November of each year. The goodwill impairment test is a two-step process that requires us to make decisions in determining appropriate assumptions to use in the calculation. The first step 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 reporting units (each property is considered a reporting unit) implied fair value of goodwill requires us to allocate the estimated fair value of the reporting unit to its assets and liabilities. 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.

We cannot predict the occurrence of certain future events that might adversely affect the reported value of goodwill that totaled approximately \$12.4 million at June 30, 2008. 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 our tenant base, or a materially negative change in our relationships with significant tenants.

For the three and six months ended June 30, 2008, \$0 and \$111,000, respectively, of goodwill was included in the gain on sale of real estate. No properties sold during the six months ended June 30, 2007 included goodwill.

### Deferred Costs and Intangibles

Deferred costs, intangible assets included in other assets, and intangible liabilities included in other liabilities consist of loan origination fees, leasing costs and the value of intangibles 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 using the effective interest method. Direct salaries, third-party fees and other costs incurred by us 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-market rents that were acquired in connection with the acquisition of the properties. Intangible liabilities consist of below-market rents that are also acquired in connection with the acquisition of properties. Both intangible assets and liabilities are amortized using the straight-line method over the term of the related leases.

### Deposits

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

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**Minority Interest**

On January 1, 1999, Equity One (Walden Woods) Inc., a wholly-owned subsidiary of ours, 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 we contributed 93,656 shares of our 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. We have entered into a Redemption Agreement with the Minority Partners whereby the Minority Partners can request that we 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 at any time before January 1, 2014. Because of the Redemption Agreement, we consolidate the accounts of the partnership with our 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 condensed consolidated financial statements and are excluded from the share count in the calculation of primary earnings per share.

We have controlling interests in two joint ventures that, together, own our Sunlake development project. We have funded all of the acquisition costs, are required to fund any necessary development and operating costs, receive an 8% preferred return on our advances and are entitled to 60% of the profits thereafter. The minority partners are not required to make contributions and, to date, have not contributed any capital. One joint venture is under contract to sell the land parcels it owns to a third party and the other joint venture has commenced construction of its mixed-use project. No minority interest has been recorded as the venture has incurred operating losses after taking into account our preferred return.

As of June 30, 2008, we also had a controlling membership interest in Dolphin Village Partners, LLC, a venture that owns our Dolphin Village shopping center. We funded all of the acquisition costs, certain development and operating costs, received an 8% preferred return on our advances and were entitled to 50% of the profits thereafter. The minority partner was not required to make contributions and, as of June 30, 2008, had not contributed any capital. No minority interest was recorded as of June 30, 2008 as the venture had incurred operating losses after taking into account our preferred return.

**Use of Derivative Financial Instruments**

We account for derivative and hedging activities in accordance with SFAS No. 133, “*Accounting for Derivative Instruments and Hedging Activities*”, as amended and interpreted. These accounting standards require us 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 our 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 cash flow hedges, are recognized in earnings in the current period.

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. We believe that our credit risk has been mitigated 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.

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.

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On March 24, 2004, concurrently with the issuance of the \$200.0 million 3.875% senior unsecured notes, we entered into a \$100.0 million notional principal variable rate interest swap with an estimated fair value of negative \$66,000 as of June 30, 2008. 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.

**Earnings Per Share**

Earnings per share is accounted for in accordance with SFAS No. 128, “*Earnings per Share*”, which requires a dual presentation of basic and diluted earnings per share on the face of the consolidated statement of operations. Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. We calculate the dilutive effect of stock-based compensation arrangements using the treasury stock method. This method assumes that the proceeds we receive from the exercise of stock options and non-vested stock are used to repurchase common shares in the market. The adoption of SFAS No. 123(R), “*Share-Based Payment*”, requires that we include, as assumed proceeds, the amount of compensation cost attributed to future services and not yet recognized, and the amount of tax benefits (both deferred and current), if any, that would be credited to additional paid-in capital assuming exercise of the options and vesting of the restricted shares.

**Income Taxes**

We elected to be taxed as a REIT under the Internal Revenue Code (“Code”), commencing with our taxable year ended December 31, 1995. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we currently distribute at least 90% of our REIT taxable income to our stockholders. Also, at least 95% of our 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, such as real estate depreciation and amortization, deduction of deferred compensation and deferral of gains on sold properties utilizing like kind exchanges. It is our intention to adhere to these requirements and maintain our REIT status. As a REIT, we generally will not be subject to corporate level federal income tax on taxable income that we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year, we 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 we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income and property, and to federal income and excise taxes on our undistributed taxable income. Accordingly, the only provision for federal income taxes in our condensed consolidated financial statements relates to our consolidated taxable REIT subsidiaries (“TRSs”). Our TRSs did not have significant tax provisions or deferred income tax items during the periods reported hereunder.

In June 2006, the FASB issued SFAS 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*,” be analyzed using a two-step approach. The first step requires an entity to determine if a tax position would more likely than not 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 was 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 adoption of the standard did not have a material impact on our consolidated financial statements.

Further, we believe that we have appropriate support for the tax positions taken on our tax returns and that our accruals for the tax liabilities are adequate for all years still subject to tax audits after 2003.

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**Share-Based Compensation**

The following table reports share-based compensation expense for the three and six months ended June 30, 2008 and 2007:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	(In thousands)		(In thousands)	
Unvested restricted stock	\$ 1,073	\$ 986	\$ 2,237	\$ 2,798
Unvested stock options	504	324	971	918
Employee stock purchase plan discount	4	4	7	7
Total cost	1,581	1,314	3,215	3,723
Less amount capitalized	(72)	(146)	(186)	(197)
<b>Net share based compensation expense</b>	<b>\$ 1,509</b>	<b>\$ 1,168</b>	<b>\$ 3,029</b>	<b>\$ 3,526</b>

Restricted stock expense includes amounts for which vesting was accelerated under severance agreements. Discounts offered to participants under our Employee Stock Purchase Plan represent the difference between market value of our stock on the purchase date and purchase price of shares as provided under the plan. A portion of share-based compensation cost is capitalized as part of property-related assets.

**Segment Information**

Our properties are community and neighborhood shopping centers located predominantly in high-growth and high-barrier to entry markets in the southern and northeastern United States. Each of our centers is a separate operating segment, all of which have characteristics so similar that they are expected to have essentially the same future prospects and have been aggregated and reported as one reportable segment. No individual property constitutes more than 10% of our consolidated revenue, net income or assets. 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 shopping center is located outside the United States.

**Concentration of Credit Risk**

A concentration of credit risk arises in our business when a national or regionally based tenant occupies a substantial amount of space in multiple properties owned by us. In that event, if the tenant suffers a significant downturn in its business, it may become unable to make its contractual rent payments to us, exposing us to potential losses in rental revenue, expense recoveries, and percentage rent. Further, the impact may be magnified if the tenant is renting space in multiple locations. Generally, we do not obtain security from our national or regionally-based tenants in support of their lease obligations to us. We regularly monitor our tenant base to assess potential concentrations of credit risk. Publix Super Markets accounts for over 10%, or approximately \$17.6 million, of our aggregate annualized minimum rent. As of June 30, 2008, no other tenant accounted for over 5% of our annualized minimum rent.

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**Recent Accounting Pronouncements**

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 GAAP 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. We adopted the requirements of SFAS No. 157 as of January 1, 2008 without a material impact on our condensed consolidated financial statements, as more fully disclosed in Note 9, “Fair Value Measurements”. In February 2008, the FASB issued FASB Staff Position 157-2, “*Effective Date of FASB Statement No. 157*” (SFP 157-2), which delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the financial statements on a nonrecurring basis to fiscal years beginning after November 15, 2008. We have not applied the provisions of SFAS 157 to our nonfinancial assets and nonfinancial liabilities in accordance with FSP 157-2.

In February 2007, the FASB issued SFAS No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” (SFAS 159), which allows entities to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities at fair value. The election is made on an instrument-by-instrument basis and is irrevocable. Subsequent to the adoption of SFAS No. 159, changes in fair value for the particular instruments shall be reported in earnings. Upon initial adoption, SFAS 159 provides entities with a one-time chance to elect the fair value option for existing eligible items. The effect of the first measurement to fair value should be reported as a cumulative-effect adjustment to the opening balance of retained earnings in the year the statement is adopted. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We did not elect the fair value option for financial assets or liabilities existing on the January 1, 2008 adoption date. We will consider the applicability of the fair value option for assets acquired or liabilities incurred in future transactions.

In December 2007, the FASB issued SFAS No. 141 (R), “*Business Combinations*” (SFAS 141(R)). In summary, SFAS 141(R) requires the acquirer of a business combination to measure at fair value the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, with limited exceptions. In addition, this standard will require acquisition costs to be expensed as incurred. The standard is effective for fiscal years beginning after December 15, 2008, and is to be applied prospectively, with no earlier adoption permitted. The adoption of this standard may have an impact on the accounting for certain costs related to our future acquisitions.

In December 2007, the FASB issued SFAS No. 160, “*Noncontrolling Interests in Consolidated Financial Statements*” (SFAS 160), which requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and noncontrolling interest. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. The adoption of this standard is not expected to have a material effect on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133*, (SFAS 161). SFAS 161 expands the disclosure requirements in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, regarding an entity’s derivative instruments and hedging activities. SFAS 161 is effective for our fiscal year beginning after December 1, 2008. We are evaluating the impact that adoption of SFAS 161 will have on our consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position (“FSP”) No. SFAS 142-3, “*Determination of the Useful Life of Intangible Assets*” (FSP SFAS 142-3). FSP SFAS No. 142-3 amends paragraph 11(d) of FASB Statement No 142 “*Goodwill and Other Intangible Assets*” (SFAS 142) which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142. FSP SFAS 142-3 is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 “*Goodwill and Other Intangible Assets*” and the period of expected cash flows used to measure the fair value of the asset under SFAS FSP SFAS No. 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and must be applied prospectively to intangible assets acquired after the effective date. We are evaluating the impact that adoption of FSP SFAS No. 142-3 will have on our consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*” (SFAS 162). SFAS 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements for nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States of America. SFAS 162 will be effective 60 days following the U.S. Securities and Exchange Commission’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “*The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*.” We are evaluating the impact that the adoption of SFAS No. 162 will have on our consolidated financial statements.

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**3. Property Held for Sale and Dispositions**

During the quarter ended June 30, 2008, we disposed of seven income producing properties and one outparcel to a joint venture, GRI-EQY I, LLC, which is a Delaware limited liability company (the "GRI Venture"). The GRI Venture is 90 percent owned by Global Retail Investors, LLC ("GRI") and 10 percent owned by us. The aggregate gross sales price was \$176.8 million. The properties had a net book value of \$152.6 million, and we recognized a total gain on sale of approximately \$18.5 million, which is net of approximately \$2.4 million of costs incurred in connection with the defeasance of existing mortgage debt paid for by the purchaser. At the closings, \$9.3 million of the sale proceeds were contributed by us to the GRI Venture as our investment in the joint venture. Pursuant to SFAS 66, the sale of the properties to the GRI Venture qualifies as a partial sale because we retained an equity interest in the buyer, and the gain on sale noted above was calculated based on 90 percent of the properties being sold. The remaining amount of the gain, which totaled \$2.4 million, was deferred until such time as the entity is liquidated or the assets are sold. We have no direct or indirect guarantees of indebtedness related to this transaction as of June 30, 2008, other than customary non-recourse carve-out obligations associated with the GRI Venture mortgage indebtedness.

We also entered into a management agreement pursuant to which we continue to manage and lease the properties on behalf of the GRI Venture.

The following table provides a summary of property disposition activity during the six months ended June 30, 2008:

Date	Property	City, State	Square Feet / Acres	Gross Sales Price	Gain / (loss) on Sale
(In thousands)					
<u>Properties sold to joint venture: partial sale with continuing involvement</u>					
04/01/08	Concord Outparcel	Miami, FL	N/A	\$ 2,449	\$ -
04/01/08	Concord Shopping Plaza	Miami, FL	298,986	48,201	(965)
04/01/08	Shoppes at Ibis	West Palm Bch, FL	79,420	14,500	5,856
04/01/08	Shoppes of Sunset	Miami, FL	21,704	5,000	(76)
04/01/08	Shoppes of Sunset II	Miami, FL	27,767	5,400	(29)
04/01/08	Shoppes at Quail Roost	Miami, FL	73,550	15,400	(46)
06/09/08	Presidential Markets	Snellville, GA	396,408	62,309	10,963
06/09/08	Sparkleberry Square	Columbia, SC	154,217	23,545	2,796
<b>Sale of income producing properties sold to joint venture</b>				<b>176,804</b>	<b>18,499</b>
<u>Sale of income-producing properties</u>					
06/30/08	Rosemeade	Carrollton, TX	51,231	2,750	(483)
<b>Sale of income producing property</b>				<b>2,750</b>	<b>(483)</b>
<u>Sale of real estate (in acres)</u>					
03/20/08	Waterlick Outparcel	Lynchburg, VA	7.96	550	(42)
<b>Sale of real estate</b>				<b>550</b>	<b>(42)</b>
<b>Total Sales</b>				<b>\$ 180,104</b>	<b>\$ 17,974</b>

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As a result of our 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 the time of sale. The results of operations of the properties for the periods following the time of sale have not been consolidated, but have been accounted for under the equity method of accounting.

The summary of operating results for the properties sold to the GRI Venture through the date sold are as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	(In thousands)		(In thousands)	
Rental Revenue	\$ 1,523	\$ 3,941	\$ 5,731	\$ 7,584
Expenses				
Property operating expenses	660	1,096	1,762	2,017
Rental property depreciation and amortization	268	755	1,093	1,510
Interest expense	402	497	898	1,000
Operations of income producing properties sold to the GRI Venture	<u>\$ 193</u>	<u>\$ 1,593</u>	<u>\$ 1,978</u>	<u>\$ 3,057</u>

**Properties held for sale**

As of June 30, 2008, two shopping centers and two parcels of land were held for sale. The two income producing properties have a net book value of \$22.3 million, which are comprised of 184,834 square feet of gross leasable area, and are expected to be sold to the GRI Venture during the third quarter of 2008.

The summary of operating results for income-producing properties disposed of or designated as held for sale, with no significant continuing involvement, which excludes the two properties to be sold to the GRI Venture, are as follows for the three and six months ended June 30, 2008 and 2007:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	(In thousands)		(In thousands)	
Rental Revenue	\$ 125	\$ 2,792	\$ 224	\$ 4,959
Expenses				
Property operating expenses	58	1,631	67	2,254
Rental property depreciation and amortization	29	392	59	839
Interest expense	-	177	-	354
Other	-	27	-	27
Operations of income producing properties sold or held for sale	<u>\$ 38</u>	<u>\$ 565</u>	<u>\$ 98</u>	<u>\$ 1,485</u>

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**4. Investments in Joint Ventures**

We analyze our joint ventures under Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46R"), an interpretation of ARB No. 51, as well as the Emerging Issues Task Force No. 04-5, "Determining Whether a General Partner, or General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-5") and the American Institute of Certified Public Accountants (AICPA) Statement of Position 78-9, "Accounting for Investments in Real Estate Ventures" ("SOP 78-9"), in order to determine whether the entity should be consolidated. If it is determined that these investments do not require consolidation because the entities are not variable interest entities ("VIEs") in accordance with FIN 46R, we are not considered the primary beneficiary of the entities determined to be VIEs, we do not have voting control, and/or the limited partners (or non-managing members) have substantive participatory rights, then the selection of the accounting method used to account for our investments in unconsolidated joint ventures is generally determined by our voting interests and the degree of influence we have over the entity.

We use the equity method of accounting for investments in unconsolidated joint ventures when we own more than 20% but less than 50% and have significant influence but do not have a controlling financial interest, or if we own less than 20% but have determined that we have significant influence. Under the equity method, our proportionate share of earnings or losses earned by the joint venture is recognized in equity in income (loss) of unconsolidated joint ventures in the accompanying consolidated statements of operations.

Our investment in unconsolidated joint ventures, which is presented net of the deferred gain associated with the disposition of assets to the GRI Venture, was \$7.5 million as of June 30, 2008 and consisted solely of our investment in the GRI Venture. There were no comparable balances at December 31, 2007, as the GRI Venture was created during the six months ended June 30, 2008. We have a 10% interest in this joint venture with GRI, an entity formed by an affiliate of First Washington Realty, Inc. and the State of California Public Employees' Retirement System. Our interest was obtained in connection with the GRI Venture sale transactions described in Note 3. As of June 30, 2008, the joint venture owned eight properties located in Florida, Georgia and South Carolina. The joint venture had loans outstanding of approximately \$120.0 million as of June 30, 2008. In addition to our proportionate share of the earnings or loss, we receive fees for services provided to the joint venture. During the three and six months ended June 30, 2008, we earned fees from the joint venture of approximately \$711,000 and \$875,000, respectively. There were no comparable fees in the same 2007 period.

On April 29, 2008 we entered into a joint venture with an affiliate of DRA Advisors, LLC ("DRA") to invest in value-added acquisition opportunities. The joint venture has two shopping centers and one office property located in Florida under contract for an aggregate purchase price of approximately \$50.0 million. The joint venture is 80% owned by the affiliate of DRA and 20% owned by us. We have agreed to manage all three of the properties and will lease the two retail properties acquired by the joint venture. The joint venture is expected to close on the acquisition of the properties during the third quarter of 2008.

**5. Borrowings**

The following table is a summary of our mortgage notes payable balances, excluding those liabilities associated with our assets held for sale, for periods ended June 30, 2008 and December 31, 2007:

Mortgage Notes Payable	June 30, 2008	December 31, 2007
(In thousands)		
Fixed rate mortgage loans	\$ 324,552	\$ 397,112

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The weighted average interest rate of the mortgage notes payable at June 30, 2008 and December 31, 2007 was 7.31% and 7.42%, 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 our properties. Certain of the mortgage loans involving an aggregate principal balance of approximately \$74.0 million contain prohibitions on transfers of ownership which may have been violated by our previous issuances of common stock or in connection with past acquisitions and may be violated by transactions involving our capital stock in the future. If a violation were established, it could serve as a basis for a lender to accelerate amounts due under the affected mortgage. To date, no lender has notified us that it intends to accelerate its mortgage. In the event that the mortgage holders declare defaults under the mortgage documents we 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, we believe that the mortgages will not be accelerated. Accordingly, we believe that the violations of these prohibitions will not have a material adverse impact on our results of operations or financial condition.

Our outstanding unsecured senior notes at June 30, 2008 and December 31, 2007 consist of the following:

<b>Unsecured Senior Notes Payable</b>	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	(In thousands)	
3.875% Senior Notes, due 04/15/09	\$ 198,500	\$ 200,000
Fair value of interest rate swap	66	(315)
7.840% Senior Notes, due 01/23/12	25,000	25,000
5.375% Senior Notes, due 10/15/15	117,000	120,000
6.00% Senior Notes, due 09/15/16	117,500	125,000
6.25% Senior Notes, due 01/15/17	116,000	125,000
6.00% Senior Notes, due 09/15/17	132,579	150,000
	<b><u>\$ 706,645</u></b>	<b><u>\$ 744,685</u></b>

Our unamortized premium (discount) on our notes payable, excluding those liabilities associated with our assets held for sale, at June 30, 2008 and December 31, 2007 consists of the following:

<b>Unamortized premium / (discount)</b>	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	(In thousands)	
Mortgage notes payable	\$ 7,339	\$ 10,455
Unsecured senior notes payable	(366)	(413)
	<b><u>\$ 6,973</u></b>	<b><u>\$ 10,042</u></b>

The weighted average interest rate of the unsecured senior notes at June 30, 2008 and December 31, 2007 was 5.66% and 5.67%, respectively, excluding the effects of the interest rate swap and net premium adjustment.

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

On March 24, 2004, we swapped \$100.0 million notional principal of the \$200.0 million, 3.875% senior notes to a floating interest rate based on the 6-month LIBOR in arrears plus 0.4375%. The swap matures April 15, 2009, concurrently, with the maturity of the 3.875% senior notes.

The following table provides a summary of our unsecured revolving lines of credit balances at June 30, 2008 and December 31, 2007:

<b>Unsecured Revolving Credit Facilities</b>	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	(In thousands)	
Wells Fargo	\$ -	\$ 37,000
City National Bank	-	-
	<b>\$ -</b>	<b>\$ 37,000</b>

In January 2006, we amended and restated our unsecured revolving credit facility with a syndicate of banks for which Wells Fargo Bank, National Association is the sole lead arranger and administrative agent as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007. The facility expires January 17, 2009 with a one-year extension option. The facility contains customary covenants, including financial covenants regarding debt levels, total liabilities, interest coverage, EBITDA coverage ratios, unencumbered properties and permitted investments which may limit the amount available under the facility. If a default under the facility exists, our ability to pay dividends would be limited to the amount necessary to maintain our status as a REIT unless the default is a payment default or bankruptcy event in which case we would be prohibited from paying any dividends. The interest rate in effect at June 30, 2008 and December 31, 2007 was 2.5% and 5.0%, respectively. The facility also provides for the issuance of \$11.8 million in outstanding letters of credit.

We have a \$5.0 million unsecured credit facility with City National Bank of Florida, on which there was no outstanding balance at June 30, 2008 and December 31, 2007. This facility also provides for the issuance of \$850,000 in outstanding letters of credit. In addition, we also have a \$55,000 outstanding letter of credit with Bank of America.

As of June 30, 2008, the availability under the various credit facilities was approximately \$267.4 million net of outstanding balances and letters of credit and subject to the covenants in the loan agreement.

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**6. Earnings Per Share**

The following summarizes the calculation of basic and diluted shares for the three and six months ended June 30, 2008 and 2007:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	(In thousands)		(In thousands)	
Basic earning per share - weighted average shares	73,408	73,101	73,366	73,038
Walden Woods Village, Ltd	94	94	94	94
Unvested restricted stock using the treasury method <sup>(1)</sup>	26	619	31	632
Stock options using the treasury method	13	314	12	292
Subtotal	<u>133</u>	<u>1,027</u>	<u>137</u>	<u>1,018</u>
Diluted earnings per share - weighted average shares	<u><b>73,541</b></u>	<u><b>74,128</b></u>	<u><b>73,503</b></u>	<u><b>74,056</b></u>

<sup>(1)</sup> Diluted EPS calculation uses the treasury stock method for periods ended June 30, 2008.

**7. Share-Based Compensation Plans**

As of June 30, 2008, we have grants outstanding under four share-based compensation plans, including two plans that we assumed in connection with our merger with IRT Property Company. While awards are outstanding under these plans, the Equity One 2000 Executive Incentive Compensation Plan is the primary plan under which current awards are granted. The 2000 plan was adopted by our stockholders in June 2000 and amended in May 2002, July 2004 and June 2007. The number of shares reserved for issuance under the plan is currently 8.5 million, of which approximately 3.5 million remains available for awards.

The term of each award is determined by the Compensation Committee of our Board of Directors (the "Committee"), but in no event can the term of any stock option or stock appreciation right ("SAR") be longer than ten years from the date of the grant. The vesting, if any, of the awards is determined by the Committee, in its sole and absolute discretion. Dividends are paid on shares of restricted stock awarded and outstanding under the plan. Certain options and share awards provide for accelerated vesting if there is a change in control.

For options granted after the January 1, 2006 adoption of SFAS No. 123R, "*Share-Based Payment*", we used the binomial option pricing model to determine the fair value of our stock options; however, effective January 1, 2008, we elected to use the Black-Scholes-Merton option-pricing model to determine prospectively the fair value of our stock options awarded after January 1, 2008. We determined that the Black-Scholes-Merton option-pricing model is an acceptable and widely used method that is more appropriate for us given our stock option granting practices, our limited history of option exercise patterns, and the immateriality of stock option expense to our net income. The determination of the fair value of awards on the date of grant using an option-pricing model is affected by the price of our common stock as well as assumptions regarding a number of subjective variables. These variables include our expected stock price volatility over the term of the awards, the expected life of the options and expected dividends.

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We measure compensation cost for restricted stock awards based on the fair value of our common stock at the date of the grant and expense such amounts ratably over the vesting period.

The following table reports stock option activity during the six months ended June 30, 2008:

	<b>Shares Under Option</b>	<b>Weighted- Average Exercise Price</b>	<b>Weighted- Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value</b>
	(In thousands)		(In years)	(In thousands)
Outstanding at December 31, 2007	2,325	\$ 23.85		\$ -
Granted	501	22.14		-
Exercised	(150)	16.09		1,434
Forfeited or expired	(407)	25.13		-
Outstanding at June 30, 2008	<u>2,269</u>	<u>\$ 23.82</u>	<u>8.6</u>	<u>\$ 349</u>
Exercisable at June 30, 2008	<u>421</u>	<u>\$ 24.05</u>	<u>6.7</u>	<u>\$ -</u>

The total cash or other consideration received from options exercised during the six months ended June 30, 2008 was \$259,000.

The following table presents information regarding unvested restricted stock activity during the six months ended June 30, 2008:

	<b>Unvested Shares</b>	<b>Weighted- Average Price</b>
	(In thousands)	
Unvested at December 31, 2007	492	\$ 25.52
Granted	110	22.23
Vested	(45)	23.20
Forfeited	(32)	24.79
Unvested at June 30, 2008	<u>525</u>	<u>\$ 25.07</u>

During the six months ended June 30, 2008, we granted 110,485 shares of restricted stock that are subject to forfeiture and vest over periods from two to four years.

The total vesting-date value of the 44,480 shares that vested during the six months ended June 30, 2008 was \$976,800.

As of June 30, 2008, we had \$14.9 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 a weighted average period of 2.6 years.

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**8. Condensed Consolidating Financial Information**

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

Condensed Balance Sheet As of June 30, 2008	Equity One, Inc.	Combined Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminating Entries	Consolidated
			(In thousands)		
<b>ASSETS</b>					
Properties, net	\$ 317,238	\$ 1,112,089	\$ 365,095	\$ -	\$ 1,794,422
Investment in affiliates	628,309	-	-	(628,309)	-
Other assets	106,034	43,995	81,538	-	231,567
Total Assets	<u>\$ 1,051,581</u>	<u>\$ 1,156,084</u>	<u>\$ 446,633</u>	<u>\$ (628,309)</u>	<u>\$ 2,025,989</u>
<b>LIABILITIES</b>					
Mortgage notes payable	\$ 44,445	\$ 105,827	\$ 174,280	\$ -	\$ 324,552
Mortgage notes payable related to properties held for sale	-	-	13,670	-	13,670
Unsecured senior notes payable	706,645	-	-	-	706,645
Unamortized premium on notes payable	(286)	1,667	5,592	-	6,973
Other liabilities	67,885	9,758	(14,778)	-	62,865
Total Liabilities	<u>818,689</u>	<u>117,252</u>	<u>178,764</u>	<u>-</u>	<u>1,114,705</u>
<b>MINORITY INTEREST</b>	-	-	-	989	989
<b>STOCKHOLDERS' EQUITY</b>	<u>232,892</u>	<u>1,038,832</u>	<u>267,869</u>	<u>(629,298)</u>	<u>910,295</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,051,581</u>	<u>\$ 1,156,084</u>	<u>\$ 446,633</u>	<u>\$ (628,309)</u>	<u>\$ 2,025,989</u>

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<b>Condensed Balance Sheet As of December 31, 2007</b>	<b>Equity One, Inc.</b>	<b>Combined Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminating Entries</b>	<b>Consolidated</b>
			(In thousands)		
<b>ASSETS</b>					
Properties, net	\$ 320,703	\$ 1,258,413	\$ 378,123	\$ -	\$ 1,957,239
Investment in affiliates	628,309	-	-	(628,309)	-
Other assets	81,988	43,874	91,283	-	217,145
Total Assets	<u>\$ 1,031,000</u>	<u>\$ 1,302,287</u>	<u>\$ 469,406</u>	<u>\$ (628,309)</u>	<u>\$ 2,174,384</u>
<b>LIABILITIES</b>					
Mortgage notes payable	\$ 45,366	\$ 134,311	\$ 217,435	\$ -	\$ 397,112
Unsecured revolving credit facilities	37,000	-	-	-	37,000
Unsecured senior notes payable	744,685	-	-	-	744,685
Unamortized premium on notes payable	(310)	3,379	6,973	-	10,042
Other liabilities	69,775	15,536	(16,687)	-	68,624
Total Liabilities	896,516	153,226	207,721	-	1,257,463
<b>MINORITY INTEREST</b>	-	-	-	989	989
<b>STOCKHOLDERS' EQUITY</b>	134,484	1,149,061	261,685	(629,298)	915,932
Total Liabilities and Stockholders' Equity	<u>\$ 1,031,000</u>	<u>\$ 1,302,287</u>	<u>\$ 469,406</u>	<u>\$ (628,309)</u>	<u>\$ 2,174,384</u>

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	(In thousands)				
<b>REVENUE:</b>					
Minimum rents	\$ 9,547	\$ 27,514	\$ 9,754	\$ -	\$ 46,815
Expense recoveries	2,574	7,093	3,434	-	13,101
Percentage rent	40	131	(7)	-	164
Management and leasing services	-	814	-	-	814
Total revenue	<u>12,161</u>	<u>35,552</u>	<u>13,181</u>	<u>-</u>	<u>60,894</u>
<b>EQUITY IN SUBSIDIARIES'</b>					
<b>EARNINGS</b>	<u>37,447</u>	<u>-</u>	<u>-</u>	<u>(37,447)</u>	<u>-</u>
<b>COSTS AND EXPENSES:</b>					
Property operating	2,897	9,290	3,845	-	16,032
Rental property depreciation and amortization	1,860	7,431	2,376	-	11,667
General and administrative	6,306	1,207	40	-	7,553
Total costs and expenses	<u>11,063</u>	<u>17,928</u>	<u>6,261</u>	<u>-</u>	<u>35,252</u>
<b>INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST AND DISCONTINUED OPERATIONS</b>					
	38,545	17,624	6,920	(37,447)	25,642
<b>OTHER INCOME AND EXPENSES:</b>					
Investment income	601	28	43	-	672
Equity in income in unconsolidated joint ventures	-	170	-	-	170
Other income	43	2	-	-	45
Interest expense	(10,102)	(2,064)	(3,247)	-	(15,413)
Amortization of deferred financing fees	(369)	(19)	(32)	-	(420)
Gain on sale of real estate	-	13,834	4,665	-	18,499
Gain on extinguishment of debt	696	-	-	-	696
<b>INCOME BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS</b>					
	29,414	29,575	8,349	(37,447)	29,891
Minority Interest	<u>-</u>	<u>-</u>	<u>(28)</u>	<u>-</u>	<u>(28)</u>
<b>INCOME FROM CONTINUING OPERATIONS</b>					
	<u>29,414</u>	<u>29,575</u>	<u>8,321</u>	<u>(37,447)</u>	<u>29,863</u>
<b>DISCONTINUED OPERATIONS:</b>					
Operations of income producing properties sold or held for sale	4	(33)	67	-	38
Loss on disposal of income-producing properties	<u>-</u>	<u>-</u>	<u>(483)</u>	<u>-</u>	<u>(483)</u>
Income (loss) from discontinued operations	<u>4</u>	<u>(33)</u>	<u>(416)</u>	<u>-</u>	<u>(445)</u>
<b>NET INCOME</b>					
	<u>\$ 29,418</u>	<u>\$ 29,542</u>	<u>\$ 7,905</u>	<u>\$ (37,447)</u>	<u>\$ 29,418</u>

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	(In thousands)				
REVENUE:					
Minimum rents	\$ 8,436	\$ 26,975	\$ 12,568	\$ -	\$ 47,979
Expense recoveries	2,529	7,673	3,824	-	14,026
Percentage rent	33	296	44	-	373
Management and leasing services	-	149	-	-	149
Total revenue	<u>10,998</u>	<u>35,093</u>	<u>16,436</u>	<u>-</u>	<u>62,527</u>
EQUITY IN SUBSIDIARIES' EARNINGS	<u>22,352</u>	<u>-</u>	<u>-</u>	<u>(22,352)</u>	<u>-</u>
COSTS AND EXPENSES:					
Property operating	3,044	8,143	3,925	-	15,112
Rental property depreciation and amortization	1,736	6,733	3,149	-	11,618
General and administrative	5,107	1,609	110	-	6,826
Total costs and expenses	<u>9,887</u>	<u>16,485</u>	<u>7,184</u>	<u>-</u>	<u>33,556</u>
INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST AND DISCONTINUED OPERATIONS	23,463	18,608	9,252	(22,352)	28,971
OTHER INCOME AND EXPENSES:					
Investment income	467	68	12	-	547
Other income	58	-	-	-	58
Interest expense	(11,197)	(1,922)	(3,927)	-	(17,046)
Amortization of deferred financing fees	(372)	(18)	(32)	-	(422)
Loss on sale of fixed asset	-	(283)	-	-	(283)
(Loss) gain on sale of real estate	(39)	557	-	-	518
INCOME BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS	12,380	17,010	5,305	(22,352)	12,343
Minority Interest	<u>-</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>(28)</u>
INCOME FROM CONTINUING OPERATIONS	<u>12,380</u>	<u>16,982</u>	<u>5,305</u>	<u>(22,352)</u>	<u>12,315</u>
DISCONTINUED OPERATIONS:					
Operations of income producing properties sold or held for sale	488	59	18	-	565
Loss on disposal of income- producing properties	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(12)</u>
Income from discontinued operations	<u>488</u>	<u>47</u>	<u>18</u>	<u>-</u>	<u>553</u>
NET INCOME	<u>\$ 12,868</u>	<u>\$ 17,029</u>	<u>\$ 5,323</u>	<u>\$ (22,352)</u>	<u>\$ 12,868</u>

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			(In thousands)		
<b>REVENUE:</b>					
Minimum rents	\$ 17,843	\$ 55,383	\$ 21,590	\$ -	\$ 94,816
Expense recoveries	4,643	14,744	7,382	-	26,769
Percentage rent	166	942	505	-	1,613
Management and leasing services	-	997	-	-	997
Total revenue	<u>22,652</u>	<u>72,066</u>	<u>29,477</u>	<u>-</u>	<u>124,195</u>
<b>EQUITY IN SUBSIDIARIES'</b>					
<b>EARNINGS</b>	<u>66,138</u>	<u>-</u>	<u>-</u>	<u>(66,138)</u>	<u>-</u>
<b>COSTS AND EXPENSES:</b>					
Property operating	5,581	18,128	8,393	-	32,102
Rental property depreciation and amortization	3,682	14,535	5,217	-	23,434
General and administrative	12,108	2,141	106	-	14,355
Total costs and expenses	<u>21,371</u>	<u>34,804</u>	<u>13,716</u>	<u>-</u>	<u>69,891</u>
<b>INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST AND DISCONTINUED OPERATIONS</b>					
	67,419	37,262	15,761	(66,138)	54,304
<b>OTHER INCOME AND EXPENSES:</b>					
Investment income	864	36	5,962	-	6,862
Equity in income in unconsolidated joint ventures	-	170	-	-	170
Other income	86	2	-	-	88
Interest expense	(20,391)	(4,161)	(6,843)	-	(31,395)
Amortization of deferred financing fees	(748)	(37)	(64)	-	(849)
(Loss) gain on sale of real estate	(42)	13,834	4,665	-	18,457
Gain on extinguishment of debt	3,076	-	-	-	3,076
<b>INCOME BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS</b>					
	50,264	47,106	19,481	(66,138)	50,713
Minority Interest	<u>-</u>	<u>-</u>	<u>(56)</u>	<u>-</u>	<u>(56)</u>
<b>INCOME FROM CONTINUING OPERATIONS</b>					
	<u>50,264</u>	<u>47,106</u>	<u>19,425</u>	<u>(66,138)</u>	<u>50,657</u>
<b>DISCONTINUED OPERATIONS:</b>					
Operations of income producing properties sold or held for sale	8	34	56	-	98
Loss on disposal of income-producing properties	<u>-</u>	<u>-</u>	<u>(483)</u>	<u>-</u>	<u>(483)</u>
Income (loss) from discontinued operations	<u>8</u>	<u>34</u>	<u>(427)</u>	<u>-</u>	<u>(385)</u>
<b>NET INCOME</b>	<u>\$ 50,272</u>	<u>\$ 47,140</u>	<u>\$ 18,998</u>	<u>\$ (66,138)</u>	<u>\$ 50,272</u>

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

<b>Condensed Statement of Operations for the six months ended June 30, 2007</b>	<b>Equity One Inc.</b>	<b>Combined Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminating Entries</b>	<b>Consolidated</b>
	(In thousands)				
<b>REVENUE:</b>					
Minimum rents	\$ 16,872	\$ 52,263	\$ 25,190	\$ -	\$ 94,325
Expense recoveries	4,995	14,636	7,318	-	26,949
Percentage rent	139	910	584	-	1,633
Management and leasing services	-	986	-	-	986
Total revenue	<u>22,006</u>	<u>68,795</u>	<u>33,092</u>	<u>-</u>	<u>123,893</u>
<b>EQUITY IN SUBSIDIARIES' EARNINGS</b>	<u>51,960</u>	<u>-</u>	<u>-</u>	<u>(51,960)</u>	<u>-</u>
<b>COSTS AND EXPENSES:</b>					
Property operating	5,701	16,512	7,628	-	29,841
Rental property depreciation and amortization	3,463	12,743	6,338	-	22,544
General and administrative	12,874	3,642	114	-	16,630
Total costs and expenses	<u>22,038</u>	<u>32,897</u>	<u>14,080</u>	<u>-</u>	<u>69,015</u>
<b>INCOME BEFORE OTHER INCOME AND EXPENSES, MINORITY INTEREST AND DISCONTINUED OPERATIONS</b>	51,928	35,898	19,012	(51,960)	54,878
<b>OTHER INCOME AND EXPENSES:</b>					
Investment income	719	68	5,966	-	6,753
Other income	240	-	-	-	240
Interest expense	(21,289)	(3,497)	(7,840)	-	(32,626)
Amortization of deferred financing fees	(707)	(37)	(65)	-	(809)
Loss on sale of fixed asset	-	(283)	-	-	(283)
Gain on sale of real estate	1,028	557	-	-	1,585
<b>INCOME BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS</b>	31,919	32,706	17,073	(51,960)	29,738
Minority Interest	<u>-</u>	<u>(56)</u>	<u>-</u>	<u>-</u>	<u>(56)</u>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<u>31,919</u>	<u>32,650</u>	<u>17,073</u>	<u>(51,960)</u>	<u>29,682</u>
<b>DISCONTINUED OPERATIONS:</b>					
Operations of income producing properties sold or held for sale	968	522	(5)	-	1,485
Gain on disposal of income- producing properties	<u>-</u>	<u>1,720</u>	<u>-</u>	<u>-</u>	<u>1,720</u>
Income (loss) from discontinued operations	<u>968</u>	<u>2,242</u>	<u>(5)</u>	<u>-</u>	<u>3,205</u>
<b>NET INCOME</b>	<u>\$ 32,887</u>	<u>\$ 34,892</u>	<u>\$ 17,068</u>	<u>\$ (51,960)</u>	<u>\$ 32,887</u>

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

<b>Condensed Statement of Cash Flows for the six months ended June 30, 2008</b>	<b>Equity One, Inc.</b>	<b>Combined Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Consolidated</b>
	(In thousands)			
Net cash (used in) provided by operating activities	\$ (13,044)	\$ 45,568	\$ 19,115	\$ 51,639
<b>INVESTING ACTIVITIES:</b>				
Additions to and purchases of rental properties	(504)	(4,055)	(1,006)	(5,565)
Land held for development	-	(87)	-	(87)
Additions to construction in progress	(90)	(9,312)	(690)	(10,092)
Proceeds from disposal of real estate and rental properties	550	164,806	14,500	179,856
Decrease in cash held in escrow	54,460	-	-	54,460
Investment in joint ventures	-	(12,768)	-	(12,768)
Distribution of capital from joint ventures	2,966	-	-	2,966
Increase in deferred leasing costs	(604)	(1,806)	(678)	(3,088)
Additions to notes receivable	(3)	-	-	(3)
Proceeds from repayment of notes receivable	13	-	-	13
Proceeds from sale of securities	250	-	-	250
Cash used to purchase securities	(63,128)	-	-	(63,128)
Advances from (to) affiliates	154,888	(153,862)	(1,026)	-
Net cash provided by (used in) investing activities	<u>148,798</u>	<u>(17,084)</u>	<u>11,100</u>	<u>142,814</u>
<b>FINANCING ACTIVITIES:</b>				
Repayment of mortgage notes payable	(921)	(28,484)	(30,215)	(59,620)
Net repayments under revolving credit facilities	(37,000)	-	-	(37,000)
Repayment from senior debt	(34,689)	-	-	(34,689)
Proceeds from issuance of common stock	341	-	-	341
Increase in deferred financing	(51)	-	-	(51)
Cash dividends paid to stockholders	(44,401)	-	-	(44,401)
Distributions to minority interest	(56)	-	-	(56)
Net cash used in financing activities	<u>(116,777)</u>	<u>(28,484)</u>	<u>(30,215)</u>	<u>(175,476)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>18,977</b>	<b>-</b>	<b>-</b>	<b>18,977</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<b><u>1,313</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,313</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<b><u>\$ 20,290</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 20,290</u></b>

**EQUITY ONE, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

<b>Condensed Statement of Cash Flows for the six months ended June 30, 2007</b>	<b>Equity One, Inc.</b>	<b>Combined Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Consolidated</b>
	(In thousands)			
Net cash provided by operating activities	\$ 1,037	\$ 51,403	\$ 20,187	\$ 72,627
<b>INVESTING ACTIVITIES:</b>				
Additions to and purchases of rental properties	-	(101,268)	(4,132)	(105,400)
Land held for development	-	(23)	-	(23)
Additions to construction in progress	(1,968)	(4,749)	(892)	(7,609)
Proceeds from disposal of real estate and rental properties	1,495	9,030	-	10,525
Decrease in cash held in escrow	1,405	-	-	1,405
Increase in deferred leasing costs	(586)	(1,492)	(659)	(2,737)
Additions to notes receivable	-	(14)	-	(14)
Proceeds from repayment of notes receivable	1	14	10	25
Proceeds from sale of securities	1,560	-	-	1,560
Cash used to purchase securities	(109)	-	-	(109)
Advances from (to) affiliates	(36,912)	49,213	(12,301)	-
Net cash provided by (used in) investing activities	<u>(35,114)</u>	<u>(49,289)</u>	<u>(17,974)</u>	<u>(102,377)</u>
<b>FINANCING ACTIVITIES:</b>				
Repayment of mortgage notes payable	(818)	(2,114)	(2,213)	(5,145)
Net repayments under revolving credit facilities	(70,500)	-	-	(70,500)
Proceeds from senior debt offering	148,874	-	-	148,874
Cash paid for settlement of interest rate contracts	(2,498)	-	-	(2,498)
Increase in deferred financing	(532)	-	-	(532)
Proceeds from issuance of common stock	3,888	-	-	3,888
Cash dividends paid to stockholders	(44,281)	-	-	(44,281)
Distributions to minority interest	(56)	-	-	(56)
Net cash (used in) provided by financing activities	<u>34,077</u>	<u>(2,114)</u>	<u>(2,213)</u>	<u>29,750</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	-	-	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**EQUITY ONE, INC. AND SUBSIDIARIES**  
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**(Unaudited)**

**9. Fair Value Measurements**

In September 2006, FASB issued SFAS 157. SFAS 157 establishes a framework for measuring fair value, which includes a hierarchy based on the quality of inputs used to measure fair value and provides specific disclosure requirements based on the hierarchy.

*Fair Value Hierarchy*

SFAS 157 requires the categorization of financial assets and liabilities, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs. The various levels of the SFAS 157 fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.
- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

SFAS 157 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

*Recurring Fair Value Measurements*

The following table presents our fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2008:

<u>Description</u>	<u>Fair Value Measurements</u>	
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Available-for-sale-securities	\$ 57,002	\$ 62,872
Interest rate swap	-	(66)
Total	<u>\$ 57,002</u>	<u>\$ 62,806</u>

**EQUITY ONE, INC. AND SUBSIDIARIES**  
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**(Unaudited)**

*Valuation Methods*

Interest rate swap – This financial instrument is valued under an income approach using industry-standard models that consider various assumptions, including time value, volatility factors, current market and contractual prices for the underlying, and counterparty non-performance risk. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Debt securities – These securities are valued using industry-standard models that consider various assumptions, including time to maturity, applicable market volatility factors, and current market and selling prices for the underlying debt instruments which are traded on the open market, even if not highly liquid. Substantially all of these assumptions are observable in the marketplace, or can be derived from observable data.

**10. Commitments and Contingencies**

As of June 30, 2008, we had pledged letters of credit totaling \$12.7 million as additional security for certain financial and other obligations.

We have committed to fund approximately \$10.3 million, based on current plans and estimates, in order to complete pending development and redevelopment projects. These obligations, comprising principally 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 \$55,000. Additionally we have operating lease agreements for office space in which we have an annual obligation of approximately \$110,000.

We are subject to litigation in the normal course of business. However, none of the litigation outstanding as of June 30, 2008, in our opinion, will have a material adverse effect on our financial condition or results of operations.

**11. Subsequent Events**

In July of 2008, we repurchased and cancelled approximately \$14.4 million principal amount of our unsecured outstanding senior notes payable.

Subsequent to the quarter, our joint venture with DRA completed its due diligence investigation of a portfolio of three properties that it has under contract to acquire. Subject to the satisfaction of certain closing conditions, we are committed to fund approximately \$3.1 million in connection with this acquisition. Our commitment represents our pro-rata portion of the net purchase price, after the assumption by the joint venture of existing mortgage indebtedness. In addition, we have agreed to fund our pro-rata portion of certain capital and operating expenses of the joint venture.

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

The following discussion should be read in conjunction with the condensed consolidated interim financial statements and notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on February 25, 2008.

Unless the context otherwise requires, all references to “we”, “our”, “us”, and “Equity One” in this report refer collectively to Equity One, Inc. and its subsidiaries.

### **Critical Accounting Policies**

Our 2007 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 six months ended June 30, 2008, there were no material changes to these policies.

### **Executive Overview**

We are a real estate investment trust (“REIT”) that owns, manages, acquires, develops and redevelops neighborhood and community shopping centers. As of June 30, 2008, our property portfolio comprised 162 properties, including 145 shopping centers consisting of approximately 15.9 million square feet of gross leasable area (“GLA”), seven development/redevelopment properties, six non-retail properties and four parcels of land. As of June 30, 2008, our core portfolio was 92.8% leased and included national, regional and local tenants. Additionally, we own a 10% unconsolidated interest in the GRI Venture which owns eight neighborhood shopping centers totaling approximately 1.2 million square feet of GLA as of June 30, 2008. In total, the GRI Venture properties were 97.5% leased at June 30, 2008.

Our primary objective is to maximize stockholder value by generating sustainable cash flow growth and increasing the value of our real estate assets. To achieve our objective, we lease and manage our shopping centers primarily with experienced, in-house personnel. We also acquire neighborhood or community shopping centers that either have leading anchor tenants or contain a mix of tenants which reflect the shopping needs of the communities they serve. We also develop and redevelop shopping centers on a tenant-driven basis, leveraging either existing tenant relationships or geographic and demographic knowledge while seeking to minimize risks associated with land development.

During 2008, our business has felt the effects of a softening economic environment and extended turmoil in the U.S credit markets. Buyers and sellers of real estate assets have faced a tight financial market that has made completing transactions more difficult. A consumer-led economic slowdown has had a meaningful impact on most retailers, causing many companies, both national and local, to cease operations or declare bankruptcy. While the economic conditions have had an effect in most of our markets, certain markets, like South Florida, have experienced a disproportionate economic slowdown due to housing price declines and other regional factors.

These macro-trends have made it more difficult for us to achieve our objectives of growing our business through internal rent increases, re-cycling capital from lower-tier assets into higher quality properties, and growing our asset management business. As an example, lower occupancy from tenants ceasing operations has had an impact on our rental revenue and expense recoveries, thereby lowering our year over year operating income. Notwithstanding the difficult operating environment, the execution of our business strategy during the second quarter of 2008 resulted in:

- the execution of 58 new leases totaling 255,664 square feet, the extension of 81 leases for 168,001 square feet, and the renewal of 17 leases for 132,691 square feet;
- the sale of seven community shopping center properties and one out parcel to the GRI Venture for an aggregate gross sales price of \$176.8 million which generated an aggregate gain of approximately \$18.5 million, which is net of \$2.4 million defeasance costs paid by the buyer;
- the sale of one community shopping center located in Carrollton, Texas for a consideration of \$2.8 million resulting in a loss of \$483,000;
- the acquisition of approximately \$10.5 million principal amount of our senior notes resulting in a net gain on early extinguishment of debt of approximately \$696,000; and
- the purchase of short-term bonds for an aggregate purchase price of approximately \$62.9 million.

During the quarter ended June 30, 2008, we sold seven income producing properties and an outparcel to the GRI Venture in exchange for cash consideration and a 10% interest in the GRI Venture. We also entered into a management agreement pursuant to which we will 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 the dates of sale, of the properties are included in income from

continuing operations for the current report periods, and not discontinued operations. After the dates of sale, the results of operations for the properties have not been consolidated, but have been accounted for under the equity method of accounting.

## Results of Operations

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

### Comparison of the three months ended June 30, 2008 to 2007

The following summarizes line items from our unaudited condensed consolidated statements of operations that we think are important in understanding our operations and/or those items that have significantly changed in the three months ended June 30, 2008 as compared to the same period in 2007:

	Three Months Ended		
	June 30,		
	2008	2007	% Change
	(In thousands)		
Total revenue	\$ 60,894	\$ 62,527	-2.6%
Property operating expenses	16,032	15,112	6.1%
Rental property depreciation and amortization	11,667	11,618	0.4%
General and administrative expenses	7,553	6,826	10.7%
Investment income	672	547	22.9%
Interest expense	15,413	17,046	-9.6%
Gain on sale of real estate	18,499	518	3471.2%
Gain on the extinguishment of debt	696	-	NA
(Loss)/ Income from discontinued operations	(445)	553	-180.5%
Net income	29,418	12,868	128.6%

Total revenue decreased by \$1.6 million, or 2.6%, to \$60.9 million in 2008. The decrease is primarily attributable to the following:

- a decrease of \$2.5 million attributable to the sale of our seven income producing properties to the GRI Venture, which are included fully in the 2007 results and only through the sale date in the 2008 results;
- a decrease of \$1.3 million in same-property revenue due primarily to lower occupancy, which had the effect of lowering rental rates, expense recoveries, CAM charges and tax recoveries, and reducing percentage rent income. These decreases were partly offset by an increase of \$100,000 for lease termination income;
- an increase of \$400,000 related to the completion of various development/redevelopment projects, partly offset by a decrease of \$300,000 for development/redevelopment projects currently under construction; and
- an increase of approximately \$700,000 associated with acquisition, management, leasing and asset management services provided to the GRI Venture and a \$1.3 million settlement fee received in connection with a previous tenant's bankruptcy.

Property operating expenses increased by \$900,000, or 6.1%, to \$16.0 million in 2008. The increase is mostly composed of the following:

- an increase of approximately \$1.4 million in same-property operating and maintenance costs partly due to higher common area maintenance expense, provision for credit loss, legal and real estate tax expense partially offset by lower insurance expense;
- an increase of \$100,000 associated with properties acquired in 2007;

- an increase of \$100,000 related to the completion of various development/redevelopment projects, offset by a decrease of \$200,000 for development/redevelopment projects currently under construction; and
- a decrease of approximately \$400,000 attributable to the sale of our seven income producing properties to the GRI Venture, which are included fully in the 2007 results and only through the sale date in the 2008 results.

Rental property depreciation and amortization increased by \$100,000, or 0.4%, to \$11.7 million for 2008 from \$11.6 million in 2007. The increase in 2008 is due primarily to the following:

- an increase of approximately \$500,000 related to amortization of tenant improvements and leasing commissions;
- an increase of approximately \$100,000 associated with the completion of development/redevelopment properties; and
- a decrease of \$500,000 attributable to the sale of our seven income producing properties to the GRI Venture, which are included fully in the 2007 results and only through the sale date in the 2008 results.

General and administrative expenses increased by \$700,000, or 10.7%, to \$7.5 million in 2008 compared to \$6.8 million in 2007. The increase is principally attributable to an increase of approximately \$800,000 in compensation and employment related expenses, an increase of approximately \$300,000 for professional services, IT related expenses and income tax related expenses, partially offset by a decrease of approximately \$400,000 related to management and leasing services for a portfolio of Texas properties, which services were terminated in the second quarter of 2007.

Investment income increased by \$125,000 or 22.9% in 2008 compared to 2007. The increase relates to \$390,000 of additional interest income primarily associated with our bond investment offset by a decrease of approximately \$265,000 related to lower gains on sales of securities.

Interest expense decreased by \$1.6 million, or 9.6%, to \$15.4 million in 2008 as compared to \$17.0 million in 2007. The decrease is primarily attributable to the following:

- a decrease of \$600,000 related to our interest rate swap contract associated with our senior notes;
- a decrease of approximately \$400,000 related to the payoff of certain mortgages and principal amortization;
- a decrease of approximately \$400,000 attributable to reduced usage of our lines of credit;
- a decrease of approximately \$100,000 related to the write off of interest rate contracts due to the early extinguishment of our debt; and
- a decrease of \$100,000 for the period attributable to the sale of our seven income producing properties to the GRI Venture, which are included fully in the 2007 results and only through the sale date in the 2008 results.

Gain on sale of real estate was \$18.5 million in 2008 as compared to \$518,000 in 2007. The gain in the 2008 period was primarily attributable to the sale of seven income producing properties to the GRI Venture.

In the second quarter of 2008, we repurchased and canceled approximately \$10.5 million principal amount of our senior notes and recognized a net gain on early extinguishment of debt of approximately \$696,000. There were no comparable gains in the same 2007 period.

In the second quarter, our discontinued operations resulted in a net loss of \$445,000 compared to a net gain of \$553,000 in the same 2007 period. In the current period, we sold one income producing property for a loss of \$483,000 partly offset by \$38,000 generated in net operating income related to discontinued operations. In the second quarter of 2007, we generated \$565,000 in net operating income related to discontinued operations.

As a result of the foregoing, second quarter net income increased by \$16.5 million to approximately \$29.4 million for 2008 from \$12.9 million in 2007.

## Comparison of the six months ended June 30, 2008 to 2007

The following summarizes certain line items from our unaudited consolidated statements of operations which we think are important in understanding our operations and/or those items which have significantly changed in the six months ended June 30, 2008 as compared to the same period in 2007:

	Six Months Ended		
	June 30,		
	2008	2007	% Change
	(In thousands)		
Total revenue	\$ 124,195	\$ 123,893	0.2%
Property operating expenses	32,102	29,841	7.6%
Rental property depreciation and amortization	23,434	22,544	3.9%
General and administrative expenses	14,355	16,630	-13.7%
Investment income	6,862	6,753	1.6%
Interest expense	31,395	32,626	-3.8%
Gain on sale of real estate	18,457	1,585	1064.5%
Gain on the extinguishment of debt	3,076	-	NA
(Loss)/ Income from discontinued operations	(385)	3,205	-112.0%
Net income	50,272	32,887	52.9%

Total revenue increased by \$300,000, or 0.2%, to \$124.2 million in 2008. The increase is primarily attributable to the following:

- an increase of \$1.3 million associated with properties acquired in 2007;
- an increase of approximately \$1.3 million in other income primarily related to a settlement fee received in connection with a previous tenant's bankruptcy;
- an increase of \$1.0 million related to the completion of various development/redevelopment projects, partly offset by a decrease of \$500,000 for development/redevelopment projects currently under construction;
- a decrease of \$1.9 million attributable to the sale of our seven income producing to the GRI Venture, which are included fully in the 2007 results and only through the sale date in 2008;
- a decrease of \$400,000 in same-property revenue due primarily to lower rental rates, tenant expense recovery, and a decrease of approximately \$300,000 related to lower lease termination income, partly offset by an increase of \$100,000 for percentage rent income; and
- a decrease of approximately \$300,000 in non-retail property income.

Property operating expenses increased by \$2.3 million, or 7.6%, to \$32.1 million in 2008. The increase is mostly composed of the following:

- an increase of approximately \$2.2 million in same-property operating and maintenance costs partly due to higher common area maintenance expense, provision for credit loss, and legal and real estate tax expenses partially offset by lower insurance expense;
- an increase of approximately \$500,000 related to properties acquired in 2007;
- an increase of approximately \$200,000 related to the completion of various development/redevelopment projects, offset by a decrease of approximately \$300,000 for development/redevelopment projects currently under construction; and

- a decrease of approximately \$300,000 attributable to the sale of our seven income producing to the GRI Venture, which are included fully in the 2007 results and only through the sale date in 2008.

Rental property depreciation and amortization increased by \$900,000, or 3.9%, to \$23.4 million in 2008 from \$22.5 million in 2007. The increase in 2008 is due primarily to the following:

- an increase of approximately \$900,000 related to amortization of tenant improvements and leasing commissions;
- an increase of approximately \$300,000 associated with properties acquired in 2007;
- an increase of approximately \$200,000 associated with the completion of development/redevelopment properties partially offset by a decrease of \$100,000 for development/redevelopment projects currently under construction; and
- a decrease of approximately \$400,000 attributable to the sale of our seven income producing properties to the GRI Venture, which are included fully in the 2007 results and only through the sale date in 2008.

General and administrative expenses decreased by \$2.2 million, or 13.7%, to \$14.4 million in 2008 compared to \$16.6 million in 2007. The decrease is mainly attributable to a decrease of approximately \$1.4 million of pre-development costs related to non-viable projects, a decrease of approximately \$1.1 million in severance-related expense related to former employees, a decrease of approximately \$500,000 related to management and leasing services expense for a portfolio of Texas properties, which services were terminated in the second quarter of 2007, and a decrease of approximately \$300,000 in travel and entertainment expenses, partly offset by an increase of \$700,000 in compensation and employment related expenses and \$300,000 in income tax related expense.

Investment income increased by \$109,000 or 1.6% in 2008 compared to 2007. The increase relates to \$384,000 of additional interest income primarily associated with our bond investments offset by a decrease of \$276,000 related to lower gains on sales of securities.

Interest expense decreased by \$1.2 million, or 3.8%, to \$31.4 million in 2008 as compared to \$32.6 million for 2007. The decrease is primarily attributable to the following:

- an increase of approximately \$2.1 million of interest incurred related to higher total unsecured senior notes outstanding, partly offset by a decrease of \$1.4 million related to our interest rate swap contract associated with our senior notes;
- an increase of approximately \$400,000 in mortgage interest related to additional mortgage indebtedness assumed in connection with a 2007 acquisition, offset by a decrease of \$700,000 related to the payoff of certain mortgages and principal amortization;
- an increase of \$400,000 of interest expense related to lower capitalized interest for development/redevelopment projects;
- a decrease of approximately \$100,000 for the period prior to the sale of our seven income producing properties to the GRI Venture; and
- a decrease of approximately \$1.9 million attributable to reduced usage of our lines of credit.

Gain on sale of real estate was approximately \$18.5 million in 2008 as compared to \$1.6 million in 2007. The gain was primarily attributable to the sale of the properties to the GRI Venture.

During the six months ended 2008, we repurchased and canceled approximately \$38.0 million principal amount of our senior notes and recognized a net gain on early extinguishment of debt of approximately \$3.1 million. There were no comparable gains in the same 2007 period.

In the six months ended June 30, 2008, our discontinued operations resulted in a net loss of \$385,000 compared to a net gain of \$3.2 million. In the current period, we sold one income producing property for a loss of \$483,000 partly offset by \$98,000 generated in net operating income related to discontinued operations. During the six months ended June 30, 2007, we generated \$1.4 million in net operating income related to discontinued operations.

As a result of the foregoing, net income increased by \$17.4 million, or 52.9%, from \$32.9 million in 2007 to approximately \$50.3 million in 2008.

## 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 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.

The following table illustrates the calculation of FFO for the three and six months ended June 30, 2008 and 2007:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	(In thousands)		(In thousands)	
Net income	\$ 29,418	\$ 12,868	\$ 50,272	\$ 32,887
Adjustments:				
Rental property depreciation and amortization, including discontinued operations	11,696	12,010	23,493	23,383
Gain on disposal of depreciable real estate	(18,016)	-	(18,016)	(1,720)
Loss on sale of fixed assets	-	283	-	283
Pro rata share of real estate depreciation from unconsolidated JV	138	-	138	-
Minority interest	28	28	56	56
<b>Funds from operations</b>	<b>\$ 23,264</b>	<b>\$ 25,189</b>	<b>\$ 55,943</b>	<b>\$ 54,889</b>

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 Month Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Earnings per diluted share <sup>(1)</sup>	\$ 0.40	\$ 0.17	\$ 0.68	\$ 0.44
Adjustments:				
Rental property depreciation and amortization, including discontinued operations	0.16	0.17	0.32	0.32
Gain on disposal of depreciable real estate	(0.24)	-	(0.24)	(0.02)
Loss on sale of fixed assets	-	-	-	-
Pro rata share of real estate depreciation from unconsolidated JV	-	-	-	-
Minority interest	-	-	-	-
<b>Funds from operations per diluted share</b>	<b>\$ 0.32</b>	<b>\$ 0.34</b>	<b>\$ 0.76</b>	<b>\$ 0.74</b>

<sup>(1)</sup> 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 June 30, 2008, we had approximately \$20.3 million of available cash and cash equivalents on hand. We also had approximately \$267.4 million available to borrow under our unsecured revolving credit facilities, subject to the covenants of those facilities. While there are no amounts outstanding on our various lines as of June 30, 2008, approximately \$12.7 million in letters of credit issued under those lines reduce our current availability. Our \$275 million revolving credit facility matures in January 2009 but as noted above, as of June 30, 2008 there were no amounts outstanding on this line. At our option, the maturity can be extended one year upon payment of an extension fee. We currently intend to replace our expiring facility with a new revolving credit facility, the terms and pricing of which may vary from our current facility. We also have \$198.5 million of 3.875% unsecured senior notes that mature on April 15, 2009. We intend to repay these notes by accessing various capital sources available to us, such as the issuance of new unsecured senior notes, commercial mortgage debt, joint venture capital, unsecured bank term lending, borrowings under our lines of credit, equity issuance, liquidation of our debt securities, and property dispositions, as appropriate. The terms and availability of such capital sources will depend on the prevailing market conditions at the time of refinancing; however, based on current market conditions, it is likely that any refinancing through a fixed-rate instrument having a similar original life to maturity would be at a substantially higher interest rate.

As a REIT, we are required to distribute at least 90% of our taxable income to our stockholders on an annual basis. Typically, our cash flow from operations is sufficient to fund required distributions. Our unsecured revolving credit facilities are an additional source of liquidity for funding such distributions.

#### *GRI Venture transaction*

Upon closing of the GRI Venture during the three months ended June 30, 2008, we received net cash proceeds, after transaction costs, of approximately \$132.0 million. A portion of the proceeds were used to repay \$23.4 million of our mortgage debt and approximately \$10.5 million principal amount of our outstanding senior notes, purchase of short-term bonds for an aggregate purchase price of \$62.9 million, with the balance held in cash.

### Cash flow summary

The following summary discussion of our cash flows is based on the condensed 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:

	Six Months Ended		
	June 30,		
	2008	2007	Increase (Decrease)
	(In thousands)		
Net cash provided by operating activities	\$ 51,639	\$ 72,627	\$ (20,988)
Net cash (used in) provided by investing activities	\$ 142,814	\$ (102,377)	\$ 245,191
Net cash provided by (used in) financing activities	\$ (175,476)	\$ 29,750	\$ (205,226)

Our principal source of operating cash flow is cash generated from our rental properties. Our properties provide a relatively consistent stream of rental income that provides us with resources to fund operating expenses, debt service and quarterly dividends. Net cash provided by operating activities totaled approximately \$51.6 million for the six months ended June 30, 2008 compared to approximately \$72.6 million in the same period 2007.

Net cash provided by investing activities was approximately \$142.8 million for the six months ended June 30, 2008 compared with approximately \$102.4 million used in investing activities during the six months ended June 30, 2007. Investing activities during the current period consisted primarily of the proceeds from the GRI Venture transaction noted above and releasing cash held in escrow for like kind exchanges under section 1031 of the Internal Revenue Code. These inflows were partly offset by purchases of debt securities and additions to investment in rental property, land and construction. In the prior year period, cash flow used in investing activities was primarily related to the acquisition of three shopping centers and three land parcels, partially offset by the proceeds from two property dispositions.

Net cash used in financing activities totaled approximately \$175.5 million for the six months ended June 30, 2008 compared with approximately \$29.8 million provided by financing activities for the same period in 2007. The cash used in financing activities in the current period was primarily attributable to the repayment of mortgages, senior notes and line of credit borrowings. In addition we paid \$44.4 million in dividends. In the prior year cash was primarily provided by the issuance of our \$150.0 million unsecured senior notes, partially offset by the repayment of our line of credit of \$70.5 million and \$44.3 million in dividends.

#### *Straight-Line rent*

We account for rental income pursuant to leases on a straight-line basis as required by Statement of Financial Accounting Standards 13, "Accounting for Leases". In our business, leases under which rents escalate over time are commonplace. In addition, leases frequently provide for tenants to take possession of their space prior to the date on which rental payments commence. In the early years of such leases, straight-line rent accounting results in the recognition of more rental income than our cash flow from rents. Correspondingly, in the later years of such leases, straight-line rent accounting results in the recognition of less rental income than our cash flow from rents.

Historically, more of our rental income was derived from leases in their early years, resulting in cash flow from rents that were less than our rental income. Based upon our portfolio of shopping centers as of June 30, 2008, more of our rental income is expected to come from leases in their later years beginning in 2009, which would result in cash flow from rents exceeding our rental income. The amount by which cash flow from rents exceeds rental income is expected to increase until 2011 and decrease thereafter. Notwithstanding the foregoing, the difference between cash flow from rents and rental income in future periods will also be affected by acquisitions, dispositions, future leasing activity, and provisions for uncollectible straight-line rent receivables.

The following table sets forth certain information regarding future contractual obligations, excluding interest, as of June 30, 2008:

Contractual Obligations	Payments due by period				
	Total <sup>(2)</sup>	Less than 1 year <sup>(3)</sup>	1-3 years	3-5 years	More than 5 years
(In thousands)					
Mortgage notes payable:					
Scheduled amortization	\$ 91,628	\$ 5,175	\$ 20,131	\$ 23,144	\$ 43,178
Balloon payments	245,864	-	85,322	141,272	19,270
Total mortgage obligations	\$ 337,492	\$ 5,175	\$ 105,453	\$ 164,416	\$ 62,448
Unsecured senior notes <sup>(1)</sup>	706,579	-	198,500	25,000	483,079
Capital leases	-	-	-	-	-
Operating leases	626	120	396	36	74
Construction commitments	10,269	10,269	-	-	-
Total contractual obligations	\$ 1,054,966	\$ 15,564	\$ 304,349	\$ 189,452	\$ 545,601

- (1) \$100 million of the outstanding balance has been swapped to a floating interest rate based on the six-month LIBOR in arrears, plus 0.4375%. The contractual obligations for the unsecured senior notes do not reflect this interest rate swap.
- (2) Amounts above include obligations associated with our assets held for sale.
- (3) Amount represents balance of obligation for the remainder of the 2008 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 reduction in 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 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

*Letters of Credit:* As of June 30, 2008, we have pledged letters of credit for \$12.7 million as additional security for certain property matters. Substantially all of our letters of credit are issued under our revolving credit facilities.

*Construction Commitments:* As of June 30, 2008, we have entered into construction commitments and have outstanding obligations to fund \$10.3 million, based on current plans and estimates, in order to complete current development and redevelopment projects. These obligations, comprising principally construction contracts, are generally due as the work is performed and are expected to be financed by funds available under our credit facilities.

*Operating Lease Obligations:* Certain of our properties are subject to ground leases, which are accounted for as operating leases and have annual obligations of approximately \$55,000. Additionally we have operating lease agreements for office space for which we have an annual obligation of approximately \$110,000.

*Non-Recourse Debt Guarantees:* Under the terms of certain non-recourse mortgage loans, we could, under specific 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. In management's judgment, it would be unlikely for us to incur any material liability under these guarantees that will have a material adverse effect on our financial condition, results of operations, or cash flow.

Subsequent to the end of the second quarter, our joint venture with an affiliate of DRA Advisors, LLC completed its due diligence investigation of a portfolio of three properties that it has under contract to acquire. Subject to the satisfaction of certain closing conditions, we are committed to fund approximately \$3.1 million in connection with this acquisition. Our commitment represents our

pro-rata portion of the net purchase price, after the assumption of existing mortgage indebtedness. In addition, we have agreed to fund our pro-rata portion of certain capital and operating expenses of the joint venture.

## **Equity**

On June 3, 2008, our Board of Directors approved a quarterly dividend of approximately \$22.2 million, or \$0.30 per share, which was paid on June 30, 2008 to stockholders of record on June 14, 2008.

## **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, rents that generally increase as prices rise, or escalation clauses which feature fixed rent escalation amounts or are 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. Our 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 consistent sales performance during periods of adverse economic conditions.

## **Cautionary Statement Relating to Forward Looking Statements**

Certain matters discussed in this Quarterly Report on Form 10-Q contain “forward-looking statements” for purposes of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations and are not guarantees of future performance.

All statements other than statements of historical facts are forward-looking statements, and can be identified by the use of forward-looking terminology such as “may,” “will,” “might,” “would,” “expect,” “anticipate,” “estimate,” “would,” “could,” “should,” “believe,” “intend,” “project,” “forecast,” “target,” “plan,” or “continue” or the negative of these words or other variations or comparable terminology, are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those projected. Because these statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. We caution you not to place undue reliance on those statements, which speak only as of the date of this report.

Among the factors that could cause actual results to differ materially are:

- general economic conditions, competition and the supply of and demand for shopping center properties in our markets;

- management's ability to successfully combine and integrate the properties and operations of separate companies that we have acquired in the past or may acquire in the future;
- interest rate levels and the availability of financing;
- potential environmental liability and other risks associated with the ownership, development and acquisition of shopping center properties;
- risks that tenants will not take or remain in occupancy or pay rent;
- greater than anticipated construction or operating costs;
- inflationary and other general economic trends;
- the effects of hurricanes and other natural disasters; and
- other risks detailed from time to time in the reports filed by us with the Securities and Exchange Commission.

Except for ongoing obligations to disclose material information as required by the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

#### **Interest Rate Risk**

The primary market risk to which we have exposure is interest rate risk. Changes in interest rates can affect our net income and cash flows. As changes in market conditions occur and interest rates increase or decrease, interest expense on the variable component of our debt will move in the same direction. We intend to utilize variable rate indebtedness available under our unsecured revolving credit facilities in order to initially fund future acquisitions, development costs and other operating needs. With respect to our fixed rate mortgage notes and senior unsecured notes, changes in interest rates generally do not affect our interest expense as these notes are at fixed rates for extended terms. Because we have the intent to hold our existing fixed-rate debt either to maturity or until the sale of the associated property, these fixed-rate notes pose an interest rate risk to our results of operations and our working capital position only upon the refinancing of that indebtedness. Our possible risk is from increases in long-term interest rates that may occur as this may increase our cost of refinancing maturing fixed-rate debt. In addition, we may incur prepayment penalties or defeasance costs when prepaying or defeasing fixed-rate debt.

As of June 30, 2008, we had approximately \$100.0 million of outstanding floating rate debt, which consists of fixed rate borrowings that we have converted to floating rate borrowings through the use of hedging agreements. We do not believe that the interest rate risk represented by our floating rate debt is material as of June 30, 2008, in relation to our \$1.0 billion of outstanding debt, \$2.0 billion of total assets and \$2.5 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 \$1.0 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 \$1.0 million. This assumes that the amount outstanding under our variable rate debt, which is comprised of fixed rate debt converted to floating rate debt through the use of hedging agreements, remains at approximately \$100.1 million, the balance as of June 30, 2008.

The fair value of our fixed rate debt is \$908.6 million, which includes the mortgage notes and fixed-rate portion of the senior unsecured notes payable (excluding the unamortized premium and the \$100.0 million of fixed-rate debt converted to floating-rate debt through maturity). If interest rates increase by 1%, the fair value of our total fixed-rate debt would decrease by approximately \$43.7 million. If interest rates decrease by 1%, the fair value of our total outstanding debt would increase by approximately \$41.0 million. This assumes that our total outstanding fixed-rate debt remains at \$944.1 million, the balance as of June 30, 2008.

#### **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.

During 2004, we entered into a \$100.0 million notional principal variable rate interest swap with an estimated fair value of negative \$66,000 as of June 30, 2008. This swap converted fixed-rate debt to variable rate based on the six-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 June 30, 2008, 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.

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 June 30, 2008, 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 our properties, nor we, are subject to any material litigation. Our properties and we 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, and results of operations or our cash flows.

### **ITEM 1A. RISK FACTORS**

Our Annual Report on Form 10-K for the year ended December 31, 2007, 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. The following is an additional risk factor:

**We have an unrealized loss on our investment in DIM Vastgoed N.V. of \$23.0 million and may be required to record an impairment of the investment.**

As of June 30, 2008, we indirectly owned approximately 3.8 million ordinary shares of DIM Vastgoed N.V., or DIM, representing 46.5% of the total outstanding ordinary shares of DIM. DIM is a public company organized under the laws of the Netherlands and owns a portfolio of 21 shopping center properties in the southeastern United States. As of June 30, 2008, the fair value of DIM's ordinary shares is less than the carrying amount of our total investment. Our aggregate cost is approximately \$79.2 million. Based on the closing market price of the ordinary shares on the NYSE Euronext on June 30, 2008, our shares of DIM had a fair value of approximately \$56.2 million. This equates to an unrealized loss of \$23.0 million. While we have determined that our investment is not other-than-temporarily impaired at June 30, 2008, changes in the factors, estimates, assumptions, or expected outcomes that are the basis for that determination could affect our conclusion. If the market value of DIM remains less than our carrying amount for an extended period of time and/or the financial condition and near-term prospects of DIM deteriorate or do not otherwise improve in the future, among other factors, we may be required to record an impairment of the investment. For a complete discussion of our determination and the estimates, assumptions and other factors critical to that determination, you should refer to the discussion of our investment under the heading "Securities" in Note 1 to our financial statements contained in our periodic reports filed with the Securities Exchange Commission.

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

None.

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

None.

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

We held our Annual Meeting of Stockholders on May 27, 2008. At the meeting, the stockholders voted to approve the following proposals:

Proposal 1 – Election of the following directors to hold office until our 2009 annual meeting of stockholders:

	<u>For</u>	<u>Withheld</u>	<u>Broker Non-Vote</u>
Noam Ben-Ozer	61,548,590	126,112	-
James Cassel	61,553,398	121,604	-
Cynthia Cohen	61,413,640	261,062	-
Neil Flanzraich	61,374,521	300,181	-
Nathan Hetz	56,052,238	5,622,464	-
Chaim Katzman	56,970,552	4,704,150	-
Peter Linneman	61,553,297	121,405	-
Jeffrey Olson	61,547,399	127,303	-
Dori Segal	61,305,562	369,140	-

Proposal 2 – Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2008 fiscal year:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Vote</u>
61,563,453	56,776	54,471	-

#### ITEM 5. OTHER INFORMATION

None.

#### ITEM 6. EXHIBITS

(a) Exhibits:

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

## **SIGNATURES**

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

Date: August 1, 2008

**EQUITY ONE, INC.**

/s/ Gregory R. Andrews

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Gregory R. Andrews  
Executive Vice President and Chief Financial Officer  
(Principal Accounting and Financial Officer)

## INDEX TO EXHIBITS

<u>Exhibits</u>	<u>Description</u>
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
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.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Jeffrey S. Olson, 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: August 1, 2008

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Jeffrey S. Olson  
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Gregory R. Andrews, 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: August 1, 2008

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Gregory R. Andrews  
Executive Vice President and Chief Financial Officer

**CERTIFICATION 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 June 30, 2008 (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.

August 1, 2008

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Jeffrey S. Olson  
Chief Executive Officer

August 1, 2008

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Gregory R. Andrews  
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).