EASTGROUP PROPERTIES INC
Form 10-K
February 23, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011 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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
SHARES OF COMMON STOCK, $.0001 PAR VALUE,
NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES (x) NO ( )

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES ( ) NO (x)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (x)

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)

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2011, the last business day of the Registrant's most recently completed second fiscal quarter: $1,104,183,000.

The number of shares of common stock, $.0001 par value, outstanding as of February 21, 2012 was 27,859,569.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s Proxy Statement for the 2012 Annual Meeting of Stockholders are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS.

Organization
EastGroup Properties, Inc. (the Company or EastGroup) is an equity real estate investment trust (REIT) organized in 1969. The Company has elected to be taxed and intends to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code (the Code), as amended.

Available Information
The Company maintains a website at www.eastgroup.net. The Company posts its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after it electronically files or furnishes such materials to the Securities and Exchange Commission (SEC). In addition, the Company's website includes items related to corporate governance matters, including, among other things, the Company's corporate governance guidelines, charters of various committees of the Board of Directors, and the Company's code of business conduct and ethics applicable to all employees, officers and directors. The Company intends to disclose on its website any amendment to, or waiver of, any provision of this code of business conduct and ethics applicable to the Company's directors and executive officers that would otherwise be required to be disclosed under the rules of the SEC or the New York Stock Exchange. Copies of these reports and corporate governance documents may be obtained, free of charge, from the Company's website. Any shareholder also may obtain copies of these documents, free of charge, by sending a request in writing to: Investor Relations, EastGroup Properties, Inc., 190 East Capitol Street, Suite 400, Jackson, MS 39201-2152.

Administration
EastGroup maintains its principal executive office and headquarters in Jackson, Mississippi. The Company also has regional offices in Orlando, Houston and Phoenix and asset management offices in Charlotte and Dallas. EastGroup has property management offices in Jacksonville, Tampa, Fort Lauderdale and San Antonio. Offices at these locations allow the Company to provide property management services to all of its Florida (except Fort Myers), Arizona, Mississippi, North Carolina, and Houston and San Antonio, Texas properties, which together account for 71% of the Company’s total portfolio on a square foot basis. In addition, the Company currently provides property administration (accounting of operations) for its entire portfolio. The regional offices in Florida, Texas and Arizona also provide development capability and oversight in those states. As of February 21, 2012, EastGroup had 69 full-time employees and 3 part-time employees.

Operations
EastGroup is focused on the development, acquisition and operation of industrial properties in major Sunbelt markets throughout the United States with an emphasis in the states of Florida, Texas, Arizona, California and North Carolina. The Company’s goal is to maximize shareholder value by being a leading provider of functional, flexible and quality business distribution space for location sensitive tenants primarily in the 5,000 to 50,000 square foot range. EastGroup’s strategy for growth is based on the ownership of premier distribution facilities generally clustered near major transportation features in supply constrained submarkets. Over 99% of the Company’s revenue consists of rental income from real estate properties.

During 2011, EastGroup increased its holdings in real estate properties through its acquisition and development programs. The Company purchased five warehouse distribution complexes with a total of 21 buildings (1,770,000 square feet) and 164.6 acres of development land for a combined cost of $101.9 million. Also during 2011, EastGroup began construction of eight development projects (527,000 square feet) and transferred one property (20,000 square feet) with aggregate costs of $1.5 million at the date of transfer from development to real estate properties.

EastGroup incurs short-term floating rate bank debt in connection with the acquisition and development of real estate and, as market conditions permit, replaces floating rate debt with equity, including preferred equity, and/or fixed-rate term loans. EastGroup also may, in appropriate circumstances, acquire one or more properties in exchange for EastGroup securities.

EastGroup holds its properties as long-term investments but may determine to sell certain properties that no longer meet its investment criteria. The Company may provide financing in connection with such sales of property if market conditions require. In addition, the Company may provide financing to a partner or co-owner in connection with an acquisition of real estate in certain situations.

Subject to the requirements necessary to maintain EastGroup's qualifications as a REIT, the Company may acquire securities of entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over those entities.

The Company intends to continue to qualify as a REIT under the Code. To maintain its status as a REIT, the Company is required to distribute at least 90% of its ordinary taxable income to its stockholders. If the Company has a capital gain, it has the option of (i) deferring recognition of the capital gain through a tax-deferred exchange, (ii) declaring and paying a capital gain dividend on any recognized net capital gain resulting in no corporate level tax, or (iii) retaining and paying corporate income tax on its net long-term capital gain, with the shareholders reporting their proportional share of the undistributed long-term capital gain and receiving a credit or refund of their share of the tax paid by the Company.

EastGroup has no present intention of acting as an underwriter of offerings of securities of other issuers. The strategies and policies set forth above were determined and are subject to review by EastGroup's Board of Directors, which may change such strategies or policies based upon its evaluation of the state of the real estate market, the performance of EastGroup's assets, capital and credit market conditions, and other relevant factors. EastGroup provides annual reports to its stockholders, which contain financial statements audited by the Company’s independent registered public accounting firm.

Environmental Matters

Under various federal, state and local laws, ordinances and regulations, an owner of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Many such laws impose liability without regard to whether the owner knows of, or was responsible for, the presence of such hazardous or toxic substances. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner’s ability to sell or rent such property or to use such property as collateral in its borrowings. EastGroup’s properties have been subjected to Phase I Environmental Site Assessments (ESAs) by independent environmental consultants. These reports have not revealed any potential significant environmental liability. Management of EastGroup is not aware of any environmental liability that would have a material adverse effect on EastGroup’s business, assets, financial position or results of operations.

ITEM 1A. RISK FACTORS.

In addition to the other information contained or incorporated by reference in this document, readers should carefully consider the following risk factors. Any of these risks or the occurrence of any one or more of the uncertainties described below could have a material adverse effect on the Company's financial condition and the performance of its business. The Company refers to itself as "we" or "our" in the following risk factors.

Real Estate Industry Risks

We face risks associated with local real estate conditions in areas where we own properties. We may be adversely affected by general economic conditions and local real estate conditions. For example, an oversupply of industrial properties in a local area or a decline in the attractiveness of our properties to tenants would have a negative effect on us. Other factors that may affect general economic conditions or local real estate conditions include:

- population and demographic trends;
- employment and personal income trends;
- income tax laws;
- changes in interest rates and availability and costs of financing;
- increased operating costs, including insurance premiums, utilities and real estate taxes, due to inflation and other factors which may not necessarily be offset by increased rents; and
- construction costs.

We may be unable to compete for properties and tenants. The real estate business is highly competitive. We compete for interests in properties with other real estate investors and purchasers, some of whom have greater financial resources, revenues and geographical diversity than we have. Furthermore, we compete for tenants with other property owners. All of our industrial properties are subject to significant local competition. We also compete with a wide variety of institutions and other investors for capital funds necessary to support our investment activities and asset growth.

We are subject to significant regulation that constrains our activities. Local zoning and land use laws, environmental statutes and other governmental requirements restrict our expansion, rehabilitation and reconstruction activities. These regulations may prevent us from taking advantage of economic opportunities. Legislation such as the Americans with Disabilities Act may require us to modify our properties, and noncompliance could result in the imposition of fines or an award of damages to private litigants. Future legislation may impose additional requirements. We cannot predict what requirements may be enacted or what changes may be implemented to existing legislation.

Risks Associated with Our Properties

We may be unable to lease space. When a lease expires, a tenant may elect not to renew it. We may not be able to re-lease the property on similar terms, if we are able to re-lease the property at all. The terms of renewal or re-lease (including the cost of required renovations and/or concessions to tenants) may be less favorable to us than the prior lease. We also develop some properties with no pre-leasing. If we are unable to lease all or a substantial portion of our properties, or if the rental rates upon such leasing are significantly lower than expected rates, our cash generated before debt repayments and capital expenditures and our ability to make expected distributions to stockholders may be adversely affected.

We have been and may continue to be affected negatively by tenant bankruptcies and leasing delays. At any time, a tenant may experience a downturn in its business that may weaken its financial condition. Similarly, a general decline in the economy may result in a decline in the demand for space at our industrial properties. As a result, our tenants may delay lease commencement, fail to make rental payments when due, or declare bankruptcy. Any such event could result in the termination of that tenant's lease and losses to us, and distributions to investors may decrease. We receive a substantial portion of our income as rents under long-term leases. If tenants are unable to comply with the terms of their leases because of rising costs or falling sales, we may deem it advisable to modify lease terms to allow tenants to pay a lower rent or a smaller share of taxes, insurance and other operating costs. If a tenant becomes insolvent or bankrupt, we cannot be sure that we could recover the premises from the tenant promptly or from a trustee or debtor-in-possession in any bankruptcy proceeding relating to the tenant. We also cannot be sure that we would receive rent in the proceeding sufficient to cover our expenses with respect to the premises. If a tenant becomes bankrupt, the federal bankruptcy code will apply and, in some instances, may restrict the amount and recoverability of our claims against the tenant. A tenant's default on its obligations to us could adversely affect our financial condition and the cash we have available for distribution.

We face risks associated with our property development. We intend to continue to develop properties where market conditions warrant such investment. Once made, our investments may not produce results in accordance with our expectations. Risks associated with our current and future development and construction activities include:

- the availability of favorable financing alternatives;
- the risk that we may not be able to obtain land on which to develop or that due to the increased cost of land, our activities may not be as profitable;
- construction costs exceeding original estimates due to rising interest rates and increases in the costs of materials and labor;
- construction and lease-up delays resulting in increased debt service, fixed expenses and construction costs;
- expenditure of funds and devotion of management's time to projects that we do not complete;
- fluctuations of occupancy and rental rates at newly completed properties, which depend on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment; and
- complications (including building moratoriums and anti-growth legislation) in obtaining necessary zoning, occupancy and other governmental permits.

We face risks associated with property acquisitions. We acquire individual properties and portfolios of properties and intend to continue to do so. Our acquisition activities and their success are subject to the following risks:

- when we are able to locate a desired property, competition from other real estate investors may significantly increase the purchase price;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;
- acquired properties may be located in new markets where we face risks associated with an incomplete knowledge or understanding of the local market, a limited number of established business relationships in the area and a relative unfamiliarity with local governmental and permitting procedures;
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result, our results of operations and financial condition could be adversely affected; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, to the transferor with respect to unknown liabilities. As a result, if a claim were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow.

Coverage under our existing insurance policies may be inadequate to cover losses. We generally maintain insurance policies related to our business, including casualty, general liability and other policies, covering our business operations, employees and assets as appropriate for the markets where our properties and business operations are located. However, we would be required to bear all losses that are not adequately covered by insurance. In addition, there may be certain losses that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so, including losses due to floods, wind, earthquakes, acts of war, acts of terrorism or riots. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, then we could lose the capital we invested in the properties, as well as the anticipated future revenue from the properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

We face risks due to lack of geographic and real estate sector diversity. Substantially all of our properties are located in the Sunbelt region of the United States with an emphasis in the states of Florida, Texas, Arizona, California and North Carolina. A downturn in general economic conditions and local real estate conditions in these geographic regions, as a result of oversupply of or reduced demand for industrial properties, local business climate, business layoffs and changing demographics, would have a particularly strong adverse effect on us. Our investments in real estate assets are concentrated in the industrial distribution sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included other sectors of the real estate industry.

We face risks due to the illiquidity of real estate which may limit our ability to vary our portfolio. Real estate investments are relatively illiquid. Our ability to vary our portfolio in response to changes in economic and other conditions will therefore be limited. In addition, because of our status as a REIT, the Internal Revenue Code limits our ability to sell our properties. If we must sell an investment, we cannot ensure that we will be able to dispose of the investment on terms favorable to the Company.

We are subject to environmental laws and regulations. Current and previous real estate owners and operators may be required under various federal, state and local laws, ordinances and regulations to investigate and clean up hazardous substances released at the properties they own or operate. They may also be liable to the government or to third parties for substantial property or natural resource damage, investigation costs and cleanup costs. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs the government incurs in connection with the contamination. Contamination may adversely affect the owner's ability to use, sell or lease real estate or to borrow using the real estate as collateral. We have no way of determining at this time the magnitude of any potential liability to which we may be subject arising out of environmental conditions or violations with respect to the properties we currently or formerly owned. Environmental laws today can impose liability on a previous owner or operator of a property that owned or operated the property at a time when hazardous or toxic substances were disposed of, released from, or present at the property. A conveyance of the property, therefore, may not relieve the owner or operator from liability. Although ESAs have been conducted at our properties to identify potential sources of contamination at the properties, such ESAs do not reveal all environmental liabilities or compliance concerns that could arise from the properties. Moreover, material environmental liabilities or compliance concerns may exist, of which we are currently unaware, that in the future may have a material adverse effect on our business, assets or results of operations.

Compliance with new laws or regulations related to climate change, including compliance with "green" building codes, may require us to make improvements to our existing properties. Proposed legislation could also increase the costs of energy and utilities. The cost of the proposed legislation may adversely affect our financial position, results of operations and cash flows. We may be adversely affected by floods, hurricanes and other climate related events.

Financing Risks

We face risks associated with the use of debt to fund acquisitions and developments, including refinancing risk. We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. In addition, certain of our mortgages will have significant outstanding principal balances on their maturity dates, commonly known as "balloon payments." Therefore, we will likely need to refinance at least a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of the existing debt.

We face risks associated with our dependence on external sources of capital. In order to qualify as a REIT, we are required each year to distribute to our stockholders at least 90% of our ordinary taxable income, and we are subject to tax on our income to the extent it is not distributed. Because of this distribution requirement, we may not be able to fund all future capital needs from cash retained from operations. As a result, to fund capital needs, we rely on third-party sources of capital, which we may not be able to obtain on favorable terms, if at all. Our access to third-party sources of capital depends upon a number of factors, including (i) general market conditions; (ii) the market's perception of our growth potential; (iii) our current and potential future earnings and cash distributions; and (iv) the market price of our capital stock. Additional debt financing may substantially increase our debt-to-total market capitalization ratio. Additional equity financing may dilute the holdings of our current stockholders.

Covenants in our credit agreements could limit our flexibility and adversely affect our financial condition. The terms of our various credit agreements and other indebtedness require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations. If we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flow and our financial condition would be adversely affected.

Fluctuations in interest rates may adversely affect our operations and value of our stock. As of December 31, 2011, we had approximately $154.5 million of variable interest rate debt. As of December 31, 2011, the weighted average interest rate on our variable rate debt was 1.15%. We may incur additional indebtedness in the future that bears interest at a variable rate or we may be required to refinance our existing debt at higher rates. Accordingly, increases in interest rates could adversely affect our financial condition, our ability to pay expected distributions to stockholders and the value of our stock.

A lack of any limitation on our debt could result in our becoming more highly leveraged. Our governing documents do not limit the amount of indebtedness we may incur. Accordingly, our Board of Directors may incur additional debt and would do so, for example, if it were necessary to maintain our status as a REIT. We might become more highly leveraged as a result, and our financial condition and cash available for distribution to stockholders might be negatively affected and the risk of default on our indebtedness could increase.

Other Risks

The market value of our common stock could decrease based on our performance and market perception and conditions. The market value of our common stock may be based primarily upon the market's perception of our growth potential and current and future cash dividends and may be secondarily based upon the real estate market value of our underlying assets. The market price of our common stock is influenced by the dividend on our common stock relative to market interest rates. Rising interest rates may lead potential buyers of our common stock to expect a higher dividend rate, which would adversely affect the market price of our common stock. In addition, rising interest rates would result in increased expense, thereby adversely affecting cash flow and our ability to service our indebtedness and pay dividends.

The current economic situation may adversely affect our operating results and financial condition. The continuation or intensification of the turmoil in the global financial markets may have an adverse impact on the availability of credit to businesses generally and could lead to a further weakening of the U.S. and global economies. Currently these conditions have not impaired our ability to access credit markets and finance our operations. However, our ability to access the capital markets may be restricted at a time when we would like, or need, to raise financing, which could have an impact on our flexibility to react to changing economic and business conditions. Furthermore, deteriorating economic conditions including business layoffs, downsizing, industry slowdowns and other similar factors that affect our customers could continue to negatively impact commercial real estate fundamentals and result in lower occupancy, lower rental rates and declining values in our real estate portfolio and in the collateral securing any loan investments we may make. Additionally, the economic situation could have an impact on our lenders or customers, causing them to fail to meet their obligations to us. No assurances can be given that the effects of the current economic situation will not have a material adverse effect on our business, financial condition and results of operations.

We may fail to qualify as a REIT. If we fail to qualify as a REIT, we will not be allowed to deduct distributions to stockholders in computing our taxable income and will be subject to federal income tax, including any applicable alternative minimum tax, at regular corporate rates. In addition, we may be barred from qualification as a REIT for the four years following disqualification. The additional tax incurred at regular corporate rates would significantly reduce the cash flow available for distribution to stockholders and for debt service. Furthermore, we would no longer be required by the Internal Revenue Code to make any distributions to our stockholders as a condition of REIT qualification. Any distributions to stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits, although such dividend distributions would be subject to a top federal tax rate of 15% through 2012. Corporate distributees, however, may be eligible for the dividends received deduction on the distributions, subject to limitations under the Internal Revenue Code. To qualify as a REIT, we must comply with certain highly technical and complex requirements. We cannot be certain we have complied with these requirements because there are few judicial and administrative interpretations of these provisions. In addition, facts and circumstances that may be beyond our control may affect our ability to qualify as a REIT. We cannot assure you that new legislation, regulations, administrative interpretations or court decisions will not change the tax laws significantly with respect to our qualification as a REIT or with respect to the federal income tax consequences of qualification. We cannot assure you that we will remain qualified as a REIT.

There is a risk of changes in the tax law applicable to real estate investment trusts. Since the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income tax legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any such legislative action may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect taxation of us and/or our investors.

We face possible adverse changes in tax laws. From time to time, changes in state and local tax laws or regulations are enacted which may result in an increase in our tax liability. A shortfall in tax revenues for states and municipalities in which we operate may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income. These increased tax costs could adversely affect our financial condition, results of operations and the amount of cash available for the payment of dividends.

Our Charter contains provisions that may adversely affect the value of EastGroup stock. Our charter prohibits any holder from acquiring more than 9.8% (in value or in number, whichever is more restrictive) of our outstanding equity stock (defined as all of our classes of capital stock, except our excess stock (of which there is none outstanding)) unless our Board of Directors grants a waiver. The ownership limit may limit the opportunity for stockholders to receive a premium for their shares of common stock that might otherwise exist if an investor were attempting to assemble a block of shares in excess of 9.8% of the outstanding shares of equity stock or otherwise effect a change in control. Also, the request of the holders of a majority or more of our common stock is necessary for stockholders to call a special meeting. We also require advance notice by stockholders for the nomination of directors or the proposal of business to be considered at a meeting of stockholders.

The Company faces risks in attracting and retaining key personnel. Many of our senior executives have strong industry reputations, which aid us in identifying acquisition and development opportunities and negotiating with tenants and sellers of properties. The loss of the services of these key personnel could affect our operations because of diminished relationships with existing and prospective tenants, property sellers and industry personnel. In addition, attracting new or replacement personnel may be difficult in a competitive market.

We have severance and change in control agreements with certain of our officers that may deter changes in control of the Company. If, within a certain time period (as set in the officer’s agreement) following a change in control, we terminate the officer's employment other than for cause, or if the officer elects to terminate his or her employment with us for reasons specified in the agreement, we will make a severance payment equal to the officer's average annual compensation times an amount specified in the officer's agreement, together with the officer's base salary and vacation pay that have accrued but are unpaid through the date of termination. These agreements may deter a change in control because of the increased cost for a third party to acquire control of us.

Our Board of Directors may authorize and issue securities without stockholder approval. Under our Charter, the Board has the power to classify and reclassify any of our unissued shares of capital stock into shares of capital stock with such preferences, rights, powers and restrictions as the Board of Directors may determine. The authorization and issuance of a new class of capital stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders' best interests.

Maryland business statutes may limit the ability of a third party to acquire control of us. Maryland law provides protection for Maryland corporations against unsolicited takeovers by limiting, among other things, the duties of the directors in unsolicited takeover situations. The duties of directors of Maryland corporations do not require them to (a) accept, recommend or respond to any proposal by a person seeking to acquire control of the corporation, (b) authorize the corporation to redeem any rights under, or modify or render inapplicable, any stockholders rights plan, (c) make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act, or (d) act or fail to act solely because of the effect of the act or failure to act may have on an acquisition or potential acquisition of control of the corporation or the amount or type of consideration that may be offered or paid to the stockholders in an acquisition. Moreover, under Maryland law the act of a director of a Maryland corporation relating to or affecting an acquisition or potential acquisition of control is not subject to any higher duty or greater scrutiny than is applied to any other act of a director. Maryland law also contains a statutory presumption that an act of a director of a Maryland corporation satisfies the applicable standards of conduct for directors under Maryland law.

The Maryland Business Combination Act provides that unless exempted, a Maryland corporation may not engage in business combinations, including mergers, dispositions of 10 percent or more of its assets, certain issuances of shares of stock and other specified transactions, with an "interested stockholder" or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10 percent or more of the voting power of the outstanding stock of the Maryland corporation.

The Maryland Control Share Acquisition Act provides that "control shares" of a corporation acquired in a "control share acquisition" shall have no voting rights except to the extent approved by a vote of two-thirds of the votes eligible to cast on the matter. "Control Shares" means shares of stock that, if aggregated with all other shares of stock previously acquired by the acquirer, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of the voting power: one-tenth or more but less than one-third, one-third or more but less than a majority, or a majority or more of all voting power. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

If voting rights of control shares acquired in a control share acquisition are not approved at a stockholders' meeting, then subject to certain conditions and limitations, the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a stockholders' meeting and the acquirer becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

EastGroup owned 268 industrial properties and one office building at December 31, 2011. These properties are located primarily in the Sunbelt states of Florida, Texas, Arizona, California and North Carolina, and the majority are clustered around major transportation features in supply constrained submarkets. As of February 21, 2012, EastGroup's portfolio was 94.0% leased and 93.2% occupied. The Company has developed approximately 31% of its total portfolio, including real estate properties and development properties in lease-up and under construction. The Company's focus is the ownership of business distribution space (77% of the total portfolio) with the remainder in bulk distribution space (18%) and business service space (5%). Business distribution space properties are typically multi-tenant buildings with a building depth of 200 feet or less, clear height of 20-24 feet, office finish of 10-25% and truck courts with a depth of 100-120 feet. See Consolidated Financial Statement Schedule III – Real Estate Properties and Accumulated Depreciation for a detailed listing of the Company's properties.

At December 31, 2011, EastGroup did not own any single property with a book value that was 10% or more of total book value or with gross revenues that were 10% or more of total gross revenues.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not presently involved in any material litigation nor, to its knowledge, is any material litigation threatened against the Company or its properties, other than routine litigation arising in the ordinary course of business or which is expected to be covered by the Company's liability insurance.

PART II. OTHER INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's shares of common stock are listed for trading on the New York Stock Exchange under the symbol "EGP." The following table shows the high and low share prices for each quarter reported by the New York Stock Exchange during the past two years and the per share distributions paid for each quarter.

Shares of Common Stock Market Prices and Dividends

	Calendar Year 2011			Calendar Year 2010		
Quarter	High	Low	Distributions	High	Low	Distributions
First	$45.53	40.79	$ .52	$39.09	33.65	$ .52
Second	46.91	41.36	.52	42.02	35.44	.52
Third	46.32	34.76	.52	37.97	33.39	.52
Fourth	44.71	36.01	.52	43.05	37.50	.52
			$ 2.08			$ 2.08

As of February 21, 2012, there were 660 holders of record of the Company's 27,859,569 outstanding shares of common stock. The Company distributed all of its 2011 and 2010 taxable income to its stockholders. Accordingly, no provision for income taxes was necessary. The following table summarizes the federal income tax treatment for all distributions by the Company for the years 2011 and 2010.

Federal Income Tax Treatment of Share Distributions

	Years Ended December 31,	
	2011	2010
Common Share Distributions:		
Ordinary income	$1.6852	1.4775
Return of capital	.3948	.6025
Total Common Distributions	$2.0800	2.0800

Securities Authorized For Issuance Under Equity Compensation Plans

See Item 12 of this Annual Report on Form 10-K, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters,” for certain information regarding the Company’s equity compensation plans.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs	
10/01/11 thru 10/31/11	–	$ –	–	672,300	
11/01/11 thru 11/30/11	–	–	–	672,300	
12/01/11 thru 12/31/11	–	–	–	672,300	(1)
Total	–	$ –	–		

(1) EastGroup's Board of Directors has authorized the repurchase of up to 1,500,000 shares of its outstanding common stock. The shares may be purchased from time to time in the open market or in privately negotiated transactions. Under the common stock repurchase plan, the Company has purchased a total of 827,700 shares for $14,170,000 (an average of $17.12 per share) with 672,300 shares still authorized for repurchase. The Company has not repurchased any shares under this plan since 2000.

Performance Graph

The following graph compares, over the five years ended December 31, 2011, the cumulative total shareholder return on EastGroup's common stock with the cumulative total return of the Standard & Poor's 500 Total Return Index (S&P 500 Total Return) and the FTSE Equity REIT index prepared by the National Association of Real Estate Investment Trusts (FTSE NAREIT Equity REITs).

The performance graph and related information shall not be deemed "soliciting material" or be deemed to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing, except to the extent that the Company specifically incorporates it by reference into such filing.

	Fiscal years ended December 31,					
	2006	2007	2008	2009	2010	2011
EastGroup	$ 100.00	81.66	72.86	82.65	96.46	104.13
FTSE NAREIT Equity REITs	100.00	84.31	52.50	67.19	85.98	93.11
S&P 500 Total Return	100.00	105.49	66.46	84.05	96.71	98.75

The information above assumes that the value of the investment in shares of EastGroup's common stock and each index was $100 on December 31, 2006, and that all dividends were reinvested.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth selected consolidated financial data for the Company derived from the audited consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report.

	Years Ended December 31,				
	2011	2010	2009	2008	2007
OPERATING DATA	(In thousands, except per share data)				
Revenues					
Income from real estate operations	$ 174,484	173,002	172,273	168,255	150,038
Other income	147	124	81	248	92
	174,631	173,126	172,354	168,503	150,130
Expenses					
Expenses from real estate operations	49,411	51,142	50,259	47,259	40,837
Depreciation and amortization	57,451	58,350	53,953	51,144	47,644
General and administrative	10,691	10,260	8,894	8,547	8,295
Acquisition costs	252	72	177	–	–
	117,805	119,824	113,283	106,950	96,776
Operating income	56,826	53,302	59,071	61,553	53,354
Other income (expense)					
Equity in earnings of unconsolidated investment	347	335	320	316	285
Gain on sales of non-operating real estate	36	37	31	321	2,602
Gain on sales of securities	–	–	–	435	–
Other expense	–	(84)	–	–	–
Interest income	334	336	302	293	306
Interest expense	(34,709)	(35,171)	(32,520)	(30,192)	(27,314)
Income from continuing operations	22,834	18,755	27,204	32,726	29,233
Discontinued operations					
Income (loss) from real estate operations	–	–	(139)	10	150
Gain on sales of real estate investments	–	–	29	2,032	960
Income (loss) from discontinued operations	–	–	(110)	2,042	1,110
Net income	22,834	18,755	27,094	34,768	30,343
Net income attributable to noncontrolling interest in joint ventures	(475)	(430)	(435)	(626)	(609)
Net income attributable to EastGroup Properties, Inc.	22,359	18,325	26,659	34,142	29,734
Dividends on Series D preferred shares	–	–	–	1,326	2,624
	–	–	–	682	–

Costs on redemption of Series D preferred shares						
Net income attributable to EastGroup Properties, Inc. common stockholders	$	22,359	18,325	26,659	32,134	27,110
BASIC PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS						
Income from continuing operations	$	.83	.68	1.04	1.23	1.10
Income (loss) from discontinued operations		.00	.00	.00	.08	.05
Net income attributable to common stockholders	$	.83	.68	1.04	1.31	1.15
Weighted average shares outstanding		26,897	26,752	25,590	24,503	23,562
DILUTED PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS						
Income from continuing operations	$	.83	.68	1.04	1.22	1.09
Income (loss) from discontinued operations		.00	.00	.00	.08	.05
Net income attributable to common stockholders	$	.83	.68	1.04	1.30	1.14
Weighted average shares outstanding		26,971	26,824	25,690	24,653	23,781
AMOUNTS ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS						
Income from continuing operations	$	22,359	18,325	26,769	30,092	26,000
Income (loss) from discontinued operations		–	–	(110)	2,042	1,110
Net income attributable to common stockholders	$	22,359	18,325	26,659	32,134	27,110
OTHER PER SHARE DATA						

Book value, at end of year	$ 14.56	15.16	16.57	16.39	15.51
Common distributions declared	2.08	2.08	2.08	2.08	2.00
Common distributions paid	2.08	2.08	2.08	2.08	2.00
BALANCE SHEET DATA (AT END OF YEAR)					
Real estate investments, at cost(1)	$ 1,669,460	1,528,048	1,475,062	1,409,476	1,270,691
Real estate investments, net of accumulated depreciation(1)	1,217,655	1,124,861	1,120,317	1,099,125	1,001,559
Total assets	1,286,516	1,183,276	1,178,518	1,156,205	1,055,833
Mortgage, term and bank loans payable	832,686	735,718	692,105	695,692	600,804
Total liabilities	880,907	771,770	731,422	742,829	651,136
Noncontrolling interest in joint ventures	2,780	2,650	2,577	2,536	2,312
Total stockholders' equity	402,829	408,856	444,519	410,840	402,385

(1) Includes mortgage loans receivable and unconsolidated investment. See Notes 4 and 5 in the Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

EastGroup's goal is to maximize shareholder 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, California and North Carolina.

The operations of the Company improved during 2011 compared to 2010. Occupancy has stabilized and is currently improving, but the Company still experiences decreases in rental rates. The Company is able to obtain financing at attractive rates, but lenders' underwriting standards have become stricter. The Company believes its current operating cash flow and lines of credit provide the capacity to fund the operations of the Company for 2012. The Company also believes it can issue common and/or preferred equity and obtain mortgage financing from insurance companies and financial institutions as evidenced by the closing of a $65 million, non-recourse first mortgage loan in May 2011; the closing of a $54 million, non-recourse first mortgage loan in January 2012; the closing of a $50 million unsecured term loan in December 2011; and the continuous common equity offering program, which provided net proceeds to the Company of $25.2 million during 2011, as described in Liquidity and Capital Resources.

The Company's primary revenue is rental income; as such, EastGroup's greatest challenge is leasing space. During 2011, leases expired on 4,433,000 square feet (14.8%) of EastGroup's total square footage of 29,874,000, and the Company was successful in renewing or re-leasing 85% of the expiring square feet. In addition, EastGroup leased 2,500,000 square feet of other vacant space during the year. During 2011, average rental rates on new and renewal leases decreased by 11.3%. Property net operating income (PNOI) from same properties increased 1.2% for 2011 compared to 2010.

EastGroup's total leased percentage was 94.7% at December 31, 2011 compared to 90.8% at December 31, 2010. Leases scheduled to expire in 2012 were 16.0% of the portfolio on a square foot basis at December 31, 2011. As of February 21, 2012, leases scheduled to expire in 2012 were 13.4% of the portfolio on a square foot basis.

The Company generates new sources of leasing revenue through its acquisition and development programs. During 2011, EastGroup purchased five warehouse distribution complexes (1,770,000 square feet) and 164.6 acres of development land for a total of $101.9 million. The operating properties are located in Tampa (1,147,000 square feet), Charlotte (427,000 square feet), San Antonio (172,000 square feet) and Tempe, Arizona (24,000 square feet). The development land is located adjacent to the Company's existing World Houston International Business Center (133.1 acres) and near an existing EastGroup property in Chandler, Arizona (31.5 acres).

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. During 2011, the Company began construction of eight development projects containing 527,000 square feet in Houston, San Antonio and Orlando. Also in 2011, EastGroup transferred one property (20,000 square feet) in San Antonio from its development program to real estate properties with costs of $1.5 million at the date of transfer. As of December 31, 2011, EastGroup's development program consisted of nine buildings (571,000 square feet) located in Houston, San Antonio and Orlando. The projected total cost for the development projects, which were collectively 47% leased as of February 21, 2012, is $44.3 million, of which $13.6 million remained to be invested as of December 31, 2011.

During 2011, the Company initially 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 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: (1) property net operating income (PNOI), defined as income from real estate operations less property operating expenses (before interest expense and depreciation and amortization), and (2) 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 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 influencing 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 fiscal years ended December 31, 2011, 2010 and 2009.

	Years Ended December 31,		
	2011	2010	2009
		(In thousands)	
Income from real estate operations	$ 174,484	173,002	172,273
Expenses from real estate operations	(49,411)	(51,142)	(50,259)
PROPERTY NET OPERATING INCOME	$ 125,073	121,860	122,014

Income from real estate operations is comprised of rental income, expense reimbursement pass-through income and other real estate income including lease termination fees. Expenses from real estate operations is 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 fiscal years ended December 31, 2011, 2010 and 2009.

	Years Ended December 31,		
	2011	2010	2009
		(In thousands)	
NET INCOME	$22,834	18,755	27,094
Equity in earnings of unconsolidated investment	(347)	(335)	(320)
Interest income	(334)	(336)	(302)

Other income	(147)	(124)	(81)
Gain on sales of non-operating real estate	(36)	(37)	(31)
(Income) loss from discontinued operations	–	–	110
Depreciation and amortization from continuing operations	57,451	58,350	53,953
Interest expense	34,709	35,171	32,520
General and administrative expense	10,691	10,260	8,894
Acquisition costs	252	72	177
Other expense	–	84	–
PROPERTY NET OPERATING INCOME	$125,073	121,860	122,014

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 Attributable to Common Stockholders for the three fiscal years ended December 31, 2011, 2010 and 2009.

	Years Ended December 31,		
	2011	2010	2009
	(In thousands, except per share data)		
NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS	$22,359	18,325	26,659
Depreciation and amortization from continuing operations	57,451	58,350	53,953
Depreciation and amortization from discontinued operations	–	–	51
Depreciation from unconsolidated investment	133	132	132
Noncontrolling interest depreciation and amortization	(219)	(210)	(206)
Gain on sales of depreciable real estate investments	–	–	(29)
FUNDS FROM OPERATIONS (FFO) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$79,724	76,597	80,560
Net income attributable to common stockholders per diluted share	$.83	.68	1.04
Funds from operations attributable to common stockholders per diluted share	2.96	2.86	3.14
Diluted shares for earnings per share and funds from operations	26,971	26,824	25,690

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 current year compared to the prior year. For the year 2011, FFO was $2.96 per share compared with $2.86 per share for 2010, an increase of 3.5% per share.

For the year ended December 31, 2011, PNOI increased by $3,213,000, or 2.6%, compared to 2010 mainly due to increases in PNOI of $1,447,000 from same property operations, $969,000 from newly developed properties, and $799,000 from 2010 and 2011 acquisitions.

- 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 increased 1.2% for the year ended December 31, 2011, compared to 2010.

- Occupancy is the percentage of leased square footage for which the lease term has commenced compared to the total leasable square footage as of the close of the reporting period. Occupancy at December 31, 2011 was 93.9%. Quarter-end occupancy ranged from 89.8% to 93.9% over the period from December 31, 2010 to December 31, 2011.

- Rental rate change represents the rental rate increase or decrease on new and renewal leases compared to the prior leases on the same space. For the year 2011, rental rate decreases on new and renewal leases (20.9% of total square footage) averaged 11.3%.

- For the year 2011, termination fee income was $565,000 compared to $2,853,000 for 2010. Bad debt expense was $550,000 for 2011 compared to $1,035,000 for 2010.

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 knows of no impairment issues nor has it experienced any 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 and on existing tenants before properties are acquired. 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. If the Company has a capital gain, it has the option of (i) deferring recognition of the capital gain through a tax-deferred exchange, (ii) declaring and paying a capital gain dividend on any recognized net capital gain resulting in no corporate level tax, or (iii) retaining and paying corporate income tax on its net long-term capital gain, with the shareholders reporting their proportional share of the undistributed long-term capital gain and receiving a credit or refund of their share of the tax paid by the Company. The Company distributed all of its 2011, 2010 and 2009 taxable income to its stockholders. Accordingly, no provision for income taxes was necessary.

FINANCIAL CONDITION

EastGroup's assets were $1,286,516,000 at December 31, 2011, an increase of $103,240,000 from December 31, 2010. Liabilities increased $109,137,000 to $880,907,000 and equity decreased $5,897,000 to $405,609,000 during the same period. The paragraphs that follow explain these changes in detail.

Assets

Real Estate Properties

Real Estate Properties increased $102,989,000 during the year ended December 31, 2011, primarily due to the purchase of the operating properties detailed below and the transfer of one property from Development, as detailed under Development below.

REAL ESTATE PROPERTIES ACQUIRED IN 2011	Location	Size	Date Acquired	Cost (1)
		(Square feet)		(In thousands)
Lakeview Business Center	Charlotte, NC	127,000	08/17/11	$ 6,460
Ridge Creek Distribution Center II	Charlotte, NC	300,000	08/17/11	14,530
Broadway Industrial Park, Building VII	Tempe, AZ	24,000	09/26/11	1,100
Tampa Industrial Portfolio	Tampa, FL	1,147,000	12/19/11	50,802
Rittiman Distribution Center	San Antonio, TX	172,000	12/19/11	7,732
Total Acquisitions		1,770,000		$ 80,624

(1) Total cost of the properties acquired was $88,592,000, of which $80,624,000 was allocated to Real Estate Properties as indicated above. Intangibles associated with the purchases of real estate were allocated as follows: $6,949,000 to in-place lease intangibles, $1,693,000 to above market leases (both included in Other Assets on the Consolidated Balance Sheets) and $674,000 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 2011, the Company expensed acquisition-related costs of $252,000.

The Company made capital improvements of $18,686,000 on existing and acquired properties (included in the Capital Expenditures table under Results of Operations). Also, the Company incurred costs of $2,238,000 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.

Development

EastGroup's investment in development at December 31, 2011 consisted of properties in lease-up and under construction of $30,694,000 and prospective development (primarily land) of $81,455,000. The Company's total investment in development at December 31, 2011 was $112,149,000 compared to $73,722,000 at December 31, 2010. Total capital invested for development during 2011 was $42,148,000, which consisted of costs of $39,834,000 and $76,000 as detailed in the development activity table below and costs of $2,238,000 on development properties subsequent to transfer to Real Estate Properties.

During 2011, EastGroup purchased 164.6 acres of development land in Houston, Texas, and Chandler, Arizona, for $13,290,000. Costs associated with these acquisitions are included in the development activity table. The Company transferred one development property to Real Estate Properties during 2011 with a total investment of $1,483,000 as of the date of transfer.

DEVELOPMENT	Size	Costs Transferred in 2011(1)	Costs Incurred For the Year Ended 12/31/11	Cumulative as of 12/31/11	Estimated Total Costs(2)
	(Square feet)		(In thousands)		
LEASE-UP					
World Houston 31A, Houston, TX	44,000	$ –	2,788	3,843	4,600
Beltway Crossing VIII, Houston, TX	88,000	1,256	3,943	5,199	5,300
Total Lease-Up	132,000	1,256	6,731	9,042	9,900
UNDER CONSTRUCTION					
World Houston 32, Houston, TX	96,000	1,834	4,376	6,210	6,800
Southridge IX, Orlando, FL	76,000	1,987	3,375	5,362	7,100
Thousand Oaks 1, San Antonio, TX	36,000	865	1,544	2,409	4,600
Thousand Oaks 2, San Antonio, TX	73,000	1,187	1,977	3,164	5,000
World Houston 31B, Houston, TX	35,000	930	430	1,360	3,900
Beltway Crossing IX, Houston, TX	45,000	674	467	1,141	2,500
Beltway Crossing X, Houston, TX	78,000	1,183	823	2,006	4,500
Total Under Construction	439,000	8,660	12,992	21,652	34,400
PROSPECTIVE DEVELOPMENT (PRIMARILY LAND)					
Phoenix, AZ	432,000	–	3,461	3,461	30,800
Tucson, AZ	70,000	–	–	417	4,900
Tampa, FL	249,000	–	286	4,486	14,600
Orlando, FL	1,514,000	(1,987)	3,552	24,597	99,200
Fort Myers, FL	659,000	–	649	17,203	48,100
Dallas, TX	70,000	–	62	764	4,100
El Paso, TX	251,000	–	–	2,444	9,600
Houston, TX	2,044,000	(5,877)	11,594	21,115	129,600
San Antonio, TX	484,000	(2,052)	436	5,016	32,200
Charlotte, NC	95,000	–	71	1,246	7,100
Jackson, MS	28,000	–	–	706	2,000
Total Prospective Development	5,896,000	(9,916)	20,111	81,455	382,200
	6,467,000	$ –	39,834	112,149	426,500
DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL ESTATE PROPERTIES DURING 2011					
Arion 8 Expansion, San Antonio, TX	20,000	$ –	76	1,483	

Total Transferred to Real Estate Properties	20,000	$ –	76	1,483	(3)

(1) Represents costs transferred from Prospective Development (primarily land) to Under Construction during the period.
(2) Included in these costs are development obligations of $10.7 million and tenant improvement obligations of $2.0 million on properties under development.
(3) Represents cumulative costs at the date of transfer.

Accumulated depreciation on real estate and development properties increased $48,618,000 during 2011 due to depreciation expense on real estate properties.

The Company's Other Assets increased $10,388,000 during 2011. A summary of Other Assets follows:

	December 31, 2011	December 31, 2010
	(In thousands)	
Leasing costs (principally commissions), net of accumulated amortization of $16,603 and $18,566 for 2011 and 2010, respectively	$22,694	22,274
Straight-line rents receivable, net of allowance for doubtful accounts of $351 and $282 for 2011 and 2010, respectively	20,608	18,694
Accounts receivable, net of allowance for doubtful accounts of $522 and $706 for 2011 and 2010, respectively	3,427	2,460
Acquired in-place lease intangibles, net of accumulated amortization of $4,478 and $6,443 for 2011 and 2010, respectively	7,679	3,046
Mortgage loans receivable, net of discount of $44 and $56 for 2011 and 2010, respectively	4,110	4,131
Loan costs, net of accumulated amortization of $4,433 and $4,129 for 2011 and 2010, respectively	3,229	3,358
Acquired above market lease intangibles, net of accumulated amortization of $929 and $1,123 for 2011 and 2010, respectively	1,975	776
Goodwill	990	990
Prepaid expenses and other assets	8,085	6,680
	$72,797	62,409

The increase in acquired in-place lease intangibles and acquired above market lease intangibles resulted from the Company's 2011 operating property acquisitions, as discussed under Real Estate Properties above.

Liabilities

Mortgage Notes Payable decreased $16,254,000 during the year ended December 31, 2011. The decrease resulted from the repayment of two mortgages of $58,897,000, regularly scheduled principal payments of $22,231,000 and mortgage loan premium amortization of $126,000, offset by a $65,000,000 mortgage loan executed by the Company during the second quarter of 2011.

Unsecured Term Loan Payable increased $50,000,000 during 2011 as a result of the closing of a term loan in December 2011.

Notes Payable to Banks increased $63,222,000 during 2011 as a result of advances of $336,575,000 exceeding repayments of $273,353,000. The Company's credit facilities are described in greater detail under Liquidity and Capital Resources.

Accounts Payable and Accrued Expenses increased $10,236,000 during 2011. A summary of the Company's Accounts Payable and Accrued Expenses follows:

	December 31, 2011	December 31, 2010
	(In thousands)	
Property taxes payable	$9,840	9,776

Development costs payable	5,928	673
Interest payable	2,736	2,625
Dividends payable on nonvested restricted stock	1,415	791
Other payables and accrued expenses	11,286	7,104
	$31,205	20,969

Other Liabilities increased $1,933,000 during 2011. A summary of the Company's Other Liabilities follows:

	December 31, 2011	December 31, 2010
	(In thousands)	
Security deposits	$9,184	8,299
Prepaid rent and other deferred income	6,373	6,440
Other liabilities	1,459	344
	$17,016	15,083

Equity

During 2011, distributions in excess of earnings increased $34,307,000 as a result of dividends on common stock of $56,666,000 exceeding net income attributable to EastGroup Properties, Inc. common stockholders of $22,359,000.

Additional paid-in capital increased $28,280,000 during 2011. The increase primarily resulted from the issuance of 586,977 shares of common stock under EastGroup's continuous common equity program with net proceeds to the Company of $25,181,000. See Note 11 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

2011 Compared to 2010

Net income attributable to common stockholders for 2011 was $22,359,000 ($.83 per basic and diluted share) compared to $18,325,000 ($.68 per basic and diluted share) for 2010. PNOI increased by $3,213,000, or 2.6%, for 2011 compared to 2010, primarily due to increases in PNOI of $1,447,000 from same property operations, $969,000 from newly developed properties, and $799,000 from 2010 and 2011 acquisitions. Termination fee income, net of bad debt expense, was $15,000 for 2011 compared to $1,818,000 for 2010.

Property expense to revenue ratios, defined as expenses from real estate operations as a percentage of income from real estate operations, were 28.3% in 2011 compared to 29.6% in 2010. The Company's percentage of leased square footage was 94.7% at December 31, 2011, compared to 90.8% at December 31, 2010. Occupancy at the end of 2011 was 93.9% compared to 89.8% at the end of 2010.

Interest expense decreased $462,000 for 2011 compared to 2010. The following table presents the components of interest expense for 2011 and 2010:

	Years Ended December 31,		
	2011	2010	Increase (Decrease)
	(In thousands, except rates of interest)		
Average bank borrowings	$124,697	122,942	1,755
Weighted average variable interest rates (excluding loan cost amortization)	1.41 %	1.42 %	
VARIABLE RATE INTEREST EXPENSE			
Bank loan interest (excluding loan cost amortization)	1,762	1,750	12
Amortization of bank loan costs	300	314	(14)
Total variable rate interest expense	2,062	2,064	(2)
FIXED RATE INTEREST EXPENSE			
Mortgage loan interest (excluding loan cost amortization)	35,606	35,978	(372)

Unsecured term loan interest (excluding loan cost amortization)	59	–	59
Amortization of mortgage loan costs	752	742	10
Amortization of unsecured term loan costs	1	–	1
Total fixed rate interest expense	36,418	36,720	(302)
Total interest	38,480	38,784	(304)
Less capitalized interest	(3,771)	(3,613)	(158)
TOTAL INTEREST EXPENSE	$34,709	35,171	(462)

Interest costs incurred during the period of construction of real estate properties are capitalized and offset against interest expense. Capitalized interest increased by $158,000 in 2011 compared to 2010 due to increased activity in the Company's development program.

The Company's weighted average variable interest rates in 2011 were slightly lower than in 2010. The slight decrease in interest rates was offset by higher average bank borrowings in 2011 compared to 2010. The net effect resulted in a decrease in variable rate interest expense of $2,000 in 2011 compared to 2010.

The decrease in fixed rate mortgage loan interest expense was primarily the result of lower interest rates on the refinancing of two mortgage loans in 2011, partially offset by higher average mortgage loan balances during 2011 compared to 2010. A summary of the Company's weighted average interest rates on mortgage debt at year-end for the past several years is presented below:

MORTGAGE DEBT AS OF:	Weighted Average Interest Rate	
December 31, 2007	6.06	%
December 31, 2008	5.96	%
December 31, 2009	6.09	%
December 31, 2010	5.90	%
December 31, 2011	5.63	%

Mortgage principal payments due in the amortization period were $22,231,000 in 2011 and $19,631,000 in 2010. In 2011, the Company repaid two mortgages with balloon payments totaling $58,897,000. In 2010, the Company repaid one mortgage loan with a balance of $8,770,000 and made principal paydowns on two mortgage loans totaling $4,000,000. The details of the mortgages repaid in 2010 and 2011 are shown in the following table:

MORTGAGE LOANS REPAID IN 2010 AND 2011	Interest Rate		Date Repaid	Payoff Amount
Tower Automotive Center	6.03	%	10/01/10	$8,770,000
Butterfield Trail, Glenmont I & II, Interstate I, II & III, Rojas, Stemmons Circle, Venture and West Loop I & II	7.25	%	01/31/11	36,065,000
America Plaza, Central Green and World Houston 3-9	7.92	%	05/10/11	22,832,000
Weighted Average/Total Amount	7.32	%		$67,667,000

During 2010 and 2011, EastGroup closed the new mortgages detailed in the table below.

NEW MORTGAGES IN 2010 AND 2011	Interest Rate		Date	Maturity Date		Amount
40th Avenue, Centennial Park, Executive Airport, Beltway V, Techway Southwest IV, Wetmore V-VIII, Ocean View and World Houston 26, 28, 29 & 30	4.39	%	12/28/10	01/05/21	$	74,000,000
America Plaza, Central Green, Glenmont I & II, Interstate I, II & III, Rojas, Stemmons Circle, Venture, West Loop I & II and World Houston 3-9	4.75	%	05/31/11	06/05/21		65,000,000
Weighted Average/Total Amount	4.56	%			$	139,000,000

In December 2011, EastGroup closed a $50,000,000 unsecured term loan with a fixed interest rate of 3.91%, a seven-year term and interest-only payments. During 2011, the Company recognized interest expense (including loan cost amortization) of $60,000 related to the term loan compared to zero in 2010.

Depreciation and amortization expense decreased $899,000 for 2011 compared to 2010. In 2010, there was a rise in tenant early vacates, resulting in the write-off of tenant-specific assets and therefore increased depreciation and amortization expense for 2010. In 2011, early vacates decreased significantly. Excluding the change resulting from early vacates, depreciation and amortization expense did not change significantly from 2010 to 2011.

Straight-lining of rent increased income by $2,006,000 in 2011 compared to $2,496,000 in 2010.

Capital Expenditures

Capital expenditures for EastGroup's operating properties for the years ended December 31, 2011 and 2010 were as follows:

	Estimated Useful Life	Years Ended December 31, 2011	2010
		(In thousands)	
Upgrade on Acquisitions	40 yrs	$315	40
Tenant Improvements:			
New Tenants	Lease Life	7,755	12,166
New Tenants (first generation) (1)	Lease Life	1,028	1,022
Renewal Tenants	Lease Life	2,588	2,023
Other:			
Building Improvements	5-40 yrs	3,676	4,351
Roofs	5-15 yrs	2,089	2,725
Parking Lots	3-5 yrs	823	1,045
Other	5 yrs	412	581
Total Capital Expenditures		$18,686	23,953

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

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 years ended December 31, 2011 and 2010 were as follows:

	Estimated Useful Life	Years Ended December 31, 2011	2010
		(In thousands)	
Development	Lease Life	$1,087	350
New Tenants	Lease Life	3,140	3,701
New Tenants (first generation) (1)	Lease Life	187	174
Renewal Tenants	Lease Life	2,494	3,268
Total Capitalized Leasing Costs		$6,908	7,493
Amortization of Leasing Costs		$6,487	6,703

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

2010 Compared to 2009

Net income attributable to common stockholders for 2010 was $18,325,000 ($.68 per basic and diluted share) compared to $26,659,000 ($1.04 per basic and diluted share) for 2009. PNOI decreased by $154,000, or 0.1%, for 2010 compared to 2009, primarily due to a decrease in PNOI of $5,008,000 from same property operations, offset by an increase in PNOI of $2,472,000 from newly developed properties and an increase of $2,407,000 from 2009 and 2010 acquisitions. In 2010, termination fee income exceeded bad debt expense by $1,818,000; in 2009, bad debt expense exceeded termination fee income by $1,138,000.

Property expense to revenue ratios were 29.6% in 2010 compared to 29.2% in 2009. The Company's percentage of leased square footage was 90.8% at December 31, 2010, compared to 90.0% at December 31, 2009. Occupancy at the end of 2010 was 89.8% compared to 89.4% at the end of 2009.

General and administrative expenses increased $1,366,000 for the year ended December 31, 2010, compared to 2009. The increase was primarily attributable to a decrease in capitalized development costs in 2010 due to a slowdown in the Company's development program.

Interest expense increased $2,651,000 in 2010 compared to 2009. The following table presents the components of interest expense for 2010 and 2009:

	Years Ended December 31,		
	2010	2009	Increase
	(In thousands, except rates of interest)		
Average bank borrowings	$ 122,942	107,341	15,601
Weighted average variable interest rates (excluding loan cost amortization)	1.42 %	1.48 %	
VARIABLE RATE INTEREST EXPENSE			
Bank loan interest (excluding loan cost amortization)	1,750	1,589	161
Amortization of bank loan costs	314	297	17
Total variable rate interest expense	2,064	1,886	178
FIXED RATE INTEREST EXPENSE			
Mortgage loan interest (excluding loan cost amortization)	35,978	35,755	223
Amortization of mortgage loan costs	742	735	7
Total fixed rate interest expense	36,720	36,490	230
Total interest	38,784	38,376	408
Less capitalized interest	(3,613)	(5,856)	2,243
TOTAL INTEREST EXPENSE	$ 35,171	32,520	2,651

Interest costs incurred during the period of construction of real estate properties are capitalized and offset against interest expense. Capitalized interest decreased $2,243,000 in 2010 compared to 2009 due to a slowdown in the Company’s development program.

The Company’s weighted average variable interest rates in 2010 were slightly lower than in 2009. The decrease in interest rates was offset by higher average bank borrowings in 2010 compared to 2009. The net effect resulted in an increase in variable rate interest expense of $178,000 in 2010 compared to 2009.

EastGroup’s fixed rate interest expense increased by $230,000 in 2010 compared to 2009. A summary of the Company’s weighted average interest rates on mortgage debt at year-end for the past several years is presented below:

MORTGAGE DEBT AS OF:	Weighted Average Interest Rate
December 31, 2006	6.21 %
December 31, 2007	6.06 %

December 31, 2008	5.96	%
December 31, 2009	6.09	%
December 31, 2010	5.90	%

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

NEW MORTGAGES IN 2009 AND 2010	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
40th Avenue, Centennial Park, Executive Airport, Beltway V, Techway Southwest IV, Wetmore V-VIII, Ocean View and World Houston 26, 28, 29 & 30	4.390	%	12/28/10	01/05/21		74,000,000
Weighted Average/Total Amount	5.878	%			$	150,365,000

(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. The new mortgage obtained on January 2, 2009 was repaid on October 1, 2010.

Mortgage principal payments due in the amortization period were $19,631,000 in 2010 and $18,173,000 in 2009. In 2010, the Company repaid one mortgage loan with a balance of $8,770,000 and made principal paydowns on two mortgage notes totaling $4,000,000. In 2009, the Company repaid three mortgages with balloon payments totaling $40,927,000. The details of the mortgages repaid in 2009 and 2010 are shown in the following table:

MORTGAGE LOANS REPAID IN 2009 AND 2010	Interest Rate		Date Repaid	Payoff Amount	
Tower Automotive Center (1)	8.020	%	01/02/09	$	9,365,000
Dominguez, Kingsview, Walnut, Washington, Industry Distribution Center I and Shaw	6.800	%	02/13/09		31,357,000
Oak Creek I	8.875	%	06/01/09		205,000
Tower Automotive Center	6.030	%	10/01/10		8,770,000
Weighted Average/Total Amount	6.903	%		$	49,697,000

(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. The new mortgage obtained on January 2, 2009 was repaid on October 1, 2010.

Depreciation and amortization expense for continuing operations increased $4,397,000 for 2010 compared to 2009. This increase was primarily due to properties acquired and transferred from development during 2009 and 2010. Operating property acquisitions and transferred developments were $54 million in 2010 and $100 million in 2009.

Straight-lining of rent for continuing operations increased income by $2,496,000 in 2010 compared to $1,606,000 in 2009.

Capital Expenditures

Capital expenditures for EastGroup's operating properties for the years ended December 31, 2010 and 2009 were as follows:

	Estimated Useful Life	Years Ended December 31, 2010	Years Ended December 31, 2009
		(In thousands)	
Upgrade on Acquisitions	40 yrs	$40	68
Tenant Improvements:			
New Tenants	Lease Life	12,166	7,591
New Tenants (first generation) (1)	Lease Life	1,022	760
Renewal Tenants	Lease Life	2,023	1,099
Other:			
Building Improvements	5-40 yrs	4,351	2,726
Roofs	5-15 yrs	2,725	2,987
Parking Lots	3-5 yrs	1,045	603
Other	5 yrs	581	378
Total Capital Expenditures		$23,953	16,212

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

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 years ended December 31, 2010 and 2009 were as follows:

	Estimated Useful Life	Years Ended December 31, 2010	2009
		(In thousands)	
Development	Lease Life	$350	1,675
New Tenants	Lease Life	3,701	2,620
New Tenants (first generation) (1)	Lease Life	174	74
Renewal Tenants	Lease Life	3,268	2,618
Total Capitalized Leasing Costs		$7,493	6,987
Amortization of Leasing Costs (2)		$6,703	6,366

(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. During 2010, the Company did not sell any operating properties. During 2009, EastGroup sold one operating property, Butterfield Trail (Building G).

See Notes 1(f) and 2 in the Notes to Consolidated Financial Statements for more information related to discontinued operations and gain on sales of real estate investments. The following table presents the components of revenue and expense for the operating properties sold or held for sale during 2010 and 2009. There were no properties held for sale at December 31, 2010 or 2009.

Discontinued Operations	Years Ended December 31, 2010	2009
	(In thousands)	
Income from real estate operations	$–	–
Expenses from real estate operations	–	(88)
Property net operating loss from discontinued operations	–	(88)
Depreciation and amortization	–	(51)
Loss from real estate operations	–	(139)
Gain on sales of real estate investments	–	29
Loss from discontinued operations	$–	(110)

NEW ACCOUNTING PRONOUNCEMENTS

EastGroup has evaluated all Accounting Standards Updates (ASUs) released by the FASB through the date the financial statements were issued and determined that the following ASUs apply to the Company.

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which provides guidance about how fair value should be applied where it is already required or permitted under U.S. GAAP. The ASU does not extend the use of fair value or require additional fair value measurements, but rather provides explanations about how to measure fair value. ASU 2011-04 requires prospective application and will be effective for interim and annual reporting periods beginning after December 15, 2011. The Company believes the adoption of this ASU will have an immaterial impact on the Company's overall financial position and results of operations.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, which eliminates the option to present components of other comprehensive income as part of the statement of changes in equity and requires that all nonowner changes in equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 requires retrospective application and will be effective for interim and annual reporting periods beginning after December 15, 2011. The Company believes the adoption of ASU 2011-05 will have an immaterial impact on the Company's disclosures of comprehensive income.

In September 2011, the FASB issued ASU 2011-08, Testing Goodwill for Impairment, which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. Under this ASU, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. ASU 2011-08 is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company believes the adoption of this ASU will have an immaterial impact on the Company.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $86,547,000 for the year ended December 31, 2011. The primary other sources of cash were from bank borrowings, proceeds from mortgage notes, proceeds from unsecured term loan, and proceeds from common stock offerings. The Company distributed $56,042,000 in common stock dividends during 2011. Other primary uses of cash were for bank debt repayments, purchases of real estate, mortgage note repayments and paydowns, construction and development of properties, and capital improvements at various properties.

Total debt at December 31, 2011 and 2010 is detailed below. The Company's bank credit facilities and unsecured term loan 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 December 31, 2011 and 2010.

	December 31,	
	2011	2010
	(In thousands)	
Mortgage notes payable – fixed rate	$628,170	644,424
Unsecured term loan payable – fixed rate	50,000	–
Notes payable to banks –variable rate	154,516	91,294
Total debt	$832,686	735,718

EastGroup has a $200 million unsecured revolving credit facility with a group of seven banks that matures in January 2013. 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 December 31, 2011, was LIBOR plus 85 basis points with an annual facility fee of 20 basis points. At December 31, 2011, the weighted average interest rate was 1.148% on a balance of $147,000,000.

EastGroup also has a $25 million unsecured revolving credit facility with PNC Bank, N.A. that matures in January 2013. 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), with no annual facility fee. The interest rate is reset on a daily basis and as of December 31, 2011, was LIBOR plus 90 basis points. At December 31, 2011, the interest rate was 1.195% on a balance of $7,516,000. Beginning January 3, 2012, the interest rate on this working capital line is LIBOR plus 165 basis points.

As market conditions permit, EastGroup issues equity, including preferred equity, and/or employs fixed-rate debt to replace the short-term bank borrowings. Even though mortgage loan proceeds as a percentage of property values have decreased and lenders' underwriting standards have become stricter, the Company is able to obtain financing at attractive rates. The Company believes its current operating cash flow and lines of credit provide the capacity to fund the operations of the Company for 2012. The Company also believes it can obtain mortgage financing from insurance companies and financial institutions and issue common and/or preferred equity.

On January 31, 2011, the Company repaid a mortgage loan with a balance of $36.1 million and an interest rate of 7.25%. On May 10, 2011, the Company repaid a mortgage loan with a balance of $22.8 million and an interest rate of 7.92%.

On May 31, 2011, EastGroup closed a $65 million, non-recourse first mortgage loan with a fixed interest rate of 4.75%, a 10-year term and a 20-year amortization schedule. The loan is secured by properties containing 1.9 million square feet. The Company used the proceeds of this mortgage loan to reduce variable rate bank borrowings.

In October 2011, EastGroup executed an application for a $54 million, non-recourse first mortgage loan with a fixed interest rate of 4.09%, a 10-year term and a 20-year amortization schedule. The loan, which is secured by properties containing 1.4 million square feet, closed on January 4, 2012. The Company used the proceeds of this mortgage loan to reduce variable rate bank borrowings.

On December 21, 2011, EastGroup closed a $50 million unsecured term loan with a fixed interest rate of 3.91%, a seven-year term and interest-only payments. The Company used the proceeds of this loan to reduce variable rate bank borrowings.

In March 2011, the Company entered into Sales Agency Financing Agreements (the "Agreements") with BNY Mellon Capital Markets, LLC and Raymond James & Associates, Inc. pursuant to which the Company may issue and sell up to two million shares of its common stock from time to time. During 2011, EastGroup issued and sold 586,977 shares of common stock at an average price of $43.78 per share with gross proceeds to the Company of $25,696,000. The Company incurred offering-related costs of $515,000, resulting in net proceeds to the Company of $25,181,000 which were used to reduce variable rate bank borrowings.

As of February 23, 2012, EastGroup issued and sold an additional 213,390 shares of common stock during the first quarter of 2012 at an average price of $46.86 per share with net proceeds to the Company of $9.9 million which were used to reduce variable rate bank borrowings. As of February 23, 2012, the Company has 1,199,633 shares of common stock remaining to sell under the program.

Contractual Obligations
EastGroup's fixed, non-cancelable obligations as of December 31, 2011 were as follows:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(In thousands)		
Fixed Rate Mortgage Debt Obligations (1)	$628,170	68,673	157,157	190,905	211,435
Interest on Fixed Rate Mortgage Debt	153,809	33,746	54,198	35,667	30,198
Fixed Rate Unsecured Term Loan Debt (1)	50,000	–	–	–	50,000
Interest on Fixed Rate Unsecured Term Loan Debt	13,685	2,014	3,910	3,910	3,851
Variable Rate Debt Obligations (1) (2)	154,516	–	154,516	–	–
Interest on Variable Rate Debt (3)	1,918	1,904	14	–	–
Operating Lease Obligations:					
Office Leases	780	401	364	15	–
Ground Leases	16,850	707	1,414	1,414	13,315
Real Estate Property Obligations (4)	607	607	–	–	–
Development Obligations (5)	10,709	10,709	–	–	–
Tenant Improvements (6)	6,009	6,009	–	–	–
Purchase Obligations (7)	–	–	–	–	–
Total	$1,037,053	124,770	371,573	231,911	308,799

(1) These amounts are included on the Consolidated Balance Sheets.

(2) The Company's variable rate debt changes depending on the Company's cash needs and, as such, both the principal amounts and the interest rates are subject to variability. At December 31, 2011, the weighted average interest rate was 1.15% on the variable rate debt due in January 2013.

(3) Represents an estimate of interest due on variable rate debt based on the outstanding variable rate debt and interest rates on that debt as of December 31, 2011.

(4) Represents commitments on real estate properties, except for tenant improvement obligations.

(5) Represents commitments on properties under development, except for tenant improvement obligations.

(6) Represents tenant improvement allowance obligations.

(7) EastGroup had no purchase obligations as of December 31, 2011.

The Company anticipates that its current cash balance, operating cash flows, borrowings under its lines of credit, proceeds from 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.

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 state of the economy, 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, an 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 7A. 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 two 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.

	2012	2013	2014	2015	2016	Thereafter	Total	Fair Value
Fixed rate mortgage debt (in thousands)	$68,673	60,164	96,993	100,279	90,626	211,435	628,170	674,462 (1)
Weighted average interest rate	6.50 %	5.10 %	5.69 %	5.38 %	5.83 %	5.52 %	5.63 %	
Fixed rate unsecured term loan (in thousands)	$–	–	–	–	–	50,000	50,000	50,000 (1)
Weighted average interest rate	–	–	–	–	–	3.91 %	3.91 %	
Variable rate debt (in thousands)	$–	154,516 (2)	–	–	–	–	154,516	153,521 (3)
Weighted average interest rate	–	1.15 %	–	–	–	–	1.15 %	

(1) The fair value of the Company's fixed rate debt 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.
(2) The variable rate debt matures in January 2013 and is comprised of two lines of credit with balances of $147,000,000 on the $200 million line of credit and $7,516,000 on the $25 million working capital line of credit as of December 31, 2011.
(3) 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 December 31, 2011, 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 $178,000 annually.

EastGroup repaid its $8,770,000 mortgage loan on the Tower Automotive Center on October 1, 2010. Until the repayment, the Company had an interest rate swap agreement to hedge its exposure to the variable interest rate on this recourse mortgage. Under the swap agreement, the Company effectively paid a fixed rate of interest over the term of the agreement without the exchange of the underlying notional amount. This swap was designated as a cash flow hedge and was 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 were recognized in other comprehensive income (loss). Upon repayment in 2010, the $84,000 loss on the extinguishment of the swap was recorded in Other Expense on the Consolidated Statements of Income. The Company did not hold or issue this type of derivative contract for trading or speculative purposes.

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 Part I of this report. Although the Company believes 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Registrant's Consolidated Balance Sheets as of December 31, 2011 and 2010, and its Consolidated Statements of Income, Changes in Equity and Cash Flows and Notes to Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009 and the Report of Independent Registered Public Accounting Firm thereon are included under Item 15 of this report and are incorporated herein by reference. Unaudited quarterly results of operations included in the Notes to Consolidated Financial Statements are also incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. 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 design and operation of the Company’s disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2011, the Company’s disclosure controls and procedures were effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company’s periodic SEC filings.

(ii) Internal Control Over Financial Reporting.

(a) Management's annual report on internal control over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). EastGroup’s Management Report on Internal Control Over Financial Reporting is set forth in Part IV, Item 15 of this Form 10-K on page 34 and is incorporated herein by reference.

(b) Report of the independent registered public accounting firm.

The report of KPMG LLP, the Company's independent registered public accounting firm, on the Company's internal control over financial reporting is set forth in Part IV, Item 15 of this Form 10-K on page 34 and is incorporated herein by reference.

(c) Changes in internal control over financial reporting.

There was no change in the Company's internal control over financial reporting during the Company's fourth fiscal quarter ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth information regarding the Company's executive officers and directors as of December 31, 2011.

Name	Position
D. Pike Aloian	Director since 1999; Partner in Almanac Realty Investors, LLC (real estate advisory and investment management services)
H.C. Bailey, Jr.	Director since 1980; Chairman and President of H.C. Bailey Company (real estate development and investment)
Hayden C. Eaves III	Director since 2002; President of Hayden Holdings, Inc. (real estate investment)
Fredric H. Gould	Director since 1998; Chairman of the General Partner of Gould Investors L.P., Chairman of BRT Realty Trust and Chairman of One Liberty Properties, Inc.
Mary E. McCormick	Director since 2005; Senior Advisor with Almanac Realty Investors, LLC (real estate advisory and investment management services)
David M. Osnos	Director since 1993; Of Counsel to the law firm of Arent Fox LLP
Leland R. Speed	Director since 1978; Chairman of the Board of the Company
David H. Hoster II	Director since 1993; President and Chief Executive Officer of the Company
N. Keith McKey	Executive Vice President, Chief Financial Officer, Secretary and Treasurer of the Company
John F. Coleman	Senior Vice President of the Company
Bruce Corkern	Senior Vice President, Chief Accounting Officer and Controller of the Company
William D. Petsas	Senior Vice President of the Company
Brent W. Wood	Senior Vice President of the Company

All other information required by Item 10 of Part III regarding the Company's executive officers and directors is incorporated herein by reference from the sections entitled "Corporate Governance and Board Matters" and "Executive Officers" in the Company's definitive Proxy Statement ("2012 Proxy Statement") to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for EastGroup's Annual Meeting of Stockholders to be held on May 30, 2012. The 2012 Proxy Statement will be filed within 120 days after the end of the Company's fiscal year ended December 31, 2011.

The information regarding compliance with Section 16(a) of the Exchange Act is incorporated herein by reference from the subsection entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's 2012 Proxy Statement.

Information regarding EastGroup's code of business conduct and ethics found in the subsection captioned "Available Information" in Item 1 of Part I hereof is also incorporated herein by reference into this Item 10.

The information regarding the Company's audit committee, its members and the audit committee financial experts is incorporated herein by reference from the subsection entitled "Committees and Meeting Data" in the Company's 2012 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION.

The information included under the following captions in the Company's 2012 Proxy Statement is incorporated herein by reference: "Compensation Discussion and Analysis," "Summary Compensation Table," "Grants of Plan-Based Awards in 2011," "Outstanding Equity Awards at 2011 Fiscal Year-End," "Option Exercises and Stock Vested in 2011," "Potential Payments upon Termination or Change in Control," "Compensation of Directors" and "Compensation Committee Interlocks." The information included under the heading "Report of the Compensation Committee" in the Company's 2012 Proxy Statement is incorporated herein by reference; however, this information shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference from the subsections entitled “Security Ownership of Certain Beneficial Owners” and “Security Ownership of Management and Directors” in the Company’s 2012 Proxy Statement.

The following table summarizes the Company’s equity compensation plan information as of December 31, 2011.

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	9,000	$ 25.31	1,422,609
Equity compensation plans not approved by security holders	–	–	–
Total	9,000	$ 25.31	1,422,609

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information regarding transactions with related parties and director independence is incorporated herein by reference from the subsection entitled "Independent Directors" and the section entitled “Certain Transactions and Relationships” in the Company's 2012 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information regarding principal auditor fees and services is incorporated herein by reference from the section entitled "Auditor Fees and Services" in the Company's 2012 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted, or the required information is included in the Notes to Consolidated Financial Statements.

(3) Exhibits:

The following exhibits are filed with this Form 10-K or incorporated by reference to the listed document previously filed with the SEC:

Number	Description
(3)	Articles of Incorporation and Bylaws
(a)	Articles of Incorporation (incorporated by reference to Appendix B to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 5, 1997).
(b)	Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company’s Form 8-K filed December 10, 2008).

(10) Material Contracts (*Indicates management or compensatory agreement):

(a) EastGroup Properties, Inc. 2000 Directors Stock Option Plan (incorporated by reference to Appendix A to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 1, 2000).*

(b) EastGroup Properties, Inc. 2004 Equity Incentive Plan (incorporated by reference to Appendix D to the Company's Proxy Statement for its Annual Meeting of Stockholders held on May 27, 2004).*

(c) Amendment No. 1 to the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10(f) to the Company’s Form 10-K for the year ended December 31, 2006). *

(d) Amendment No. 2 to the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10(d) to the Company’s Form 8-K filed January 8, 2007).*

(e) EastGroup Properties, Inc. 2005 Directors Equity Incentive Plan (incorporated by reference to Appendix B to the Company’s Proxy Statement for its Annual Meeting of Stockholders held on June 2, 2005).*

(f) Amendment No. 1 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed June 6, 2006).*

(g) Amendment No. 2 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed June 3, 2008).*

(h) Amendment No. 3 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed June 1, 2011).*

(i) Form of Severance and Change in Control Agreement that the Company has entered into with Leland R. Speed, David H. Hoster II and N. Keith McKey (incorporated by reference to Exhibit 10(a) to the Company's Form 8-K filed January 7, 2009).*

(j) Form of Severance and Change in Control Agreement that the Company has entered into with John F. Coleman, William D. Petsas, Brent W. Wood and C. Bruce Corkern (incorporated by reference to Exhibit 10(b) to the Company's Form 8-K filed January 7, 2009).*

(k) Compensation Program for Non-Employee Directors (a written description thereof is set forth in Item 5.02 of the Company’s Form 8-K filed June 1, 2011).*

(l) Second Amended and Restated Credit Agreement Dated January 4, 2008 among EastGroup Properties, L.P.; EastGroup Properties, Inc.; PNC Bank, National Association, as Administrative Agent; Regions Bank and SunTrust Bank as Co-Syndication Agents; Wells Fargo Bank, National Association as Documentation Agent; and PNC Capital Markets LLC, as Sole Lead Arranger and Sole Bookrunner; and the Lenders thereunder (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed January 10, 2008).

(m) First Amendment, dated February 2, 2011, to the Second Amended and Restated Credit Agreement Dated January 4, 2008 (incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K filed February 28, 2011).

(n) Sales Agency Financing Agreement dated March 21, 2011 between EastGroup Properties, Inc. and BNY Mellon Capital Markets, LLC (incorporated by reference to Exhibit 1.1 to the Company’s Form 8-K filed March 25, 2011).

(o) Sales Agency Financing Agreement dated March 21, 2011 between EastGroup Properties, Inc. and Raymond James & Associates, Inc. (incorporated by reference to Exhibit 1.2 to the Company’s Form 8-K filed March 25, 2011).

(21) Subsidiaries of EastGroup Properties, Inc. (filed herewith).

(23) Consent of KPMG LLP (filed herewith).

(24) Powers of attorney (filed herewith).

(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 Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statements of changes in equity, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements.**

** 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.

(b) Exhibits

The exhibits required to be filed with this Report pursuant to Item 601 of Regulation S-K are listed under “Exhibits” in Part IV, Item 15(a)(3) of this Report and are incorporated herein by reference.

(c) Financial Statement Schedules

The Financial Statement Schedules required to be filed with this Report are listed under “Consolidated Financial Statement Schedules” in Part IV, Item 15(a)(2) of this Report, and are incorporated herein by reference.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

the board of directors and stockholders
eastgroup properties, inc.:

We have audited the accompanying consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EastGroup Properties, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2012, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(Signed) KPMG LLP

Jackson, Mississippi
February 23, 2012

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

EastGroup's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, EastGroup conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on EastGroup's evaluation under the framework in Internal Control – Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2011.

/s/ EASTGROUP PROPERTIES, INC.

Jackson, Mississippi
February 23, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

the board of directors and stockholders
eastgroup properties, inc.:

We have audited EastGroup Properties, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, EastGroup Properties, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2011, and our report dated February 23, 2012, expressed an unqualified opinion on those consolidated financial statements.

(Signed) KPMG LLP

Jackson, Mississippi
February 23, 2012

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2011	December 31, 2010
	(In thousands, except for share and per share data)	
ASSETS		
Real estate properties	$1,550,444	1,447,455
Development	112,149	73,722
	1,662,593	1,521,177
Less accumulated depreciation	(451,805)	(403,187)
	1,210,788	1,117,990
Unconsolidated investment	2,757	2,740
Cash	174	137
Other assets	72,797	62,409
TOTAL ASSETS	$1,286,516	1,183,276
LIABILITIES AND EQUITY		
LIABILITIES		
Mortgage notes payable	$628,170	644,424
Unsecured term loan payable	50,000	–
Notes payable to banks	154,516	91,294
Accounts payable and accrued expenses	31,205	20,969
Other liabilities	17,016	15,083
Total Liabilities	880,907	771,770
EQUITY		
Stockholders’ Equity:		
Common shares; $.0001 par value; 70,000,000 shares authorized; 27,658,059 shares issued and outstanding at December 31, 2011 and 26,973,531 at December 31, 2010	3	3
Excess shares; $.0001 par value; 30,000,000 shares authorized; no shares issued	–	–
Additional paid-in capital on common shares	619,386	591,106
Distributions in excess of earnings	(216,560)	(182,253)
Total Stockholders’ Equity	402,829	408,856
Noncontrolling interest in joint ventures	2,780	2,650
Total Equity	405,609	411,506
TOTAL LIABILITIES AND EQUITY	$1,286,516	1,183,276

See accompanying Notes to Consolidated Financial Statements.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2011	2010	2009
	(In thousands, except per share data)		
REVENUES			
Income from real estate operations	$174,484	173,002	172,273
Other income	147	124	81
	174,631	173,126	172,354
EXPENSES			
Expenses from real estate operations	49,411	51,142	50,259
Depreciation and amortization	57,451	58,350	53,953
General and administrative	10,691	10,260	8,894
Acquisition costs	252	72	177
	117,805	119,824	113,283
OPERATING INCOME	56,826	53,302	59,071
OTHER INCOME (EXPENSE)			
Equity in earnings of unconsolidated investment	347	335	320
Gain on sales of non-operating real estate	36	37	31
Other expense	–	(84)	–
Interest income	334	336	302
Interest expense	(34,709)	(35,171)	(32,520)
INCOME FROM CONTINUING OPERATIONS	22,834	18,755	27,204
DISCONTINUED OPERATIONS			
Loss from real estate operations	–	–	(139)
Gain on sales of real estate investments	–	–	29
LOSS FROM DISCONTINUED OPERATIONS	–	–	(110)
NET INCOME	22,834	18,755	27,094
Net income attributable to noncontrolling interest in joint ventures	(475)	(430)	(435)
NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS	$22,359	18,325	26,659

BASIC PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Net income attributable to common stockholders	$.83	.68	1.04
Weighted average shares outstanding	26,897	26,752	25,590
DILUTED PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Net income attributable to common stockholders	$.83	.68	1.04
Weighted average shares outstanding	26,971	26,824	25,690
AMOUNTS ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Income from continuing operations	$22,359	18,325	26,769
Loss from discontinued operations	–	–	(110)
Net income attributable to common stockholders	$22,359	18,325	26,659

See accompanying Notes to Consolidated Financial Statements.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common Stock	Additional Paid-In Capital	Distributions In Excess Of Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Joint Ventures	Total
	(In thousands, except for share and per share data)					
BALANCE, DECEMBER 31, 2008	$ 3	528,452	(117,093)	(522)	2,536	413,376
Comprehensive income						
Net income	–	–	26,659	–	435	27,094
Net unrealized change in fair value of interest rate swap	–	–	–	204	–	204
Total comprehensive income						27,298
Common dividends declared – $2.08 per share	–	–	(53,929)	–	–	(53,929)
Stock-based compensation, net of forfeitures	–	2,060	–	–	–	2,060
Issuance of 1,600,000 shares of common stock, common stock offering, net of expenses	–	57,553	–	–	–	57,553
Issuance of 57,436 shares of common stock, options exercised	–	1,180	–	–	–	1,180
Issuance of 7,938 shares of common stock, dividend reinvestment plan	–	268	–	–	–	268
Withheld 8,514 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock	–	(316)	–	–	–	(316)
Distributions to noncontrolling interest	–	–	–	–	(394)	(394)
BALANCE, DECEMBER 31, 2009	3	589,197	(144,363)	(318)	2,577	447,096
Comprehensive income						
Net income	–	–	18,325	–	430	18,755
Net unrealized change in fair value of interest rate swap	–	–	–	318	–	318
Total comprehensive income						19,073
Common dividends declared – $2.08 per share	–	–	(56,215)	–	–	(56,215)
Stock-based compensation, net of forfeitures	–	2,042	–	–	–	2,042
Issuance of 18,000 shares of common stock,	–	404	–	–	–	404

options exercised						
Issuance of 6,705 shares of common stock, dividend reinvestment plan	–	257	–	–	–	257
Withheld 19,668 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock	–	(794)	–	–	–	(794)
Distributions to noncontrolling interest	–	–	–	–	(357)	(357)
BALANCE, DECEMBER 31, 2010	3	591,106	(182,253)	–	2,650	411,506
Net income	–	–	22,359	–	475	22,834
Common dividends declared – $2.08 per share	–	–	(56,666)	–	–	(56,666)
Stock-based compensation, net of forfeitures	–	2,787	–	–	–	2,787
Issuance of 586,977 shares of common stock, common stock offering, net of expenses	–	25,181	–	–	–	25,181
Issuance of 9,250 shares of common stock, options exercised	–	217	–	–	–	217