EASTGROUP PROPERTIES INC
Form 10-Q
August 03, 2010

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 QUARTER ENDED JUNE 30, 2010 COMMISSION FILE NUMBER 1-07094

EASTGROUP PROPERTIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND (State or other jurisdiction of incorporation or organization)	13-2711135 (I.R.S. Employer Identification No.)
190 EAST CAPITOL STREET SUITE 400 JACKSON, MISSISSIPPI (Address of principal executive offices)	39201 (Zip code)
Registrant's telephone number: (601) 354-3555	

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 (x) NO ( )

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES (x) 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer (x) 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 (x)

The number of shares of common stock, $.0001 par value, outstanding as of August 2, 2010 was 26,970,898.

EASTGROUP PROPERTIES, INC.

FORM 10-Q

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EASTGROUP PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

		June 30, 2010 (Unaudited)	December 31, 2009
ASSETS			
Real estate properties	$	1,426,278	1,370,588
Development		76,445	97,594
		1,502,723	1,468,182
Less accumulated depreciation		(378,953)	(354,745)
		1,123,770	1,113,437
Unconsolidated investment		2,747	2,725
Cash		141	1,062
Other assets		61,461	61,294
TOTAL ASSETS	$	1,188,119	1,178,518
LIABILITIES AND EQUITY			
LIABILITIES			
Mortgage notes payable	$	593,219	602,949
Notes payable to banks		130,595	89,156
Accounts payable and accrued expenses		20,384	23,602
Other liabilities		14,359	15,715
Total Liabilities		758,557	731,422
EQUITY			
Stockholders' Equity:			
Common shares; $.0001 par value; 70,000,000 shares authorized; 26,970,898 shares issued and outstanding at June 30, 2010 and 26,826,100 at December 31, 2009		3	3
Excess shares; $.0001 par value; 30,000,000 shares authorized; no shares issued		–	–
Additional paid-in capital on common shares		590,255	589,197
Distributions in excess of earnings		(163,140)	(144,363)
Accumulated other comprehensive loss		(159)	(318)
Total Stockholders' Equity		426,959	444,519
Noncontrolling interest in joint ventures		2,603	2,577
Total Equity		429,562	447,096
TOTAL LIABILITIES AND EQUITY	$	1,188,119	1,178,518

See accompanying Notes to Consolidated Financial Statements (unaudited).

EASTGROUP PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
REVENUES				
Income from real estate operations	$ 43,528	43,044	87,959	86,354
Other income	60	24	88	39
	43,588	43,068	88,047	86,393
EXPENSES				
Expenses from real estate operations	13,045	12,646	26,569	25,214
Depreciation and amortization	14,706	13,296	29,423	26,325
General and administrative	2,544	2,166	5,154	4,727
	30,295	28,108	61,146	56,266
OPERATING INCOME	13,293	14,960	26,901	30,127
OTHER INCOME (EXPENSE)				
Equity in earnings of unconsolidated investment	83	82	167	163
Gain on sales of non-operating real estate	8	7	19	15
Interest income	86	32	167	156
Interest expense	(8,892)	(7,817)	(17,670)	(15,318)
INCOME FROM CONTINUING OPERATIONS	4,578	7,264	9,584	15,143
DISCONTINUED OPERATIONS				
Loss from real estate operations	–	(38)	–	(76)
LOSS FROM DISCONTINUED OPERATIONS	–	(38)	–	(76)
NET INCOME	4,578	7,226	9,584	15,067
Net income attributable to noncontrolling interest in joint ventures	(101)	(70)	(204)	(233)
NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS	$ 4,477	7,156	9,380	14,834
BASIC PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS				
Income from continuing operations	$ .17	.28	.35	.59
Loss from discontinued operations	.00	.00	.00	.00
Net income attributable to common stockholders	$ .17	.28	.35	.59
Weighted average shares outstanding	26,748	25,326	26,741	25,163

DILUTED PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS					
Income from continuing operations	$	.17	.28	.35	.59
Loss from discontinued operations		.00	.00	.00	.00
Net income attributable to common stockholders	$	.17	.28	.35	.59
Weighted average shares outstanding		26,815	25,413	26,802	25,244
AMOUNTS ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS					
Income from continuing operations	$	4,477	7,194	9,380	14,910
Loss from discontinued operations		–	(38)	–	(76)
Net income attributable to common stockholders	$	4,477	7,156	9,380	14,834

See accompanying Notes to Consolidated Financial Statements (unaudited).

EASTGROUP PROPERTIES, INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)
(UNAUDITED)

	Common Stock	Additional Paid-In Capital	Distributions In Excess Of Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Joint Ventures	Total
BALANCE, DECEMBER 31, 2009	$ 3	589,197	(144,363)	(318)	2,577	447,096
Comprehensive income						
Net income	–	–	9,380	–	204	9,584
Net unrealized change in fair value of interest rate swap	–	–	–	159	–	159
Total comprehensive income						9,743
Common dividends declared – $1.04 per share	–	–	(28,157)	–	–	(28,157)
Stock-based compensation, net of forfeitures	–	1,101	–	–	–	1,101
Issuance of 8,400 shares of common stock, options exercised	–	188	–	–	–	188
Issuance of 3,498 shares of common stock, dividend reinvestment plan	–	130	–	–	–	130
Withheld 9,494 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock	–	(361)	–	–	–	(361)
Distributions to noncontrolling interest	–	–	–	–	(178)	(178)
BALANCE, JUNE 30, 2010	$ 3	590,255	(163,140)	(159)	2,603	429,562

See accompanying Notes to Consolidated Financial Statements (unaudited).

EASTGROUP PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended June 30, 2010	2009
OPERATING ACTIVITIES		
Net income	$ 9,584	15,067
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization from continuing operations	29,423	26,325
Depreciation and amortization from discontinued operations	–	29
Amortization of mortgage loan premiums	(62)	(61)
Gain on sales of land and real estate investments	(19)	(15)
Amortization of discount on mortgage loan receivable	(7)	(7)
Stock-based compensation expense	952	874
Equity in earnings of unconsolidated investment, net of distributions	(22)	(53)
Changes in operating assets and liabilities:		
Accrued income and other assets	1,699	3,404
Accounts payable, accrued expenses and prepaid rent	(3,335)	(5,992)
NET CASH PROVIDED BY OPERATING ACTIVITIES	38,213	39,571
INVESTING ACTIVITIES		
Real estate development	(4,798)	(20,784)
Purchases of real estate	(23,906)	(11,050)
Real estate improvements	(9,839)	(7,694)
Repayments on mortgage loans receivable	19	15
Changes in accrued development costs	(307)	(3,557)
Changes in other assets and other liabilities	(3,173)	(4,875)
NET CASH USED IN INVESTING ACTIVITIES	(42,004)	(47,945)

FINANCING ACTIVITIES					
Proceeds from bank borrowings		104,945		133,441	
Repayments on bank borrowings		(63,506	)	(149,220	)
Proceeds from mortgage notes payable		–		76,365	
Principal payments on mortgage notes payable		(9,668	)	(49,723	)
Debt issuance costs		(38	)	(411	)
Distributions paid to stockholders		(28,102	)	(26,516	)
Proceeds from common stock offerings		303		24,633	
Proceeds from exercise of stock options		188		1,095	
Proceeds from dividend reinvestment plan		134		135	
Other		(1,386	)	(317	)
NET CASH PROVIDED BY FINANCING ACTIVITIES		2,870		9,482	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(921	)	1,108	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,062		293	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	141		1,401	
SUPPLEMENTAL CASH FLOW INFORMATION					
Cash paid for interest, net of amount capitalized of $1,836 and $3,398 for 2010 and 2009, respectively	$	17,255		14,498	
Fair value of common stock awards issued to employees and directors, net of forfeitures		5,174		2,444	

See accompanying Notes to Consolidated Financial Statements (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) BASIS OF PRESENTATION

The accompanying unaudited financial statements of EastGroup Properties, Inc. ("EastGroup" or "the Company") have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The financial statements should be read in conjunction with the financial statements contained in the 2009 annual report on Form 10-K and the notes thereto.
Certain reclassifications have been made in the 2009 consolidated financial statements to conform to the 2010 presentation.

(2) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of EastGroup Properties, Inc., its wholly-owned subsidiaries and its investment in any joint ventures in which the Company has a controlling interest. At June 30, 2010 and December 31, 2009, the Company had a controlling interest in two joint ventures: the 80% owned University Business Center and the 80% owned Castilian Research Center. The Company records 100% of the joint ventures' assets, liabilities, revenues and expenses with noncontrolling interests provided for in accordance with the joint venture agreements. The equity method of accounting is used for the Company's 50% undivided tenant-in-common interest in Industry Distribution Center II. All significant intercompany transactions and accounts have been eliminated in consolidation.

(3) USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses during the reporting period and to disclose material contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(4) REAL ESTATE PROPERTIES

EastGroup has one reportable segment – industrial properties. These properties are concentrated in major Sunbelt markets of the United States, primarily in the states of Florida, Texas, Arizona and California, have similar economic characteristics and also meet the other criteria that permit the properties to be aggregated into one reportable segment.
The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows (including estimated future expenditures necessary to substantially complete the asset) expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2010 and December 31, 2009, the Company determined that no impairment charges on the Company's real estate properties were necessary.
Depreciation of buildings and other improvements, including personal property, is computed using the straight-line method over estimated useful lives of generally 40 years for buildings and 3 to 15 years for improvements and personal property. Building improvements are capitalized, while maintenance and repair expenses are charged to

expense as incurred. Significant renovations and improvements that improve or extend the useful life of the assets are capitalized. Depreciation expense for continuing and discontinued operations was $12,132,000 and $24,207,000 for the three and six months ended June 30, 2010, respectively, and $11,022,000 and $21,920,000 for the same periods in 2009.

The Company's real estate properties at June 30, 2010 and December 31, 2009 were as follows:

	June 30, 2010	December 31, 2009
	(In thousands)	
Real estate properties:		
Land	$ 220,301	208,630
Buildings and building improvements	977,741	944,085
Tenant and other improvements	228,236	217,873
Development	76,445	97,594
	1,502,723	1,468,182
Less accumulated depreciation	(378,953)	(354,745)
	$ 1,123,770	1,113,437

(5) DEVELOPMENT

During the period in which a property is under development, costs associated with development (i.e., land, construction costs, interest expense, property taxes and other direct and indirect costs associated with development) are aggregated into the total capitalized costs of the property. Included in these costs are management's estimates for the portions of internal costs (primarily personnel costs) that are deemed directly or indirectly related to such development activities. As the property becomes occupied, depreciation commences on the occupied portion of the building, and costs are capitalized only for the portion of the building that remains vacant. When the property becomes 80% occupied or one year after completion of the shell construction (whichever comes first), capitalization of development costs ceases. The properties are then transferred to real estate properties, and depreciation commences on the entire property (excluding the land).

(6) BUSINESS COMBINATIONS AND ACQUIRED INTANGIBLES

Upon acquisition of real estate properties, the Company applies the principles of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, Business Combinations, which requires that for acquisitions beginning January 1, 2009, acquisition-related costs be recognized as expenses in the periods in which the costs are incurred and the services are received. The Codification also provides guidance on how to properly determine the allocation of the purchase price among the individual components of both the tangible and intangible assets based on their respective fair values. Goodwill is recorded when the purchase price exceeds the fair value of the assets and liabilities acquired. The Company determines whether any financing assumed is above or below market based upon comparison to similar financing terms for similar properties. The cost of the properties acquired may be adjusted based on indebtedness assumed from the seller that is determined to be above or below market rates. Factors considered by management in allocating the cost of the properties acquired include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The allocation to tangible assets (land, building and improvements) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models.

The purchase price is also allocated among the following categories of intangible assets: the above or below market component of in-place leases, the value of in-place leases, and the value of customer relationships. The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above and below market leases are included in Other Assets and Other Liabilities, respectively, on the Consolidated Balance Sheets and are amortized to rental income over the remaining terms of the respective leases. The total amount of intangible assets is further allocated to in-place lease values and customer relationship values based upon management's assessment of their respective values. These intangible assets are included in Other Assets on the Consolidated Balance Sheets and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable. Amortization expense for in-place lease intangibles was $841,000 and $1,785,000 for the three and six months ended June 30, 2010, respectively, and $690,000 and $1,256,000 for the same periods in 2009. Amortization of above and below market leases was immaterial for all periods presented.

During the first six months of 2010, the Company acquired the following operating properties: Commerce Park 2 & 3 in Charlotte, Ocean View Corporate Center in San Diego, and East University Distribution Center III in Phoenix. The Company purchased these properties for a total cost of $23,555,000, of which $19,545,000 was allocated to real estate properties. The Company allocated $7,914,000 of the total purchase price to land using third party land valuations for the Charlotte, San Diego and Phoenix markets. The market values used are considered to be Level 3 inputs as defined by ASC 820, Fair Value Measurements and Disclosures (see Note 17 for additional information on ASC 820). Intangibles associated with the purchase of real estate were allocated as follows: $3,118,000 to in-place lease intangibles, $923,000 to above market leases (both included in Other Assets on the Consolidated Balance Sheets) and

$31,000 to below market leases (included in Other Liabilities on the Consolidated Balance Sheets). These costs are amortized over the remaining lives of the associated leases in place at the time of acquisition.

Acquisition-related costs are included in General and Administrative Expenses on the Consolidated Statements of Income. The Company expensed acquisition-related costs of $23,000 and $72,000 in the three and six months ended June 30, 2010, respectively, as compared to $37,000 and $41,000 during the same periods last year.

The Company periodically reviews the recoverability of goodwill (at least annually) and the recoverability of other intangibles (on a quarterly basis) for possible impairment. In management's opinion, no material impairment of goodwill and other intangibles existed at June 30, 2010 and December 31, 2009.

(7) REAL ESTATE HELD FOR SALE/DISCONTINUED OPERATIONS

The Company considers a real estate property to be held for sale when it meets the criteria established under ASC 360, Property, Plant, and Equipment, including when it is probable that the property will be sold within a year. A key indicator of probability of sale is whether the buyer has a significant amount of earnest money at risk. Real estate properties that are held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale. In accordance with the guidelines established under the Codification, the results of operations for the properties sold or held for sale during the reported periods are shown under Discontinued Operations on the Consolidated Statements of Income. Interest expense is not generally allocated to the properties that are held for sale or whose operations are included under Discontinued Operations unless the mortgage is required to be paid in full upon the sale of the property.

The Company did not sell any real estate properties during the first six months of 2010 and did not have any real estate properties that were considered to be held for sale at June 30, 2010.

During 2009, EastGroup sold one operating property, Butterfield Trail (Building G) in El Paso, and the results of operations for this property are shown under Discontinued Operations on the Consolidated Statements of Income.

(8) OTHER ASSETS

A summary of the Company's Other Assets follows:

		June 30, 2010	December 31, 2009
		(In thousands)	
Leasing costs (principally commissions), net of accumulated amortization	$	21,855	21,483
Straight-line rent receivable, net of allowance for doubtful accounts		17,427	16,520
Accounts receivable, net of allowance for doubtful accounts		2,069	2,947
Acquired in-place lease intangibles, net of accumulated amortization of $5,022 and $5,568 for 2010 and 2009, respectively		4,467	3,134
Mortgage loans receivable, net of discount of $62 and $69 for 2010 and 2009, respectively		4,143	4,155
Loan costs, net of accumulated amortization		3,215	3,705
Goodwill		990	990
Prepaid expenses and other assets		7,295	8,360
	$	61,461	61,294

(9) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

A summary of the Company's Accounts Payable and Accrued Expenses follows:

		June 30, 2010	December 31, 2009
		(In thousands)	
Property taxes payable	$	11,793	12,098

Interest payable		2,716	2,766
Dividends payable on nonvested restricted stock		925	870
Development costs payable		358	665
Other payables and accrued expenses		4,592	7,203
	$	20,384	23,602

(10) OTHER LIABILITIES

A summary of the Company’s Other Liabilities follows:

		June 30, 2010	December 31, 2009
		(In thousands)	
Security deposits	$	7,905	7,453
Prepaid rent and other deferred income		5,926	7,428
Other liabilities		528	834
	$	14,359	15,715

(11) COMPREHENSIVE INCOME

Comprehensive income is comprised of net income plus all other changes in equity from non-owner sources. The components of Accumulated Other Comprehensive Loss are presented in the Company's Consolidated Statement of Changes in Equity and are summarized below. See Note 12 for information regarding the Company's interest rate swap.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
ACCUMULATED OTHER COMPREHENSIVE LOSS:				
Balance at beginning of period	$ (256)	(492)	(318)	(522)
Change in fair value of interest rate swap	97	73	159	103
Balance at end of period	$ (159)	(419)	(159)	(419)

(12) DERIVATIVES AND HEDGING ACTIVITIES

On January 1, 2009, the Company adopted provisions included in ASC 815, Derivatives and Hedging, which require all entities with derivative instruments to disclose information regarding how and why the entity uses derivative instruments and how derivative instruments and related hedged items affect the entity's financial position, financial performance, and cash flows. EastGroup has an interest rate swap agreement to hedge its exposure to the variable interest rate on the Company's $8,975,000 Tower Automotive Center recourse mortgage, which is summarized in the table below. Under the swap agreement, the Company effectively pays a fixed rate of interest over the term of the agreement without the exchange of the underlying notional amount. This swap is designated as a cash flow hedge and is considered to be fully effective in hedging the variable rate risk associated with the Tower mortgage loan. The Company's interest rate swap is reported at fair value and is shown on the Consolidated Balance Sheets under Other Liabilities (see Note 17). Changes in the fair value of the swap are recognized in other comprehensive income (loss) (see Note 11). The Company does not hold or issue this type of derivative contract for trading or speculative purposes.

Type of Hedge	Current Notional Amount (In thousands)	Maturity Date	Reference Rate	Fixed Interest Rate	Effective Interest Rate	Fair Value at 6/30/10	Fair Value at 12/31/09
						(In thousands)	
Swap	$ 8,975	12/31/10	1 month LIBOR	4.03 %	6.03 %	$ (159)	$ (318)

(13) EARNINGS PER SHARE

The Company applies ASC 260, Earnings Per Share, which requires companies to present basic and diluted earnings per share (EPS). Basic EPS represents the amount of earnings for the period attributable to each share of common stock outstanding during the reporting period. The Company's basic EPS is calculated by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding.

Diluted EPS represents the amount of earnings for the period attributable to each share of common stock outstanding during the reporting period and to each share that would have been outstanding assuming the issuance of common shares for all dilutive potential common shares outstanding during the reporting period. The Company calculates diluted EPS by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding plus the dilutive effect of nonvested restricted stock and stock options had the options been exercised. The dilutive effect of stock options and their equivalents (such as nonvested restricted stock) was determined using the treasury stock method which assumes exercise of the options as of the beginning of the period or when issued, if later, and assumes proceeds from the exercise of options are used to purchase common stock at the average market price during the period.

Reconciliation of the numerators and denominators in the basic and diluted EPS computations is as follows:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(In thousands)			
BASIC EPS COMPUTATION FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS				
Numerator – net income attributable to common stockholders	$ 4,477	7,156	9,380	14,834
Denominator – weighted average shares outstanding	26,748	25,326	26,741	25,163
DILUTED EPS COMPUTATION FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS				
Numerator – net income attributable to common stockholders	$ 4,477	7,156	9,380	14,834
Denominator:				
Weighted average shares outstanding	26,748	25,326	26,741	25,163
Common stock options	12	16	13	21
Nonvested restricted stock	55	71	48	60
Total Shares	26,815	25,413	26,802	25,244

(14) STOCK-BASED COMPENSATION

Equity Incentive Plan

In May 2004, the stockholders of the Company approved the EastGroup Properties, Inc. 2004 Equity Incentive Plan (the "Plan") that authorized the issuance of up to 1,900,000 shares of common stock to employees in the form of options, stock appreciation rights, restricted stock, deferred stock units, performance shares, bonus stock or stock in lieu of cash compensation. The Plan was further amended by the Board of Directors in September 2005 and December 2006. Total shares available for grant were 1,471,676 at June 30, 2010. Typically, the Company issues new shares to fulfill stock grants or upon the exercise of stock options.

Stock-based compensation cost was $417,000 and $861,000 for the three and six months ended June 30, 2010, respectively, of which $18,000 and $29,000 were capitalized as part of the Company's development costs. For the three and six months ended June 30, 2009, stock-based compensation cost was $426,000 and $861,000, respectively, of which $51,000 and $109,000 were capitalized as part of the Company's development costs.

Equity Awards

In the second quarter of 2010, the Company's Board of Directors approved an equity compensation plan for its executive officers based upon the attainment of certain annual performance goals. These goals are for the period ending December 31, 2010, so any shares issued upon attainment of these goals will be issued after that date. The number of shares to be issued could range from zero to 53,686. These shares will vest 20% on the date shares are determined and awarded and 20% per year on each January 1 for the subsequent four years.

Also in the second quarter of 2010, EastGroup's Board of Directors approved an equity compensation plan for the Company's executive officers based on EastGroup's absolute and relative total stockholder return for the period ending December 31, 2010. Any shares issued pursuant to this equity compensation plan will be issued after that date. The number of shares to be issued could range from zero to 53,686. These shares will vest 25% per year on January 1 in years 2014, 2015, 2016 and 2017.

Notwithstanding the foregoing, pursuant to a special vesting provision adopted by the Company's Compensation Committee, shares issued to the Company's Chief Executive Officer, David H. Hoster II will become fully vested no later than January 1, 2013.

In the second quarter of 2010, 14,850 shares were granted to non-executive officers subject only to continued service as of the vesting date. These shares vest 1/3 on January 1, 2011, 2012, and 2013.

Following is a summary of the total shares granted, forfeited and delivered (vested) to employees with the related weighted average grant date fair value share prices. Of the shares that vested in the first quarter of 2010, the Company withheld 9,494 shares to satisfy the tax obligations for those employees who elected this option as permitted under the Plan. As of the vesting date, the fair value of shares that vested during the first quarter of 2010 was $1,753,000. There were no shares that vested in the second quarter of 2010.

Award Activity:	Three Months Ended June 30, 2010		Six Months Ended June 30, 2010	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	198,879	$ 36.67	124,080	$ 36.93
Granted	14,850	35.85	135,704	36.86
Forfeited	–	–	–	–
Vested	–	–	(46,055)	38.07
Nonvested at end of period	213,729	$ 36.62	213,729	$ 36.62

Directors Equity Incentive Plan
In May 2005, the stockholders of the Company approved the EastGroup Properties, Inc. 2005 Directors Equity Incentive Plan that authorized the issuance of up to 50,000 shares of common stock through awards of shares and restricted shares granted to non-employee directors of the Company. The Directors Equity Incentive Plan was further amended by the Board of Directors in May 2006 and May 2008. Stock-based compensation expense for directors was $60,000 and $120,000 for the three and six months ended June 30, 2010, respectively, and $61,000 and $122,000 for the same periods in 2009.

(15) RISKS AND UNCERTAINTIES

The state of the overall economy can significantly impact the Company's operational performance and thus, impact its financial position. Should EastGroup experience a significant decline in operational performance, it may affect the Company's ability to make distributions to its stockholders and service debt or meet other financial obligations.

(16) RECENT ACCOUNTING PRONOUNCEMENTS

In 2009, the FASB issued Accounting Standards Update (ASU) 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures About Fair Value Measurements, which amends certain disclosure requirements of ASC 820. This ASU provides additional disclosures for transfers in and out of Levels 1 and 2 and for activity in Level 3. This ASU also clarifies certain other existing disclosure requirements including level of desegregation and disclosures around inputs and valuation techniques. ASU 2010-06 was effective for interim and annual reporting periods beginning after December 15, 2009, and the Company has adopted the provisions and provided the necessary disclosures beginning with the period ended March 31, 2010.

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also provides guidance for using fair value to measure financial assets and liabilities. The Codification requires disclosure of the level within the fair value hierarchy in which the fair value measurements fall, including measurements using quoted prices in active markets for identical assets or liabilities (Level 1), quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active (Level 2), and significant valuation assumptions that are not readily observable in the market (Level 3). The Company's interest rate swap, as discussed in Note 12, is reported at fair value and is shown on the Consolidated Balance Sheets under Other Liabilities. The fair value of the interest rate swap is determined by estimating the expected cash flows over the life of the swap using the mid-market rate and price environment as of the last trading day of the reporting period. This market information is considered a Level 2 input as defined by ASC 820.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments in accordance with ASC 820, at June 30, 2010 and December 31, 2009.

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial Assets				
Cash and cash equivalents	$ 141	141	1,062	1,062
Mortgage loans receivable, net of discount	4,143	4,403	4,155	4,289
Financial Liabilities				
Mortgage notes payable	593,219	626,052	602,949	610,252
Notes payable to banks	130,595	126,495	89,156	84,627

Carrying amounts shown in the table are included in the Consolidated Balance Sheets under the indicated captions, except as indicated in the notes below.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: The carrying amounts approximate fair value due to the short maturity of those instruments.
Mortgage loans receivable, net of discount (included in Other Assets on the Consolidated Balance Sheets): The fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.
Mortgage notes payable: The fair value of the Company's mortgage notes payable is estimated by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company's bankers.
Notes payable to banks: The fair value of the Company's notes payable to banks is estimated by discounting expected cash flows at current market rates.

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

OVERVIEW

EastGroup's goal is to maximize stockholder value by being a leading provider in its markets of functional, flexible, and quality business distribution space for location sensitive tenants primarily in the 5,000 to 50,000 square foot range. The Company acquires, develops and operates distribution facilities, the majority of which are clustered around major transportation features in supply constrained submarkets in major Sunbelt regions. The Company's core markets are in the states of Florida, Texas, Arizona and California.

The Company believes the slowdown in the economy has affected and will continue to affect its operations. The Company has experienced decreases in occupancy and rental rates, and it has no plans for development starts. The current economic situation is also impacting lenders, making it more difficult to obtain financing. Loan proceeds as a percentage of property values have decreased, and property values have decreased. The Company believes its current lines of credit provide the capacity to fund the operations of the Company for the remainder of 2010 and 2011. The Company also believes it can obtain mortgage financing from insurance companies and financial institutions and issue common and/or preferred equity.

The Company's primary revenue is rental income; as such, EastGroup's greatest challenge is leasing space. During the six months ended June 30, 2010, the Company experienced positive absorption of 530,000 square feet as signed leases for 4,035,000 square feet exceeded expiring leases of 3,505,000 square feet. The expired leases represented 12.5% of EastGroup's total square footage of 27,997,000, and the Company was successful in renewing or re-leasing 69% of this space. In addition, EastGroup leased 1,621,000 square feet of other vacant space during this period. During the six months ended June 30, 2010, average rental rates on new and renewal leases decreased by 12.2%. Property net operating income (PNOI) from same properties decreased 3.8% for the quarter ended June 30, 2010, as compared to the same quarter in 2009. For the six months ended June 30, 2010, PNOI from same properties decreased 3.9% as compared to the same period last year.

EastGroup's total leased percentage was 89.1% at June 30, 2010, compared to 92.6% at June 30, 2009. Leases scheduled to expire for the remainder of 2010 were 4.8% of the portfolio on a square foot basis at June 30, 2010, and this figure was reduced to 3.6% as of August 2, 2010.

The Company generates new sources of leasing revenue through its acquisition and development programs. During the first six months of 2010, EastGroup acquired Commerce Park 2 & 3, Ocean View Corporate Center and East University Distribution Center III for a total of $23,555,000. These properties, which contain 499,000 square feet, are located in Charlotte, San Diego and Phoenix, respectively.

EastGroup continues to see targeted development as a contributor to the Company's long-term growth. The Company mitigates risks associated with development through a Board-approved maximum level of land held for development and by adjusting development start dates according to leasing activity. EastGroup's development activity has slowed considerably as a result of current market conditions. The Company had only one development start in 2009, which was a 20,000 square foot expansion at Arion 8 in San Antonio to accommodate the growth of an existing customer. There have not been any development starts thus far in 2010, and the Company currently has no plans to start construction on new developments for the remainder of the year. During the six months ended June 30, 2010, the Company transferred four properties (338,000 square feet) with aggregate costs of $24.2 million at the date of transfer from development to real estate properties. These properties, which were collectively 43.3% leased as of August 2, 2010, are located in Tucson, Arizona; Tampa and West Palm Beach, Florida; and Houston, Texas.

During the first six months of 2010, the Company funded its acquisition and development programs through its $225 million lines of credit (as discussed in Liquidity and Capital Resources). As market conditions permit, EastGroup issues equity, including preferred equity, and/or employs fixed-rate, non-recourse first mortgage debt to replace short-term bank borrowings.

EastGroup has one reportable segment – industrial properties. These properties are primarily located in major Sunbelt regions of the United States, have similar economic characteristics and also meet the other criteria that permit the properties to be aggregated into one reportable segment. The Company's chief decision makers use two primary measures of operating results in making decisions: property net operating income (PNOI), defined as income from real estate operations less property operating expenses (before interest expense and depreciation and amortization), and funds from operations attributable to common stockholders (FFO), defined as net income (loss) attributable to common stockholders computed in accordance with U.S. generally accepted accounting principles (GAAP), excluding gains or losses from sales of depreciable real estate property, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The Company calculates FFO based on the National Association of Real Estate Investment Trusts' (NAREIT) definition.

PNOI is a supplemental industry reporting measurement used to evaluate the performance of the Company's real estate investments. The Company believes that the exclusion of depreciation and amortization in the industry's calculation of PNOI provides a supplemental indicator of the properties' performance since real estate values have historically risen or fallen with market conditions. PNOI as calculated by the Company may not be comparable to similarly titled but differently calculated measures for other real estate investment trusts (REITs). The major factors that influence PNOI are occupancy levels, acquisitions and sales, development properties that achieve stabilized operations, rental rate increases or decreases, and the recoverability of operating expenses. The Company's success depends largely upon its ability to lease space and to recover from tenants the operating costs associated with those leases.

PNOI is comprised of Income from real estate operations, less Expenses from real estate operations. PNOI was calculated as follows for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Income from real estate operations	$43,528	43,044	87,959	86,354
Expenses from real estate operations	(13,045)	(12,646)	(26,569)	(25,214)
PROPERTY NET OPERATING INCOME	$30,483	30,398	61,390	61,140

Income from real estate operations is comprised of rental income, pass-through income and other real estate income including lease termination fees. Expenses from real estate operations are comprised of property taxes, insurance, utilities, repair and maintenance expenses, management fees, other operating costs and bad debt expense. Generally, the Company's most significant operating expenses are property taxes and insurance. Tenant leases may be net leases in which the total operating expenses are recoverable, modified gross leases in which some of the operating expenses are recoverable, or gross leases in which no expenses are recoverable (gross leases represent only a small portion of the Company's total leases). Increases in property operating expenses are fully recoverable under net leases and recoverable to a high degree under modified gross leases. Modified gross leases often include base year amounts and expense increases over these amounts are recoverable. The Company's exposure to property operating expenses is primarily due to vacancies and leases for occupied space that limit the amount of expenses that can be recovered.
The following table presents reconciliations of Net Income to PNOI for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
NET INCOME	$4,578	7,226	9,584	15,067
Equity in earnings of unconsolidated investment	(83)	(82)	(167)	(163)
Interest income	(86)	(32)	(167)	(156)
Other income	(60)	(24)	(88)	(39)
Gain on sales of non-operating real estate	(8)	(7)	(19)	(15)
Loss from discontinued operations	–	38	–	76
Depreciation and amortization from continuing operations	14,706	13,296	29,423	26,325
Interest expense	8,892	7,817	17,670	15,318
General and administrative expense	2,544	2,166	5,154	4,727
PROPERTY NET OPERATING INCOME	$30,483	30,398	61,390	61,140

The Company believes FFO is a meaningful supplemental measure of operating performance for equity REITs. The Company believes that excluding depreciation and amortization in the calculation of FFO is appropriate since real estate values have historically increased or decreased based on market conditions. FFO is not considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance, nor is it a measure of the Company's liquidity or indicative of funds available to provide for the Company's cash needs, including its ability to make distributions. In addition, FFO, as reported by the Company, may not be comparable to FFO by other REITs that do not define the term in accordance with the current NAREIT definition. The Company's key drivers affecting FFO are changes in PNOI (as discussed above), interest rates, the amount of leverage the Company employs and general and administrative expense. The following table presents reconciliations of Net Income Attributable to EastGroup Properties, Inc. Common Stockholders to FFO for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(In thousands, except per share data)			
NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS	$ 4,477	7,156	9,380	14,834
Depreciation and amortization from continuing operations	14,706	13,296	29,423	26,325
Depreciation and amortization from discontinued operations	–	14	–	29
Depreciation from unconsolidated investment	33	33	66	66
Noncontrolling interest depreciation and amortization	(53)	(51)	(105)	(102)
FUNDS FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 19,163	20,448	38,764	41,152
Net income attributable to common stockholders per diluted share	$ .17	.28	.35	.59
Funds from operations attributable to common stockholders per diluted share	.71	.80	1.45	1.63
Diluted shares for earnings per share and funds from operations	26,815	25,413	26,802	25,244

The Company analyzes the following performance trends in evaluating the progress of the Company:

- The FFO change per share represents the increase or decrease in FFO per share from the same quarter in the current year compared to the prior year. FFO per share for the second quarter of 2010 was $.71 per share compared with $.80 per share for the same period of 2009, a decrease of 11.3% per share.

For the six months ended June 30, 2010, FFO was $1.45 per share compared with $1.63 per share for the same period of 2009, a decrease of 11.0% per share.

FFO per share for both periods decreased primarily due to lower occupancies and decreasing rental rates from the Company's properties and a decrease in capitalized interest due to a slowdown in the Company's development program, offset by higher termination fees and lower bad debt expense.

- Same property net operating income change represents the PNOI increase or decrease for the same operating properties owned during the entire current period and prior year reporting period. PNOI from same properties decreased 3.8% for the three months ended June 30, 2010, and decreased 3.9% for the six months.

- Occupancy is the percentage of leased square footage for which the lease term has commenced as compared to the total leasable square footage as of the close of the reporting period. Occupancy at June 30, 2010, was 87.2%. Quarter-end occupancy ranged from 86.2% to 91.2% over the period from June 30, 2009 to June 30, 2010.

- Rental rate change represents the rental rate increase or decrease on new and renewal leases compared to the prior leases on the same space. Rental rate decreases on new and renewal leases (6.8% of total square footage) averaged 16.1% for the second quarter of 2010. For the six months ended June 30, 2010, rental rate decreases on new and renewal leases (14.4% of total square footage) averaged 12.2%.

- Termination fee income for the three and six months ended June 30, 2010, was $1,025,000 and $2,438,000, respectively, compared to $210,000 and $442,000 for the same periods of 2009. Bad debt expense for the three and six months ended June 30, 2010, was $126,000 and $742,000, respectively, compared to $639,000 and $1,417,000 for the same periods last year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's management considers the following accounting policies and estimates to be critical to the reported operations of the Company.

Real Estate Properties

The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values. Goodwill is recorded when the purchase price exceeds the fair value of the assets and liabilities acquired. Factors considered by management in allocating the cost of the properties acquired include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The allocation to tangible assets (land, building and improvements) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models. The purchase price is also allocated among the following categories of intangible assets: the above or below market component of in-place leases, the value of in-place leases, and the value of customer relationships. The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above and below market leases are included in Other Assets and Other Liabilities, respectively, on the Consolidated Balance Sheets and are amortized to rental income over the remaining terms of the respective leases. The total amount of intangible assets is further allocated to in-place lease values and customer relationship values based upon management's assessment of their respective values. These intangible assets are included in Other Assets on the Consolidated Balance Sheets and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable.

During the period in which a property is under development, costs associated with development (i.e., land, construction costs, interest expense, property taxes and other direct and indirect costs associated with development) are aggregated into the total capitalized costs of the property. Included in these costs are management's estimates for the portions of internal costs (primarily personnel costs) that are deemed directly or indirectly related to such development activities.

The Company reviews its real estate investments for impairment of value whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any real estate investment is considered permanently impaired, a loss is recorded to reduce the carrying value of the property to its estimated fair value. Real estate assets to be sold are reported at the lower of the carrying amount or fair value less selling costs. The evaluation of real estate investments involves many subjective assumptions dependent upon future economic events that affect the ultimate value of the property. Currently, the Company's management is not aware of any impairment issues nor has it experienced any significant impairment issues in recent years. EastGroup currently has the intent and ability to hold its real estate investments and to hold its land inventory for future development. In the event of impairment, the property's basis would be reduced, and the impairment would be recognized as a current period charge on the Consolidated Statements of Income.

Valuation of Receivables

The Company is subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, the Company performs credit reviews and analyses on prospective tenants before significant leases are executed. On a quarterly basis, the Company evaluates outstanding receivables and estimates the allowance for doubtful accounts. Management specifically analyzes aged receivables, customer credit-worthiness, historical bad debts and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. The Company believes its allowance for doubtful accounts is adequate for its outstanding receivables for the periods presented. In the event the allowance for doubtful accounts is insufficient for an account that is subsequently written off, additional bad debt expense would be recognized as a current period charge on the Consolidated Statements of Income.

Tax Status

EastGroup, a Maryland corporation, has qualified as a real estate investment trust under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the Company is required to distribute at least 90% of its ordinary taxable income to its stockholders. The Company has the option of (i) reinvesting the sales price of properties sold through tax-deferred exchanges, allowing for a deferral of capital gains on the sale, (ii) paying out capital gains to the stockholders with no tax to the Company, or (iii) treating the capital gains as having been distributed to the stockholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the stockholders. The Company distributed all of its 2009 taxable income to its stockholders and expects to distribute all of its taxable income in 2010. Accordingly, no provision for income taxes was necessary in 2009, nor is it expected to be necessary for 2010.

FINANCIAL CONDITION

EastGroup's assets were $1,188,119,000 at June 30, 2010, an increase of $9,601,000 from December 31, 2009. Liabilities increased $27,135,000 to $758,557,000 and equity decreased $17,534,000 to $429,562,000 during the same period. The paragraphs that follow explain these changes in detail.

Assets

Real Estate Properties

Real estate properties increased $55,690,000 during the six months ended June 30, 2010, primarily due to the purchase of the operating properties detailed below and the transfer of four properties from development, as detailed under Development below.

REAL ESTATE PROPERTIES ACQUIRED IN 2010	Location	Size	Date Acquired	Cost (1)
		(Square feet)		(In thousands)

Commerce Park 2 & 3	Charlotte, NC	193,000	01/12/10	$	4,722
Ocean View Corporate Center	San Diego, CA	274,000	01/28/10		13,681
East University Distribution Center III	Phoenix, AZ	32,000	06/01/10		1,142
Total Acquisitions		499,000		$	19,545

(1) Total cost of the properties acquired was $23,555,000, of which $19,545,000 was allocated to real estate properties as indicated above. Intangibles associated with the purchases of real estate were allocated as follows: $3,118,000 to in-place lease intangibles, $923,000 to above market leases (both included in Other Assets on the Consolidated Balance Sheets) and $31,000 to below market leases (included in Other Liabilities on the Consolidated Balance Sheets). All of these costs are amortized over the remaining lives of the associated leases in place at the time of acquisition. During the first six months of 2010, the Company expensed acquisition-related costs of $72,000 in connection with the Commerce Park, Ocean View, and East University III acquisitions. During the fourth quarter of 2009, the Company expensed acquisition-related costs of $62,000 in connection with the Commerce Park and Ocean View acquisitions. These costs are included in General and Administrative Expenses on the Consolidated Statements of Income.

EastGroup also acquired 2.1 acres of land adjacent to its Country Club buildings in Tucson, Arizona, for $351,000. This land provides additional parking and trailer storage for the existing buildings.
The Company made capital improvements of $9,847,000 on existing and acquired properties (included in the Capital Expenditures table under Results of Operations). Also, the Company incurred costs of $1,720,000 on development properties subsequent to transfer to Real Estate Properties; the Company records these expenditures as development costs on the Consolidated Statements of Cash Flows during the 12-month period following transfer.

Development

The investment in development at June 30, 2010, was $76,445,000 compared to $97,594,000 at December 31, 2009. Total capital invested for development during the first six months of 2010 was $4,798,000, which consisted of costs of $3,078,000 as detailed in the development activity table and costs of $1,720,000 on developments transferred to Real Estate Properties during the 12-month period following transfer.

The Company transferred four developments to Real Estate Properties during the first six months of 2010 with a total investment of $24,227,000 as of the date of transfer.

		Costs Incurred		
DEVELOPMENT	Size (Square feet)	For the Six Months Ended 6/30/10	Cumulative as of 6/30/10 (In thousands)	Estimated Total Costs
LEASE-UP				
World Houston 30, Houston, TX	88,000	$ 347	6,227	6,600
Total Lease-up	88,000	347	6,227	6,600
UNDER CONSTRUCTION				
Arion 8 Expansion, San Antonio, TX	20,000	76	127	1,900
Total Under Construction	20,000	76	127	1,900
PROSPECTIVE DEVELOPMENT (PRIMARILY LAND)				
Tucson, AZ	70,000	–	417	4,900
Tampa, FL	249,000	141	4,060	14,600
Orlando, FL	1,584,000	1,236	22,262	101,700
Fort Myers, FL	659,000	297	16,220	48,100
Dallas, TX	70,000	37	678	4,100
El Paso, TX	251,000	–	2,444	9,600
Houston, TX	1,064,000	500	15,772	68,100
San Antonio, TX	595,000	252	6,399	37,500
Charlotte, NC	95,000	38	1,133	7,100
Jackson, MS	28,000	–	706	2,000
Total Prospective Development	4,665,000	2,501	70,091	297,700
	4,773,000	$ 2,924	76,445	306,200
DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL ESTATE PROPERTIES DURING 2010				
Beltway Crossing VII, Houston, TX	95,000	$ 6	5,651	
Country Club III & IV, Tucson, AZ	138,000	57	10,784	
Oak Creek IX, Tampa, FL	85,000	29	5,180	
Blue Heron III, West Palm Beach, FL	20,000	62	2,612	
Total Transferred to Real Estate Properties	338,000	$ 154	24,227 (1)	

(1) Represents cumulative costs at the date of transfer.

Accumulated depreciation on real estate properties increased $24,208,000 during the first six months of 2010 due to depreciation expense on real estate properties.

A summary of Other Assets is presented in Note 8 in the Notes to Consolidated Financial Statements.

Liabilities

Mortgage notes payable decreased $9,730,000 during the six months ended June 30, 2010, as a result of regularly scheduled principal payments of $9,668,000 and mortgage loan premium amortization of $62,000.
Notes payable to banks increased $41,439,000 during the six months ended June 30, 2010, primarily due to purchases of real estate and real estate improvements. The Company's credit facilities are described in greater detail under Liquidity and Capital Resources.
See Note 9 in the Notes to Consolidated Financial Statements for a summary of Accounts Payable and Accrued Expenses. See Note 10 in the Notes to Consolidated Financial Statements for a summary of Other Liabilities.

Equity

For the six months ended June 30, 2010, distributions in excess of earnings increased $18,777,000 as a result of dividends on common stock of $28,157,000 exceeding net income attributable to common stockholders of $9,380,000. See Note 14 in the Notes to Consolidated Financial Statements for information related to the changes in additional paid-in capital resulting from stock-based compensation.

RESULTS OF OPERATIONS
(Comments are for the three and six months ended June 30, 2010, compared to the three and six months ended June 30, 2009.)

Net income attributable to common stockholders for the three and six months ended June 30, 2010, was $4,477,000 ($.17 per basic and diluted share) and $9,380,000 ($.35 per basic and diluted share) compared to $7,156,000 ($.28 per basic and diluted share) and $14,834,000 ($.59 per basic and diluted share) for the three and six months ended June 30, 2009.

PNOI for the three months ended June 30, 2010, increased by $85,000, or 0.3%, as compared to the same period in 2009. The increase was primarily attributable to additional PNOI of $674,000 from 2009 and 2010 acquisitions and $567,000 from newly developed properties, offset by a decrease in PNOI of $1,142,000 from same property operations. Termination fee income of $1,025,000 and bad debt expense of $126,000 were included in PNOI in the second quarter of 2010 compared to $210,000 and $639,000, respectively, in the same quarter last year.

PNOI for the six months ended June 30, 2010, increased by $250,000, or 0.4%, as compared to the same period in 2009. The increase was primarily attributable to additional PNOI of $1,357,000 from 2009 and 2010 acquisitions and $1,263,000 from newly developed properties, offset by a decrease in PNOI of $2,338,000 from same property operations. Termination fee income of $2,438,000 and bad debt expense of $742,000 were included in PNOI in the first six months of 2010 compared to $442,000 and $1,417,000, respectively, in the same period last year.

EastGroup's results of operations for the second quarter and the six months were affected by the changes in PNOI, increased depreciation and amortization expense, and other costs as discussed below.

Property expense to revenue ratios were 30.0% and 30.2% for the three and six months ended June 30, 2010, compared to 29.4% and 29.2% for the same periods in 2009. The increase was primarily due to lower occupancy in the first six months of 2010 as compared to the same period last year. The Company's percentages leased and occupied were 89.1% and 87.2%, respectively, at June 30, 2010, compared to 92.6% and 91.2%, respectively, at June 30, 2009.

General and administrative expenses increased $378,000 and $427,000 for the three and six months ended June 30, 2010, as compared to the same periods in 2009. The increases were primarily due to a decrease in capitalized development costs resulting from a slowdown in the Company's development program. In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, Business Combinations, EastGroup expensed acquisition-related costs of $23,000 and $72,000 during the three and six months ended June 30, 2010, respectively, as compared to $37,000 and $41,000 during the same periods last year.

The following table presents the components of interest expense for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
	(In thousands, except rates of interest)					
Average bank borrowings	$ 120,211	117,744	2,467	114,009	125,590	(11,581)
Weighted average variable interest rates (excluding loan cost amortization)	1.48 %	1.48 %		1.41 %	1.47 %	
VARIABLE RATE INTEREST EXPENSE						

Variable rate interest (excluding loan cost amortization)	$ 445	435	10	794	917	(123)
Amortization of bank loan costs	79	74	5	157	148	9
Total variable rate interest expense	524	509	15	951	1,065	(114)
FIXED RATE INTEREST EXPENSE						
Fixed rate interest (excluding loan cost amortization)	9,058	8,872	186	18,184	17,273	911
Amortization of mortgage loan costs	185	183	2	371	378	(7)
Total fixed rate interest expense	9,243	9,055	188	18,555	17,651	904
Total interest	9,767	9,564	203	19,506	18,716	790
Less capitalized interest	(875)	(1,747)	872	(1,836)	(3,398)	1,562
TOTAL INTEREST EXPENSE	$ 8,892	7,817	1,075	17,670	15,318	2,352

EastGroup's variable rate interest expense was relatively unchanged for the three months ended June 30, 2010 compared to the same quarter last year. For the six months ended June 30, 2010, the Company's variable rate interest expense decreased as compared to the same period of 2009 due to a decrease in the Company's average bank borrowings and weighted average variable interest rate.

Interest costs incurred during the period of construction of real estate properties are capitalized and offset against interest expense. Due to the continued slowdown in the Company's development program, capitalized interest decreased $872,000 and $1,562,000 for the three and six months ended June 30, 2010, respectively, as compared to the same periods last year.

The increase in mortgage interest expense in 2010 was primarily due to the Company's new mortgages detailed in the table below.

NEW MORTGAGES IN 2009	Interest Rate		Date	Maturity Date	Amount	
Tower Automotive Center (1)	6.030	%	01/02/09	01/15/11	$	9,365,000
Dominguez, Kingsview, Walnut, Washington, Industry I & III and Shaw	7.500	%	05/05/09	05/05/19		67,000,000
Weighted Average/Total Amount	7.320	%			$	76,365,000

(1) The Company repaid the previous mortgage note on the Tower Automotive Center and replaced it with this new mortgage note for the same amount. See the table below for details on the previous mortgage.

These increases were offset by regularly scheduled principal payments and the repayments of three mortgages in 2009 as shown in the following table:

MORTGAGE LOANS REPAID IN 2009	Interest Rate		Date Repaid	Payoff Amount	
Tower Automotive Center (1)	8.020	%	01/02/09	$	9,365,000
Dominguez, Kingsview, Walnut, Washington, Industry I and Shaw	6.800	%	02/13/09		31,357,000
Oak Creek I	8.875	%	06/01/09		205,000
Weighted Average/Total Amount	7.090	%		$	40,927,000

(1) The Tower Automotive Center mortgage was repaid and replaced with another mortgage note payable for the same amount. See the new mortgage detailed in the new mortgages table above.

Depreciation and amortization for continuing operations increased $1,410,000 and $3,098,000 for the three and six months ended June 30, 2010, as compared to the same periods in 2009. The increase was primarily due to properties acquired and transferred from development during 2009 and 2010.

NAREIT has recommended supplemental disclosures concerning straight-line rent, capital expenditures and leasing costs. Straight-lining of rent for continuing operations increased income by $495,000 and $1,209,000 for the three and six months ended June 30, 2010, compared to $339,000 and $405,000 for the same periods in 2009.

Capital Expenditures

Capital expenditures for operating properties for the three and six months ended June 30, 2010 and 2009 were as follows:

	Estimated Useful Life	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
		(In thousands)			
	40 yrs	$ 10	4	28	4

Upgrade on Acquisitions					
Tenant Improvements:					
New Tenants	Lease Life	3,040	1,458	4,815	2,833
New Tenants (first generation) (1)	Lease Life	250	471	281	531
Renewal Tenants	Lease Life	485	252	709	536
Other:					
Building Improvements	5-40 yrs	1,216	591	1,864	1,401
Roofs	5-15 yrs	1,345	875	1,482	1,571
Parking Lots	3-5 yrs	308	411	359	475
Other	5 yrs	225	117	309	343
Total capital expenditures		$ 6,879	4,179	9,847	7,694

(1)First generation refers to space that has never been occupied under EastGroup's ownership.

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Capitalized Leasing Costs

The Company's leasing costs (principally commissions) are capitalized and included in Other Assets. The costs are amortized over the terms of the associated leases and are included in depreciation and amortization expense. Capitalized leasing costs for the three and six months ended June 30, 2010 and 2009 were as follows:

	Estimated Useful Life	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
		(In thousands)			
Development	Lease Life	$ 78	630	166	974
New Tenants	Lease Life	1,035	907	2,058	1,394
New Tenants (first generation) (1)	Lease Life	31	46	48	50
Renewal Tenants	Lease Life	868	869	1,530	1,649
Total capitalized leasing costs		$ 2,012	2,452	3,802	4,067
Amortization of leasing costs (2)		$ 1,733	1,598	3,431	3,178

(1) First generation refers to space that has never been occupied under EastGroup's ownership.
(2) Includes discontinued operations.

Discontinued Operations

The results of operations, including interest expense (if applicable), for the operating properties sold or held for sale during the periods reported are shown under Discontinued Operations on the Consolidated Statements of Income. The following table presents the components of revenue and expense for the properties sold or held for sale during the three and six months ended June 30, 2010 and 2009. There were not any sales of properties during the first six months of 2010 nor were any properties considered to be held for sale at June 30, 2010. EastGroup sold Butterfield Trail (Building G) during the fourth quarter of 2009 and reclassified the operations of the entity to Discontinued Operations as shown in the following table.

DISCONTINUED OPERATIONS	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(In thousands)			
Income from real estate operations	$ –	–	–	–
Expenses from real estate operations	–	(24)	–	(47)
Property net operating loss from discontinued operations	–	(24)	–	(47)
Depreciation and amortization	–	(14)	–	(29)
	–	(38)	–	(76)

Loss from real estate operations				
Gain on sales of real estate investments	–	–	–	–
Loss from discontinued operations	$ –	(38)	–	(76)

RECENT ACCOUNTING PRONOUNCEMENTS

In 2009, the FASB issued Accounting Standards Update (ASU) 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures About Fair Value Measurements, which amends certain disclosure requirements of ASC 820. This ASU provides additional disclosures for transfers in and out of Levels 1 and 2 and for activity in Level 3. This ASU also clarifies certain other existing disclosure requirements including level of desegregation and disclosures around inputs and valuation techniques. ASU 2010-06 was effective for interim and annual reporting periods beginning after December 15, 2009, and the Company has adopted the provisions and provided the necessary disclosures beginning with the period ended March 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $38,213,000 for the six months ended June 30, 2010. The primary other sources of cash were from bank borrowings. The Company distributed $28,102,000 in common stock dividends during the six months ended June 30, 2010. Other primary uses of cash were for bank debt repayments, mortgage note repayments, purchases of real estate, capital improvements at various properties, and construction and development of properties.

Total debt at June 30, 2010 and December 31, 2009 is detailed below. The Company's bank credit facilities have certain restrictive covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage, and the Company was in compliance with all of its debt covenants at June 30, 2010 and December 31, 2009.

		June 30, 2010	December 31, 2009
		(In thousands)	
Mortgage notes payable – fixed rate	$	593,219	602,949
Bank notes payable – floating rate		130,595	89,156
Total debt	$	723,814	692,105

EastGroup has a four-year, $200 million unsecured revolving credit facility with a group of seven banks that matures in January 2012. The interest rate on the facility is based on the LIBOR index and varies according to total liability to total asset value ratios (as defined in the credit agreement), with an annual facility fee of 15 to 20 basis points. The interest rate on each tranche is usually reset on a monthly basis and as of June 30, 2010, was LIBOR plus 85 basis points with an annual facility fee of 20 basis points. The line of credit has an option for a one-year extension at the Company's request. Additionally, there is a provision under which the line may be expanded by $100 million contingent upon obtaining increased commitments from existing lenders or commitments from additional lenders. The Company has two letters of credit totaling $2,389,000 associated with this line of credit. These letters reduce the amount available on the credit facility. At June 30, 2010, the weighted average interest rate was 1.200% on a balance of $126,000,000.

EastGroup also has a four-year, $25 million unsecured revolving credit facility with PNC Bank, N.A. that matures in January 2012. This credit facility is customarily used for working capital needs. The interest rate on this working capital line is based on the LIBOR index and varies according to total liability to total asset value ratios (as defined in the credit agreement). As of June 30, 2010, the Company's interest rate on this working capital line was LIBOR plus 90 basis points with no annual facility fee. At June 30, 2010, the interest rate was 1.248% on a balance of $4,595,000.

As market conditions permit, EastGroup issues equity, including preferred equity, and/or employs fixed-rate, limited and non-recourse first mortgage debt to replace the short-term bank borrowings.

The current economic situation is impacting lenders, making it more difficult to obtain financing. Loan proceeds as a percentage of property value have decreased, and property values have decreased. The Company believes its current lines of credit provide the capacity to fund the operations of the Company for the remainder of 2010 and 2011. The Company also believes it can obtain mortgage financing from insurance companies and financial institutions and issue common equity.

The Company anticipates that its current cash balance, operating cash flows, borrowings under its lines of credit, proceeds from new mortgage debt and/or proceeds from the issuance of equity instruments will be adequate for (i) operating and administrative expenses, (ii) normal repair and maintenance expenses at its properties, (iii) debt service obligations, (iv) maintaining compliance with its debt covenants, (v) distributions to stockholders, (vi) capital improvements, (vii) purchases of properties, (viii) development, and (ix) any other normal business activities of the Company, both in the short- and long-term.

Contractual Obligations

EastGroup’s fixed, noncancelable obligations as of December 31, 2009, did not materially change during the six months ended June 30, 2010, except for the increase in bank borrowings discussed above.

INFLATION AND OTHER ECONOMIC CONSIDERATIONS

Most of the Company's leases include scheduled rent increases. Additionally, most of the Company's leases require the tenants to pay their pro rata share of operating expenses, including real estate taxes, insurance and common area maintenance, thereby reducing the Company's exposure to increases in operating expenses resulting from inflation. In the event inflation causes increases in the Company’s general and administrative expenses or the level of interest rates, such increased costs would not be passed through to tenants and could adversely affect the Company’s results of operations.

EastGroup's financial results are affected by general economic conditions in the markets in which the Company's properties are located. The current economic recession, or other adverse changes in general or local economic conditions, could result in the inability of some of the Company's existing tenants to make lease payments and may therefore increase bad debt expense. It may also impact the Company’s ability to (i) renew leases or re-lease space as leases expire, or (ii) lease development space. In addition, the economic downturn or recession could also lead to an increase in overall vacancy rates or decline in rents the Company can charge to re-lease properties upon expiration of current leases. In all of these cases, EastGroup’s cash flows would be adversely affected.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to interest rate changes primarily as a result of its lines of credit and long-term debt maturities. This debt is used to maintain liquidity and fund capital expenditures and expansion of the Company's real estate investment portfolio and operations. The Company's objective for interest rate risk management is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company borrows at fixed rates but also has several variable rate bank lines as discussed under Liquidity and Capital Resources. The table below presents the principal payments due and weighted average interest rates for both the fixed rate and variable rate debt.

	July-Dec. 2010	2011	2012	2013	2014	Thereafter	Total	Fair Value
Fixed rate debt (1) (in thousands)	$ 10,014	86,663	63,940	55,197	91,792	285,613	593,219	626,052(2)
Weighted average interest rate	6.02 %	7.01 %	6.64 %	5.15 %	5.75 %	5.98 %	6.09 %	
Variable rate debt (in thousands)	$ –	–	130,595(3)	–	–	–	130,595	126,495(4)
Weighted average interest rate	–	–	1.20 %	–	–	–	1.20 %	

(1) The fixed rate debt shown above includes the Tower Automotive mortgage. See below for additional information on the Tower mortgage.

(2) The fair value of the Company's fixed rate debt is estimated based on the quoted market prices for similar issues or by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company's bankers.

(3) The variable rate debt is comprised of two lines of credit with balances of $126,000,000 on the $200 million line of credit and $4,595,000 on the $25 million working capital line of credit as of June 30, 2010. The $200 million line of credit has an option for a one-year extension at the Company's request.

(4) The fair value of the Company's variable rate debt is estimated by discounting expected cash flows at current market rates.

As the table above incorporates only those exposures that existed as of June 30, 2010, it does not consider those exposures or positions that could arise after that date. If the weighted average interest rate on the variable rate bank debt as shown above changes by 10% or approximately 12 basis points, interest expense and cash flows would increase or decrease by approximately $157,000 annually.

The Company has an interest rate swap agreement to hedge its exposure to the variable interest rate on the Company's $8,975,000 Tower Automotive Center recourse mortgage, which is summarized in the table below. Under the swap agreement, the Company effectively pays a fixed rate of interest over the term of the agreement without the exchange of the underlying notional amount. This swap is designated as a cash flow hedge and is considered to be fully effective in hedging the variable rate risk associated with the Tower mortgage loan. Changes in the fair value of the swap are recognized in other comprehensive income (loss). The Company does not hold or issue this type of derivative contract for trading or speculative purposes. The interest rate swap agreement is summarized as follows:

Fair Value	Fair Value

Type of Hedge	Current Notional Amount (In thousands)	Maturity Date	Reference Rate	Fixed Interest Rate	Effective Interest Rate	at 6/30/10	at 12/31/09
						(In thousands)	
Swap	$ 8,975	12/31/10	1 month LIBOR	4.03 %	6.03 %	$ (159)	$ (318)

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report may be deemed “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “will,” “anticipates,” “expects,” “believes,” “intends,” “pl “seeks,” “estimates,” variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that the Company expects or anticipates will occur in the future, including statements relating to rent and occupancy growth, development activity, the acquisition or sale of properties, general conditions in the geographic areas where the Company operates and the availability of capital, are forward-looking statements. Forward-looking statements are inherently subject to known and unknown risks and uncertainties, many of which the Company cannot predict, including, without limitation: changes in general economic conditions; the extent of tenant defaults or of any early lease terminations; the Company's ability to lease or re-lease space at current or anticipated rents; the availability of financing; changes in the supply of and demand for industrial/warehouse properties; increases in interest rate levels; increases in operating costs; natural disasters, terrorism, riots and acts of war, and the Company's ability to obtain adequate insurance; changes in governmental regulation, tax rates and similar matters; and other risks associated with the development and acquisition of properties, including risks that development projects may not be completed on schedule, development or operating costs may be greater than anticipated or acquisitions may not close as scheduled, and those additional factors discussed under “Item 1A. Risk Factors” in this report and in the Company’s Annual Report on Form 10-K. Although the Company believes that the expectations reflected in the forward-looking statements are based upon reasonable assumptions at the time made, the Company can give no assurance that such expectations will be achieved. The Company assumes no obligation whatsoever to publicly update or revise any forward-looking statements. See also the information contained in the Company’s reports filed or to be filed from time to time with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

ITEM 4. CONTROLS AND PROCEDURES.

(i) Disclosure Controls and Procedures.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the disclosure controls and procedures (as defined in Exchange Act Rule 13a-15) as of June 30, 2010. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

(ii) Changes in Internal Control Over Financial Reporting.

There was no change in the Company's internal control over financial reporting during the Company's second fiscal quarter ended June 30, 2010, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company converted to a new enterprise management system encompassing financial reporting, general ledger and property management effective July 1, 2010. The Company's consolidated financial statements for the third fiscal quarter ending September 30, 2010, will be generated from the new accounting system. The Company believes it has designed and implemented procedures to ensure the transition will not negatively impact the quality of its financial information.

PART II. OTHER INFORMATION.

ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors disclosed in EastGroup's Form 10-K for the year ended December 31, 2009. For a full description of these risk factors, please refer to "Item 1A. Risk Factors" in the 2009 Annual Report on Form 10-K.

ITEM 6. EXHIBITS.

(a) Form 10-Q Exhibits:

(31) Rule 13a-14(a)/15d-14(a) Certifications (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

(a) David H. Hoster II, Chief Executive Officer

(b) N. Keith McKey, Chief Financial Officer

(32) Section 1350 Certifications (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

(a) David H. Hoster II, Chief Executive Officer

(b) N. Keith McKey, Chief Financial Officer

(101) The following materials from EastGroup Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statement of changes in equity, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements, tagged as block of text.**

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 3, 2010

EASTGROUP PROPERTIES, INC.

/s/ BRUCE CORKERN
Bruce Corkern, CPA
Senior Vice President,
Controller and
Chief Accounting Officer

/s/ N. KEITH MCKEY
N. Keith McKey, CPA
Executive Vice President, Chief
Financial Officer,
Treasurer and Secretary