

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

COMMISSION FILE NUMBER 1-7094

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.)

300 ONE JACKSON PLACE
188 EAST CAPITOL STREET
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,
SHARES OF SERIES A 9.00% CUMULATIVE REDEEMABLE PREFERRED, \$.0001 PAR VALUE
NEW YORK STOCK EXCHANGE

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this Chapter) 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. YES (x) NO ()

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of March 14, 2003 was \$419,982,000.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES (x) NO ()

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 the last business day of the registrant's most recently completed second fiscal quarter: \$411,836,000.

The number of shares of common stock, \$.0001 par value, outstanding as of March 14, 2003 was 16,115,964.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2003 Annual Meeting of Shareholders 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 as a real estate investment trust under Sections 856-860 of the Internal Revenue Code (the Code), as amended, and intends to continue to qualify to be so taxed. The Company maintains a web site at www.eastgroup.net. EastGroup's press releases, Securities and Exchange Commission filings, financial information and additional information about the Company are available at our web site.

Administration

The Company is self-administered (i.e., it provides its own investment and administrative services internally through its employees) and maintains its principal executive offices in Jackson, Mississippi. As of March 14, 2003, EastGroup had 54 full-time and three part-time employees.

Current Operations

EastGroup is an equity REIT focused on the acquisition, operation and development of industrial properties in major Sunbelt markets throughout the United States. Its strategy for growth is based on its ownership of premier distribution facilities clustered near major transportation centers. EastGroup's portfolio currently includes 18.5 million square feet with an additional 624,000 square feet of properties under development.

During 2002, EastGroup expanded its portfolio by the transfer of seven properties (662,000 square feet) from development to the portfolio with costs of \$30,529,000, through acquisition of six properties (355,000 square feet) with total costs of \$13,667,000 and 9.15 acres of land for \$916,000, and through capital improvements of \$13,121,000 on existing and transferred development properties. In addition to direct property acquisitions and developments, EastGroup seeks to grow its portfolio through the acquisition of other public and private real estate companies and REITs. In 2002, the Company invested \$1,308,000 in the stock of REITs.

The recycling of capital has been an important element of EastGroup's growth strategy. Through recycling, EastGroup seeks to continually improve the physical quality and location of its properties and increase the clustering of assets in core submarkets. During 2002, the Company sold two properties for net proceeds of \$2,917,000 with total gains for financial reporting purposes of \$27,000. In addition, the Company realized gains of \$1,836,000 on its investments in Pacific Gulf Properties (PAG) and other REITs as the result of the sale and liquidation of these REIT shares.

EastGroup's portfolio square footage leased for 2002 increased from 91.6% to 93.1%. In 2002, leases for 18.3% of the portfolio's square footage expired and EastGroup renewed or re-leased 75% of that space. The expiring leases for 2003 were 10.8% of the portfolio as of March 14, 2003.

The Company intends to continue to qualify as a REIT under the Code. Ordinary taxable income will continue to be paid to the stockholders. The Company has the option of (i) paying out capital gains to the stockholders with no tax to the Company, or (ii) treating the capital gains as having been distributed to the stockholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the stockholders. The book value of the property sold and the retained portion of capital gains, if any, are generally reinvested by the Company.

EastGroup incurs short-term floating rate debt in connection with the acquisition of real estate and payment of costs of development projects, and attempts to replace floating rate debt with fixed-rate term loans secured by real property or to repay the debt with the proceeds of sales of equity securities as market conditions permit. EastGroup also may, in appropriate circumstances, acquire one or more properties in exchange for EastGroup's equity 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 so require, but it does not presently intend to make loans other than in connection with such transactions.

EastGroup has no present intentions of underwriting 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 public accountants.

Environmental Matters

Under various federal, state and local laws, ordinances and regulations, an owner of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such 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. All of EastGroup's properties have been subjected to environmental audits 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 2. PROPERTIES.

The Company conducts its primary operations from approximately 12,000 square feet of rented office space located at 300 One Jackson Place, 188 East Capitol Street, Jackson, Mississippi. EastGroup also has regional offices in Phoenix and Orlando and property management offices in Jacksonville, Tampa, Fort Lauderdale and Houston. Offices at these locations allow the Company to self-manage (i.e., provide management services through its employees) all of its Arizona, Florida and Houston properties, which together account for 52% of the Company's total portfolio. The Florida and Arizona operations also provide significant increased development capability in both of those states.

At December 31, 2002, the Company did not own any single property that is 10% or more of total book value or 10% or more of total gross revenues and thus is not subject to the requirements of Items 14 and 15 of Form S-11.

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.

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

None.

PART II. OTHER INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

SHARES OF COMMON STOCK MARKET PRICES AND DIVIDENDS

The Company's shares of Common Stock are presently 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 per share distributions paid for each quarter.

Quarter	Calendar 2002			Calendar 2001		
	High	Low	Distributions	High	Low	Distributions
First	\$26.30	22.09	\$.47	\$23.56	21.69	\$.45
Second	26.30	23.48	.47	23.55	20.80	.45
Third	26.50	22.10	.47	23.65	20.00	.45
Fourth	25.99	22.55	.47	24.25	20.50	.45
			<u>\$1.88</u>			<u>\$1.80</u>

As of March 14, 2003, there were approximately 1,200 holders of record of the Company's 16,115,964 outstanding shares of common stock. Of the \$1.88 per common share total distributions paid in 2002, \$1.8348 per share was taxable as ordinary income for federal income tax purposes and \$.0452 per share represented a long-term 20% capital gain. Of the \$1.80 per share distributions paid in 2001, \$1.7044 per share was taxable as ordinary income for federal income tax purposes and \$.0956 per share represented a long-term 20% capital gain.

SHARES OF SERIES A PREFERRED STOCK MARKET PRICES AND DIVIDENDS

The Company's shares of Series A 9.00% Cumulative Redeemable Preferred Stock are also listed for trading on the New York Stock Exchange and trade under the symbol "EGP PrA." The following table shows the high and low preferred share prices for each quarter reported by the New York Stock Exchange during the past two years and per share distributions paid for each quarter.

Quarter	Calendar 2002			Calendar 2001		
	High	Low	Distributions	High	Low	Distributions
First	\$26.18	22.41	\$.5625	\$24.49	21.75	\$.5625
Second	26.30	23.48	.5625	24.80	23.75	.5625
Third	26.35	22.40	.5625	25.35	24.25	.5625
Fourth	25.81	22.98	.5625	25.15	24.51	.5625
			<u>\$2.2500</u>			<u>\$2.2500</u>

As of March 14, 2003, there were 72 holders of record of the Company's 1,725,000 outstanding shares of Series A preferred stock. Of the \$2.25 per Series A preferred share total distributions paid in 2002, \$2.1960 per share was taxable as ordinary income for federal income tax purposes and \$.0540 per share represented a long-term 20% capital gain. Of the \$2.25 per share distributions paid in 2001, \$2.1308 per share was taxable as ordinary income for federal income tax purposes and \$.1192 per share represented a long-term 20% capital gain.

SHARES OF SERIES B PREFERRED STOCK MARKET PRICES AND DIVIDENDS

EastGroup has issued 2,800,000 shares of Series B 8.75% Cumulative Convertible Preferred Stock to Five Arrows Realty Securities II, L.L.C., an investment fund managed by Rothschild Realty, Inc., a member of the Rothschild Group. The Series B Preferred Stock, which is convertible into common stock at a conversion price of \$22.00 per share (3,182,000 common shares), is entitled to quarterly dividends in arrears equal to the greater of \$0.547 per share or the dividend on the number of shares of common stock into which a share of Series B Preferred Stock is convertible. Of the \$2.188 per Series B preferred share total distributions paid in 2002, \$2.1355 per share was taxable as ordinary income for federal income tax purposes and \$.0525 per share represented a long-term 20% capital gain. Of the \$2.188 per share distributions paid in 2001, \$2.0721 per share was taxable as ordinary income for federal income tax purposes and \$.1159 per share represented a long-term 20% capital gain.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

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

	Years Ended December 31,				
	2002	2001	2000	1999	1998
	(In thousands, except per share data)				
OPERATING DATA:					
Revenues					
Income from real estate operations	\$ 103,048	100,377	93,707	83,026	74,168
Interest	309	1,041	975	1,367	1,868
Gain on securities	1,836	2,967	2,154	30	-
Other	617	727	1,068	1,519	548
	<u>105,810</u>	<u>105,112</u>	<u>97,904</u>	<u>85,942</u>	<u>76,584</u>
Expenses					
Operating expenses from real estate operations	29,924	25,535	22,213	19,809	19,279
Interest	17,387	17,823	18,570	17,688	16,948
Depreciation and amortization	30,333	26,977	23,384	20,181	16,595
General and administrative	4,179	4,573	5,607	4,519	3,771
Minority interest in joint ventures	375	350	377	433	433
	<u>82,198</u>	<u>75,258</u>	<u>70,151</u>	<u>62,630</u>	<u>57,026</u>
Income before gain on sale of real estate investments	23,612	29,854	27,753	23,312	19,558
Gain on sale of real estate investments	93	4,311	8,771	15,357	9,713
Income before cumulative effect of change in accounting principle	23,705	34,165	36,524	38,669	29,271
Cumulative effect of change in accounting principle (1)	-	-	-	(418)	-
Income from continuing operations	<u>23,705</u>	<u>34,165</u>	<u>36,524</u>	<u>38,251</u>	<u>29,271</u>
Discontinued operations					
Income (loss) from real estate operations	(13)	17	(12)	104	65
Loss on sale of real estate investments	(66)	-	-	-	-
Income (loss) from discontinued operations	<u>(79)</u>	<u>17</u>	<u>(12)</u>	<u>104</u>	<u>65</u>
Net income	23,626	34,182	36,512	38,355	29,336
Preferred dividends-Series A	3,880	3,880	3,880	3,880	2,070
Preferred dividends-Series B	6,128	6,128	6,128	2,246	-
Net income available to common stockholders	<u>\$ 13,618</u>	<u>24,174</u>	<u>26,504</u>	<u>32,229</u>	<u>27,266</u>
BASIC PER SHARE DATA:					
Income from continuing operations	\$ 0.86	1.54	1.70	2.00	1.67
Income (loss) from discontinued operations	0.00	0.00	0.00	0.01	0.00
Net income available to common stockholders	<u>\$ 0.86</u>	<u>1.54</u>	<u>1.70</u>	<u>2.01</u>	<u>1.67</u>
Weighted average shares outstanding	15,868	15,697	15,623	16,046	16,283
DILUTED PER SHARE DATA:					
Income from continuing operations	\$ 0.84	1.51	1.68	1.98	1.66
Income (loss) from discontinued operations	0.00	0.00	0.00	0.01	0.00
Net income available to common stockholders	<u>\$ 0.84</u>	<u>1.51</u>	<u>1.68</u>	<u>1.99</u>	<u>1.66</u>
Weighted average shares outstanding	16,237	16,046	15,798	17,362	16,432
OTHER PER SHARE DATA:					
Book value (at end of year)	\$ 15.11	16.19	16.55	16.47	16.12
Common distributions declared	1.88	1.80	1.58	1.48	1.40
Common distributions paid	1.88	1.80	1.58	1.48	1.40
BALANCE SHEET DATA (AT END OF YEAR):					
Real estate investments, at cost (2)	\$ 791,684	741,755	703,846	649,754	582,565
Real estate investments, net of accumulated depreciation and allowance for losses (2)	672,707	649,554	633,726	598,175	539,729
Total assets	702,341	683,782	666,205	632,151	567,548
Mortgage, bond and bank loans payable	322,300	291,072	270,709	243,665	236,816
Total liabilities	345,856	313,072	290,813	262,839	251,524
Total stockholders' equity	356,485	370,710	375,392	369,312	316,024

(1) Represents previously capitalized start-up and organizational costs that were expensed on January 1, 1999 in accordance with the requirements of Statement of Position 98-5.

(2) Does not include the \$500,000 land purchase-leaseback sold in 1999.

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

CRITICAL ACCOUNTING POLICIES

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

Real Estate Properties

During the industrial development stage, costs associated with development (i.e., land, construction costs, interest expense during construction, property taxes and indirect costs associated with development) are aggregated into the total capitalization 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. Because the estimation of capitalizable internal costs requires management's judgment, the Company believes internal cost capitalization is a critical accounting estimate.

The Company reviews its real estate investments to be held and used for impairment of value whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any real estate investment is considered permanently impaired, a loss is recorded to reduce the carrying value of the property to its estimated fair value. Real estate assets to be sold are reported at the lower of the carrying amount or fair value less selling costs. The evaluation of real estate investments involves many subjective assumptions dependent upon future economic events that affect the ultimate value of the property. Currently, the Company's management is not aware of any impairment issues nor has it experienced any significant impairment issues in recent years.

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 review and analysis on prospective tenants before significant leases are executed. The Company evaluates outstanding receivables and estimates the allowance for uncollectible accounts. Management specifically analyzes historical bad debts, aged receivables, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. The Company believes that its allowance for uncollectible accounts is adequate for its outstanding receivables at December 31, 2002 and 2001.

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 90% of its ordinary taxable income to its stockholders. The Company has the option of (i) paying out capital gains to the stockholders with no tax to the Company, or (ii) treating the capital gains as having been distributed to the stockholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the stockholders. The Company distributed all of its 2002, 2001 and 2000 taxable income to its stockholders. Accordingly, no provision for income taxes was necessary.

FINANCIAL CONDITION

Assets of EastGroup were \$702,341,000 at December 31, 2002, an increase of \$18,559,000 from December 31, 2001. Liabilities (excluding minority interests) increased \$32,764,000 to \$344,097,000 and stockholders' equity decreased \$14,225,000 to \$356,485,000 during the same period. Book value per common share decreased from \$16.19 at December 31, 2001 to \$15.11 at December 31, 2002. The paragraphs that follow explain these changes in detail.

Real estate properties increased \$53,749,000 during the year ended December 31, 2002. This increase was due to the transfer of seven properties from development with total costs of \$30,529,000; acquisition of six properties for a total of \$13,363,000, as detailed below; capital improvements of \$9,625,000 and improvements on development properties transferred to the portfolio in the 12-month period following transfer of \$3,435,000. These increases were offset by the transfer of one property to the category "held for sale" with costs of \$2,022,000 and the transfer of land into development with costs of \$1,181,000. During 2002, three additional properties were transferred to "held for sale;" however, these properties were subsequently transferred back to the portfolio as a result of a change in plans by the Company due to market conditions. Upon the reclassification of these properties, depreciation was adjusted to reflect the carrying amount of these properties as if they had never been classified as "held for sale."

Real Estate Properties

Real Estate Properties Acquired in 2002	Location	Size	Date Acquired	Cost ⁽¹⁾
				<i>(In thousands)</i>
Broadway Industrial Park V and VI	Tempe, Arizona	79,000 sq. ft.	06-07-02	\$ 3,898
Freeport Tech Center	Houston, Texas	188,000 sq. ft.	07-11-02	6,170
Exchange Distribution Center II and III	Orlando, Florida	62,000 sq. ft.	08-14-02	2,563
North Stemmons II	Dallas, Texas	26,000 sq. ft.	10-10-02	732
Total Industrial Acquisitions				\$ 13,363

(1) Total cash paid for properties acquired was \$13,667,000, of which \$13,363,000 was allocated to the real estate properties as indicated above and \$304,000 was allocated to leasing origination costs. The leasing origination costs, which are included in Other Assets on the balance sheet, will be amortized over the remaining lives of the leases in place at the time of acquisition in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations."

Development increased \$2,214,000 during the year ended December 31, 2002. This increase was due to development costs of \$32,165,000 on existing and completed development properties and the transfer of land from the portfolio to development with costs of \$1,181,000. These increases were offset by the transfer of seven development properties to real estate properties with total costs of \$30,529,000, as detailed in the table below, and land transferred to "held for sale" with costs of \$603,000.

Total cash outflows for development for the year ended December 31, 2002 were \$35,600,000. In addition to the costs incurred for the year ended December 31, 2002 as detailed in the table below, development costs included \$3,435,000 for improvements on properties transferred to the portfolio during the 12-month period following transfer. These costs are included in *Real Estate Properties* on the balance sheet.

Development

	Size (Square feet)	Costs Incurred		Estimated Total Costs ⁽¹⁾
		For the Year Ended 12/31/02	Cumulative as of 12/31/02	
Lease-Up:				
World Houston XIV, Houston, TX	77,000	\$ 741	3,074	3,600
Americas 10 Business Center I, El Paso, TX	97,000	1,000	3,287	3,300
Metro Airport Commerce Center I, Jackson, MS	32,000	1,401	1,727	1,900
Total Lease-up	206,000	3,142	8,088	8,800
Under Construction:				
World Houston XIX, Houston, TX	66,000	1,981	1,981	3,100
World Houston XX, Houston, TX	62,000	1,958	1,958	2,800
Chamberlain Expansion, Tucson, AZ	34,000	1,345	1,345	1,600
Executive Airport Commerce Center I & III Fort Lauderdale, FL	85,000	3,305	4,751	6,000
Expressway Commerce Center, Tampa, FL	108,000	3,621	3,621	4,300
Total Under Construction	355,000	12,210	13,656	17,800
Prospective Development (Principally Land):				
Phoenix, Arizona	103,000	122	1,376	6,000
Tucson, Arizona	70,000	-	326	3,500
Tampa, Florida	140,000	160	1,828	5,600
Orlando, Florida	249,000	476	3,300	14,900
Fort Lauderdale, Florida	55,000	675	1,603	3,300
El Paso, Texas	251,000	301	2,224	7,600
Houston, Texas	915,000	561	6,786	46,200
Jackson, Mississippi	32,000	228	531	1,700
Total Prospective Development	1,815,000	2,523	17,974	88,800
	2,376,000	\$ 17,875	39,718	115,400
Completed Development and Transferred To Real Estate Properties During the Year Ended December 31, 2002:				
Sunport Center III, Orlando, FL	66,000	\$ 538	3,763	
Tower Automotive, Madison, MS	210,000	9,574	9,958	
Walden Distribution Center I, Tampa, FL	90,000	115	3,655	
Techway Southwest I, Houston, TX	126,000	284	4,494	
World Houston XII, Houston, TX	59,000	2,227	2,759	
Kyrene II, Tempe, AZ	60,000	-	3,049	
World Houston XIII, Houston, TX	51,000	1,552	2,851	
Total Transferred to Real Estate Properties	662,000	\$ 14,290	30,529	

(1) The information provided above includes forward-looking data based on current construction schedules, the status of lease negotiations with potential tenants and other relevant factors currently available to the Company. There can be no assurance that any of these factors will not change or that any change will not affect the accuracy of such forward-looking data. Among the factors that could affect the accuracy of the forward-looking statements are weather or other natural occurrence, default or other failure of performance by contractors, increases in the price of construction materials or the unavailability of such materials, failure to obtain necessary permits or approvals from government entities, changes in local and/or national economic conditions, increased competition for tenants or other occurrences that could depress rental rates, and other factors not within the control of the Company.

Real estate held for sale decreased \$532,000 due to the sale of two properties with costs of \$3,218,000, offset by the transfer of one property from the portfolio with total costs of \$2,022,000, the transfer of land from development with costs of \$603,000, and capital improvements of \$61,000.

Accumulated depreciation on real estate properties and real estate held for sale increased \$26,776,000 primarily due to depreciation expense of \$27,050,000 on real estate properties, offset by the sale of two properties with accumulated depreciation of \$372,000.

Mortgage loans receivable decreased \$5,502,000 during 2002 primarily as a result of the repayment of a construction loan the Company made during 2000 and 2001 for the development of Freeport Tech Center in Houston. The terms of this loan included a related option for EastGroup to purchase the property after completion. As part of the Company's purchase of Freeport in July 2002, the seller repaid the principal amount of \$5,500,000 and all accrued interest on the outstanding mortgage loan receivable.

Investment in REITs decreased from \$6,452,000 at December 31, 2001 to \$1,663,000 at December 31, 2002 as a result of the sale of REIT shares with a cost of \$5,259,000 and the purchase of REIT shares for \$1,308,000. Unrealized gains decreased \$838,000 as a result of realized gains of \$1,836,000 on REIT shares, offset by unrealized gains of \$998,000.

Mortgage notes payable increased \$43,329,000 during the year ended December 31, 2002 due to three new mortgages totaling \$59,200,000, offset by the repayment of two mortgages for \$10,350,000 and regularly scheduled principal payments of \$5,521,000. A detail of the Company's mortgages is provided in Note 7 in the Notes to the Consolidated Financial Statements.

Notes payable to banks decreased \$12,101,000 as a result of payments of \$207,687,000 exceeding borrowings of \$195,586,000. The Company's credit facilities are described in greater detail under Liquidity and Capital Resources.

Accumulated other comprehensive income decreased \$1,135,000 as a result of realized gains of \$1,836,000 on REIT shares, offset by unrealized gains of \$998,000 on REIT shares, and an unrealized loss of \$297,000 due to the fair value adjustment of the Company's interest rate swap (see Note 6 in the Notes to the Consolidated Financial Statements).

Undistributed earnings decreased from \$23,753,000 at December 31, 2001 to \$7,109,000 at December 31, 2002, as a result of dividends on common and preferred stock of \$40,270,000 exceeding net income for financial reporting purposes of \$23,626,000.

RESULTS OF OPERATIONS

2002 Compared to 2001

Net income available to common stockholders for 2002 was \$13,618,000 (\$.86 per basic share and \$.84 per diluted share) compared to net income available to common stockholders in 2001 of \$24,174,000 (\$1.54 per basic share and \$1.51 per diluted share). Income before gain on sale of real estate investments was \$23,612,000 in 2002 compared to \$29,854,000 in 2001. Gain on sale of real estate investments from continuing operations for 2002 was \$93,000 compared to \$4,311,000 in 2001. In accordance with the guidelines under Statement of Financial Accounting Standards (SFAS) No. 144, gains and losses on the sale of properties placed in the category "held for sale" subsequent to December 31, 2001 are included in *Discontinued Operations*. There was a loss of \$66,000 from discontinued operations for 2002 and none for 2001. The paragraphs that follow describe the results of operations in detail.

Property net operating income (PNOI) from real estate properties, defined as income from real estate operations (REO) less property operating expenses (before interest expense and depreciation and amortization) is a supplemental industry reporting measurement used to evaluate the performance of the Company's investments in real estate assets. The Company believes that the exclusion of depreciation and amortization in the industry's calculation of PNOI provides a supplemental indicator of the properties' performance since real estate values have historically risen or fallen with market conditions. PNOI as calculated by the Company may not be comparable to similarly titled but differently calculated measures for other REITs.

The major factors that influence PNOI are occupancy levels, acquisitions and sales, development properties that achieve stabilized operations, rental rate increases or decreases, and the recoverability of operating expenses. The Company's success depends largely upon its ability to lease warehouse space and to recover from tenants the

operating costs associated with those leases. REO income is comprised of rental income including straight-line rent adjustments, pass-through income and other REO income, which includes termination fees. Property operating expenses are comprised of insurance, property taxes, repair and maintenance expenses, management fees and other operating costs. Generally, the Company's most significant operating expenses are insurance and property taxes. 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 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 recoverable.

PNOI from continuing operations decreased by \$1,718,000 or 2.3% for 2002 compared to 2001. PNOI by property type and percentage leased for industrial were as follows:

Property Net Operating Income

	Years Ended December 31,		Percent Leased	
	2002	2001	12-31-02	12-31-01
	<i>(In thousands)</i>			
Industrial	\$ 72,048	73,783	93.1%	91.6%
Other	1,076	1,059		
Total PNOI	\$ 73,124	74,842		

PNOI from industrial properties decreased \$1,735,000 (2.4%) for 2002 compared to 2001. Industrial properties held throughout 2002 and 2001 showed a decrease in PNOI of 5.5%. The decrease in PNOI results mainly from a decrease in the Company's portfolio average occupancy during the year primarily due to a continued slowing of the economy and the unusually high percentage of leases that expired in the last two years. Also, lease termination fees were only \$345,000 in 2002 compared to \$1,341,000 in 2001. In addition, real estate operating expenses increased \$4,389,000 (17.2%) in 2002 compared to 2001. This increase was primarily due to increases in insurance, property taxes and bad debt expense. Because of the lower occupancy, the Company had to absorb a greater percentage of operating expenses in 2002.

Gain on REIT securities was \$1,836,000 for 2002 compared to \$2,967,000 in 2001. In 2002, the Company received liquidating distributions of \$365,000 from Pacific Gulf Properties (PAG) compared to \$2,569,000 in 2001. Gain on sales of other REIT securities was \$1,471,000 in 2002 compared to \$398,000 in 2001.

Bank interest expense before amortization of loan costs and capitalized interest was \$2,585,000 for 2002, a decrease of \$2,165,000 from 2001. Average bank borrowings were \$83,039,000 in 2002 compared to \$82,898,000 in 2001 with average bank interest rates of 3.11% in 2002 compared to 5.72% in 2001. Interest costs incurred during the period of construction of real estate properties are capitalized and offset against the bank interest expense. The interest costs capitalized on real estate properties for 2002 were \$2,061,000 compared to \$2,329,000 in 2001. Amortization of bank loan costs was \$407,000 in 2002 compared to \$264,000 in 2001. See Note 6 in the Notes to the Consolidated Financial Statements for disclosure relating to the Company's notes payable to banks.

Mortgage interest expense on real estate properties was \$16,253,000 for 2002, an increase of \$1,303,000 from 2001. The increase in 2002 was primarily due to an increase in mortgage loans payable of \$43,329,000 from 2001. The Company obtained three new mortgage loans totaling \$59,200,000 in 2002 while paying off maturing loans of \$10,350,000 and regularly scheduled principal payments of \$5,521,000. Amortization of mortgage loan costs was \$203,000 in 2002 compared to \$188,000 in 2001. See Note 7 in the Notes to the Consolidated Financial Statements for disclosure relating to the Company's mortgage notes payable.

Depreciation and amortization increased \$3,356,000 in 2002 compared to 2001. This increase was primarily due to the industrial properties acquired and development properties that achieved stabilized operations in both 2001 and 2002. The increase was offset by the sale of several properties in 2001 and 2002 and the

transfer of several properties to real estate held for sale (depreciation is not taken on those properties in the category "real estate held for sale").

The decrease in general and administrative expenses of \$394,000 for the year ended December 31, 2002 compared to 2001 is primarily due to lower compensation expense. The reduction in compensation expense was mainly attributable to lower bonuses paid to senior management since the Company did not meet the funds from operations goals projected for the year.

In 2002, the Company recognized a gain of \$93,000 from the sale of Carpenter Duplex, which is reported in *Income From Continuing Operations* on the income statement. The Company recognized a loss of \$66,000 on the sale of 7th Street Service Center, which is recorded under *Discontinued Operations* in accordance with SFAS No. 144. (SFAS 144 requires that the operations and gain (loss) on disposal for properties classified to the category "held for sale" subsequent to December 31, 2001 be recorded in *Discontinued Operations*.) In 2001, the Company recognized gains of \$4,311,000 primarily from the sale of five properties. See Note 2 in the Notes to the Consolidated Financial Statements for a summary of these transactions.

NAREIT has recommended supplemental disclosures concerning straight-line rent, capital expenditures and leasing costs. Straight-lining of rent increased income by \$1,953,000 for 2002 compared to \$1,741,000 in 2001. Capital expenditures for the years ended December 31, 2002 and 2001 were as follows:

Capital Expenditures

	Estimated Useful Life	Years Ended	
		December 31,	
		2002	2001
		<i>(In thousands)</i>	
Upgrade on Acquisitions	40 yrs	\$ 61	270
Major Renovation/Redevelopment	40 yrs	53	63
Tenant Improvements:			
New Tenants	Lease Life	5,748	3,787
Renewal Tenants	Lease Life	1,150	581
Other:			
Building Improvements	5-40 yrs	853	1,188
Roofs	5-15 yrs	1,588	412
Parking Lots	5 yrs	179	219
Other	5 yrs	54	102
Total capital expenditures		<u>\$ 9,686</u>	<u>6,622</u>

The Company's leasing costs are capitalized and included in other assets. The costs are amortized over the terms of the leases and are included in depreciation and amortization expense. Capitalized leasing costs for the years ended December 31, 2002 and 2001 were as follows:

Capitalized Leasing Costs

	Estimated Useful Life	Years Ended	
		December 31,	
		2002	2001
		<i>(In thousands)</i>	
Development	Lease Life	\$ 1,290	1,605
New Tenants	Lease Life	1,850	1,113
Renewal Tenants	Lease Life	1,431	1,042
Total capitalized leasing costs		<u>\$ 4,571</u>	<u>3,760</u>
Amortization of leasing costs		<u>\$ 3,319</u>	<u>2,541</u>

2001 Compared to 2000

Net income available to common stockholders for 2001 was \$24,174,000 (\$1.54 per basic share and \$1.51 per diluted share) compared to net income available to common stockholders in 2000 of \$26,504,000 (\$1.70 per basic share and \$1.68 per diluted share). Income before gain on sale of real estate investments was \$29,854,000 in 2001 compared to \$27,753,000 in 2000. Gain on sale of real estate investments from continuing operations was \$4,311,000 in 2001 compared to \$8,771,000 in 2000. The paragraphs that follow describe the results of operations in detail.

PNOI from continuing operations increased by \$3,348,000 or 4.7% for 2001 compared to 2000. PNOI by property type and percentage leased for industrial were as follows:

Property Net Operating Income

	Years Ended December 31,		Percent Leased	
	2001	2000	12-31-01	12-31-00
	<i>(In thousands)</i>			
Industrial	\$ 73,783	69,068	91.6%	96.4%
Other	1,059	2,426		
Total PNOI	<u>\$ 74,842</u>	<u>71,494</u>		

PNOI from industrial properties increased \$4,715,000 (6.8%) for 2001 compared to 2000 primarily due to acquisitions, rental rate increases and development properties that achieved stabilized operations in 2000 and 2001. Also, lease termination fees were \$1,341,000 in 2001 compared to \$220,000 in 2000. Industrial properties held throughout 2001 and 2000 showed a decrease in PNOI of 1.9% for 2001. The Company experienced greater vacancies during 2001 primarily due to a slowing of the economy and higher than average lease terminations.

PNOI from other properties decreased \$1,367,000 (56.3%) for 2001 compared to 2000. These decreases were primarily the result of the sale of the La Vista Crossing Apartments in December 2000.

Mortgage loan interest income decreased \$358,000 for 2001 compared to 2000 primarily due to the payoff of the World Houston 10 loan in early January 2001.

Other interest income increased \$424,000 for 2001 compared to 2000. This increase was primarily the result of interest received from the final accounting of an escrow account established for the redemption of shares in the Company's 1998 acquisition of Meridian Point Realty Trust VIII.

Gain on REIT securities was \$2,967,000 for 2001 compared to \$2,154,000 for 2000. In 2001, the Company received liquidating distributions of \$2,569,000 from PAG and recorded gains on sale of other REIT securities of \$398,000. In 2000, the Company recorded gains of \$807,000 from liquidating distributions received from PAG and \$1,347,000 from Franklin Select Realty Trust.

Bank interest expense before amortization of loan costs and capitalized interest was \$4,750,000 for 2001, a decrease of \$3,643,000 from 2000. Average bank borrowings were \$82,898,000 in 2001 compared to \$107,221,000 in 2000 with average bank interest rates of 5.72% in 2001 compared to 7.83% in 2000. Interest costs incurred during the period of construction of real estate properties are capitalized and offset against the bank interest expense. The interest costs capitalized on real estate properties for 2001 were \$2,329,000 compared to \$2,060,000 in 2000. Amortization of bank loan costs was \$264,000 for both 2001 and 2000. See Note 6 in the Notes to the Consolidated Financial Statements for disclosure relating to the Company's notes payable to banks.

Mortgage interest expense on real estate properties was \$14,950,000 for 2001, an increase of \$3,146,000 from 2000. These increases were primarily the result of the issuance of two mortgage loans in 2000 and one mortgage loan in 2001, offset by the payoff of several smaller loans in 2000 and 2001. Amortization of mortgage loan costs was \$188,000 in 2001 compared to \$169,000 in 2000. See Note 7 in the Notes to the Consolidated Financial Statements for disclosure relating to the Company's mortgage notes payable.

Depreciation and amortization increased \$3,593,000 in 2001 compared to 2000. This increase was primarily due to the industrial properties acquired and development properties that achieved stabilized operations in both 2000 and 2001 and to the write-off of leasing commissions for lease buyouts. The increase was offset by the sale of several properties in 2000 and 2001 and the transfer of several properties to real estate held for sale (depreciation is not taken on those properties in the category "real estate held for sale"). Three properties that were in the category "held for sale" at December 31, 2000 were reclassified back to the portfolio in 2001. Upon reclassification, depreciation was adjusted to reflect the carrying amount of these properties as if they had never been classified as "held for sale."

The decrease in general and administrative expenses of \$1,034,000 for the year ended December 31, 2001 compared to 2000 is due to several items. Incentive restricted stock expense was lower in 2001 by \$410,000 due to a one-time charge in 2000. Also, taxes were \$574,000 lower primarily due to the reversal of accrued taxes for Tennessee franchise taxes. The tax was repealed by the State of Tennessee.

In 2001, the Company recognized gains of \$4,311,000 primarily from the sale of five properties. In 2000, the Company recognized gains of \$8,771,000 consisting of the sale of two properties and one parcel of land and the recognition of a deferred gain. See Note 2 in the Notes to the Consolidated Financial Statements for a summary of these transactions.

NAREIT has recommended supplemental disclosures concerning straight-line rent, capital expenditures and leasing costs. Straight-lining of rent increased income \$1,741,000 for 2001 compared to \$1,654,000 in 2000. Capital expenditures for the years ended December 31, 2001 and 2000 by category were as follows:

Capital Expenditures

	Estimated Useful Life	Years Ended December 31,	
		2001	2000
<i>(In thousands)</i>			
Upgrade on Acquisitions	40 yrs	\$ 270	2,754
Major Renovation/Redevelopment	40 yrs	63	41
Tenant Improvements:			
New Tenants	Lease Life	3,787	4,534
Renewal Tenants	Lease Life	581	901
Other:			
Building Improvements	5-40 yrs	1,188	1,148
Roofs	5-15 yrs	412	913
Parking Lots	5 yrs	219	230
Other	5 yrs	102	90
Total capital expenditures		<u>\$ 6,622</u>	<u>10,611</u>

The Company's leasing costs are capitalized and included in other assets. The costs are amortized over the terms of the leases and are included in depreciation and amortization expense. Capitalized leasing costs for the years ended December 31, 2001 and 2000 were as follows:

Capitalized Leasing Costs

	Estimated Useful Life	Years Ended December 31,	
		2001	2000
<i>(In thousands)</i>			
Development	Lease Life	\$ 1,605	1,743
New Tenants	Lease Life	1,113	1,236
Renewal Tenants	Lease Life	1,042	949
Total capitalized leasing costs		<u>\$ 3,760</u>	<u>3,928</u>
Amortization of leasing costs		<u>\$ 2,541</u>	<u>2,034</u>

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations," effective for financial statements issued for fiscal years beginning after June 15, 2002. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company will adopt this Statement on January 1, 2003 and believes that the effect of adoption will have little or no impact on its overall financial position or results of operation.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 amends existing guidance on reporting gains and losses on the extinguishment of debt to prohibit the classification of the gain or loss as extraordinary, as the use of such extinguishments have become part of the risk management strategy of many companies. SFAS No. 145 also amends SFAS No. 13 to require sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. The provisions of the Statement related to the rescission of SFAS No. 4 are applied in fiscal years beginning after May 15, 2002. Earlier application of these provisions is encouraged. The provisions of the Statement related to SFAS No. 13 were effective for transactions occurring after May 15, 2002, with early application encouraged. The Company adopted the provisions of this Statement relating to SFAS No. 13 after May 15, 2002. The adoption did not have a material effect on the Company's consolidated financial statements. The Company will adopt the other provisions of this Statement effective January 1, 2003 and believes that the effect of adoption will have little or no impact on its overall financial position or results of operation.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002. The Company will adopt this Statement on January 1, 2003 and believes that the effect of adoption will have no significant impact on its overall financial position or results of operation.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34." This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002. The Company adopted the disclosure provision of this Statement in 2002 and will adopt the measurement provision on January 1, 2003. The application of this Interpretation relating to disclosure did not impact the Company's consolidated financial statements in 2002 and adoption of the measurement provision of this Statement in 2003 is not expected to have a material effect on the Company's consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, and interpretation of ARB No. 51." This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created or obtained after January 31, 2003. For public enterprises with a variable interest in a variable interest entity created after February 1, 2003, the Interpretation applies to that enterprise no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective. The application of this Interpretation is not expected to have a material effect on the Company's consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$53,786,000 for the year ended December 31, 2002. Other sources of cash were primarily from bank borrowings, proceeds from mortgage notes payable, sales and liquidation of REIT shares and collections on mortgage loans receivable. The Company distributed \$29,873,000 in common and \$10,008,000 in preferred stock dividends. Other primary uses of cash were for bank debt payments, construction and development of properties, mortgage note payments, purchases of real estate investments and capital improvements at the various properties.

Total debt at December 31, 2002 and 2001 is detailed below. The Company's bank credit facilities have certain restrictive covenants, and the Company was in compliance with all of its debt covenants at December 31, 2002 and 2001.

	December 31,	
	2002	2001
	<i>(In thousands)</i>	
Mortgage notes payable – fixed rate	\$ 248,343	205,014
Bank notes payable – floating rate	73,957	86,058
Total debt	<u>\$ 322,300</u>	<u>291,072</u>

The Company has a three-year \$175,000,000 unsecured revolving credit facility with a group of ten banks that matures in January 2005. The interest rate on the facility is based on the Eurodollar rate and varies according to debt-to-total asset value ratios. EastGroup's current interest rate for this facility is the Eurodollar rate plus 1.25%. At December 31, 2002, the interest rate was 2.67% on \$70,000,000. The interest rate on each tranche is currently reset on a monthly basis and was last reset on February 26, 2003 at 2.59% on \$71,000,000. An unused facility fee is also assessed on this loan. This fee varies according to debt-to-total asset value ratios and is currently .20%.

The Company had a one-year \$12,500,000 unsecured revolving credit facility with PNC Bank, N.A. that matured in January 2003. The loan was amended in January 2003 to reflect a new maturity date of January 2004. The interest rate on this facility is based on the LIBOR rate and varies according to debt-to-total asset value ratios. At December 31, 2002, the interest rate was 2.555% on \$3,957,000. EastGroup's current interest rate for this facility is the LIBOR rate plus 1.175%.

The Company anticipates that its current cash balance, operating cash flows, and borrowings under its lines of credit will be adequate for (i) operating and administrative expenses, (ii) normal repair and maintenance expenses at its properties, (iii) debt service obligations, (iv) distributions to stockholders, (v) capital improvements, (vi) purchases of properties, (vii) development, (viii) common stock repurchases, and (ix) any other normal business activities of the Company.

INFLATION

In the last five years, inflation has not had a significant impact on the Company because of the relatively low inflation rate in the Company's geographic areas of operation. Most of the leases require the tenants to pay their pro rata share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing the Company's exposure to increases in operating expenses resulting from inflation. In addition, the Company's leases typically have three to five year terms, which may enable the Company to replace existing leases with new leases at a higher base if rents on the existing leases are below the then-existing market rate.

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 interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company borrows at fixed rates but also has several variable rate bank lines as discussed under Liquidity and Capital Resources. The table below presents the principal payments due and weighted average interest rates for both the fixed rate and variable rate debt.

	2003	2004	2005	2006	2007	Thereafter	Total	Fair Value
Fixed rate debt (in thousands)	\$ 7,876	11,234	25,153	21,715	20,390	161,975	248,343	263,971 ⁽¹⁾
Weighted average interest rate	7.66%	7.90%	7.96%	7.76%	7.71%	7.08%	7.34%	
Variable rate debt (in thousands)	-	3,957	70,000	-	-	-	73,957	73,957
Weighted average interest rate	-	2.56%	2.67%	-	-	-	2.66%	

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

As the table above incorporates only those exposures that exist as of December 31, 2002, it does not consider those exposures or positions that could arise after that date. The Company's ultimate economic impact with respect to interest rate fluctuations will depend on the exposures that arise during the period and interest rates. If the weighted average interest rate on the variable rate bank debt as shown above changes by 10% or approximately 27 basis points, interest expense and cash flows would increase or decrease by approximately \$197,000 annually.

In November 2002, the Company entered into an interest rate swap agreement to hedge its exposure to the variable interest rate on the Company's \$11,000,000 Tower Automotive Center recourse mortgage. Under the swap agreement, the Company effectively pays a fixed rate of interest over the term of the agreement without the exchange of the underlying notional amount. This swap is designated as a cash flow hedge and is considered to be fully effective in hedging the variable rate risk associated with the Tower mortgage loan. Changes in the fair value of the swap are recognized in accumulated other comprehensive income. The Company does not hold or issue this type of derivative contract for trading or speculative purposes.

FORWARD-LOOKING STATEMENTS

In addition to historical information, certain sections of this Form 10-K contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, such as those pertaining to the Company's hopes, expectations, intentions, beliefs, strategies regarding the future, the anticipated performance of development and acquisition properties, capital resources, profitability and portfolio performance. Forward-looking statements involve numerous risks and uncertainties. The following factors, among others discussed herein, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: defaults or nonrenewal of leases, increased interest rates and operating costs, failure to obtain necessary outside financing, difficulties in identifying properties to acquire and in effecting acquisitions, failure to qualify as a real estate investment trust under the Internal Revenue Code of 1986, as amended, environmental uncertainties, risks related to disasters and the costs of insurance to protect from such disasters, financial market fluctuations, changes in real estate and zoning laws and increases in real property tax rates. The success of the Company also depends upon the trends of the economy, including interest rates and the effects to the economy from possible terrorism and related world events, income tax laws, governmental regulation, legislation, population changes and those risk factors discussed elsewhere in this Form. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's analysis only as the date hereof. The Company assumes no obligation to update forward-looking statements. See also the Company's reports to be filed from time to time with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Registrant's Consolidated Balance Sheets as of December 31, 2002 and 2001, and its Consolidated Statements of Income, Changes in Stockholders' Equity and Cash Flows and Notes to Consolidated Financial Statements for the years ended December 31, 2002, 2001 and 2000 and the independent auditors' report 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 the consolidated financial statements are also incorporated herein by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The Registrant's definitive proxy statement which will be filed with the Securities and Exchange Commission (the "Commission") pursuant to Regulation 14A within 120 days of the end of Registrant's calendar year is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The Registrant's definitive proxy statement which will be filed with the Commission pursuant to Regulation 14A within 120 days of the end of Registrant's calendar year is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN COMMON STOCK OWNERS AND MANAGEMENT.

The Registrant's definitive proxy statement which will be filed with the Commission pursuant to Regulation 14A within 120 days of the end of Registrant's calendar year is incorporated herein by reference. The following table provides information required by Item 201(d) of Regulation S-K.

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	672,954	\$18.639	273,110
Equity compensation plans not approved by security holders	-	-	-
Total	<u>672,954</u>	<u>\$18.639</u>	<u>273,110</u>

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Registrant's definitive proxy statement which will be filed with the Commission pursuant to Regulation 14A within 120 days of the end of Registrant's calendar year is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES.

Within the 90 days prior to the date of this report, 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-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are 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.

In addition, the Company reviewed its internal controls, and there have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

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(2) Consolidated Financial Statement Schedules:	
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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 the consolidated financial statements.

- (3) Form 10-K Exhibits:
- (a) Articles of Incorporation (incorporated by reference to Appendix B to the Registrant's Proxy Statement dated April 24, 1997).
 - (b) Bylaws of the Registrant (incorporated by reference to Appendix C to the Registrant's Proxy Statement dated April 24, 1997).
 - (c) Articles Supplementary of the Company relating to the 9.00% Series A Cumulative Redeemable Preferred Stock of the Company (incorporated by reference to the Company's Form 8-A filed June 15, 1998).
 - (d) Articles Supplementary of the Company relating to the Series B Cumulative Convertible Preferred Stock (incorporated by reference to the Company's Form 8-K filed on October 1, 1998).
 - (e) Articles Supplementary of the Company relating to the Series C Preferred Stock (incorporated by reference to the Company's Form 8-A filed December 9, 1998).
 - (f) Certificate of Correction to Articles Supplementary with respect to Series B Cumulative Convertible Preferred Stock (incorporated by reference to the Registrant's Form 10-K for the year ended December 31, 1998).
- (10) Material Contracts:
- (a) EastGroup Properties 1994 Management Incentive Plan, As Amended (incorporated by reference to Appendix A of the Registrant's Proxy Statement for its Annual Meeting of Shareholders held on June 2, 1999).*
 - (b) EastGroup Properties 1991 Directors Stock Option Plan, As Amended (incorporated by reference to Exhibit B of the Registrant's Proxy Statement dated April 26, 1994).*
 - (c) EastGroup Properties 2000 Directors Stock Option Plan (incorporated by reference to Appendix A to the Registrant's Proxy Statement for its Annual Meeting of Shareholders held on June 1, 2000).*
 - (d) Form of Change in Control Agreement that Registrant has entered into with certain executive officers (Leland R. Speed, David H. Hoster II and N. Keith McKey) (incorporated by reference to the Registrant's 1996 Annual Report on Form 10-K).*
 - (e) Form of Amendment to Change in Control Agreement that Registrant has entered into with certain executive officers (filed herewith).*

- (f) Investment Agreement dated as of September 25, 1998 between the Company and Five Arrows Realty Securities II, L.L.C. (incorporated by reference to the Company's Form 8-K filed October 1, 1998).
 - (g) Operating Agreement dated September 25, 1998 between the Company and Five Arrows Realty Securities II, L.L.C. (incorporated by reference to the Company's Form 8-K filed October 1, 1998).
 - (h) Agreement and Waiver between the Company and Five Arrows Realty Securities II, L.L.C. (incorporated by reference to the Company's Form 8-K filed October 1, 1998).
 - (i) Credit Agreement dated January 8, 2002 among EastGroup Properties, L.P.; EastGroup Properties, Inc.; PNC Bank, National Association, as Administrative Agent; Commerzbank Aktiengesellschaft, New York Branch, as Syndication Agent; SouthTrust Bank, as Co-Syndication Agent; US. Bank, National Association, as Documentation Agent; Wells Fargo Bank, National Association, as Co-Documentation Agent; AmSouth Bank, as Managing Agent; PNC Capital Market, Inc., as Lead Arranger and Lead Agent; and the Lenders (incorporated by reference to the Registrant's Form 10-K for the year ended December 31, 2001).
- (21) Subsidiaries of Registrant (filed herewith).
 - (23) Consent of KPMG LLP (filed herewith).
 - (24) Powers of attorney (filed herewith).
 - (28) Agreement of Registrant to furnish the Commission with copies of instruments defining the rights of holders of long-term debt (incorporated by reference to Exhibit 28(e) of the Registrant's 1986 Annual Report on Form 10-K).
 - (99) Rights Agreement dated as of December 3, 1998 between the Company and EquiServe Trust Company, N.A., which replaced Harris Trust and Savings Bank, as Rights Agent (incorporated by reference to the Company's Form 8-A filed December 9, 1998).
- (b) None

*Indicates management or compensatory agreement.

INDEPENDENT AUDITORS' REPORT

THE DIRECTORS AND STOCKHOLDERS
EASTGROUP PROPERTIES, INC.:

We have audited the accompanying consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries, as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2002. 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 auditing standards generally accepted in the United States of America. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2002, the Company changed its methods of accounting for the impairment or disposal of long-lived assets and stock-based compensation.

Jackson, Mississippi
March 7, 2003

KPMG LLP

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

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
ASSETS		
Real estate properties	\$ 750,578	696,829
Development	39,718	37,504
	790,296	734,333
Less accumulated depreciation	(118,977)	(92,060)
	671,319	642,273
Real estate held for sale	1,375	1,907
Less accumulated depreciation	-	(141)
	1,375	1,766
Mortgage loans	13	5,515
Investment in real estate investment trusts	1,663	6,452
Cash	1,383	1,767
Other assets	26,588	26,009
TOTAL ASSETS	\$ 702,341	683,782
 LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable	\$ 248,343	205,014
Notes payable to banks	73,957	86,058
Accounts payable & accrued expenses	15,571	12,801
Other liabilities	6,226	7,460
	344,097	311,333
Minority interest in joint ventures	1,759	1,739
 STOCKHOLDERS' EQUITY		
Series A 9.00% Cumulative Redeemable Preferred Shares and additional paid-in capital; \$.0001 par value; 1,725,000 shares authorized and issued; stated liquidation preference of \$43,125	41,357	41,357
Series B 8.75% Cumulative Convertible Preferred Shares and additional paid-in capital; \$.0001 par value; 2,800,000 shares authorized and issued; stated liquidation preference of \$70,000	67,178	67,178
Series C Preferred Shares; \$.0001 par value; 600,000 shares authorized; no shares issued	-	-
Common shares; \$.0001 par value; 64,875,000 shares authorized; 16,104,356 shares issued at December 31, 2002 and 15,912,060 at December 31, 2001	2	2
Excess shares; \$.0001 par value; 30,000,000 shares authorized; no shares issued	-	-
Additional paid-in capital on common shares	243,562	240,197
Undistributed earnings	7,109	23,753
Accumulated other comprehensive income	58	1,193
Unearned compensation	(2,781)	(2,970)
	356,485	370,710
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 702,341	683,782

See accompanying notes to consolidated financial statements.

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

	Years Ended December 31,		
	2002	2001	2000
REVENUES			
Income from real estate operations	\$ 103,048	100,377	93,707
Interest:			
Mortgage loans	264	481	839
Other interest	45	560	136
Gain on securities	1,836	2,967	2,154
Other	617	727	1,068
	<u>105,810</u>	<u>105,112</u>	<u>97,904</u>
EXPENSES			
Operating expenses from real estate operations	29,924	25,535	22,213
Interest	17,387	17,823	18,570
Depreciation and amortization	30,333	26,977	23,384
General and administrative	4,179	4,573	5,607
Minority interest in joint ventures	375	350	377
	<u>82,198</u>	<u>75,258</u>	<u>70,151</u>
INCOME BEFORE GAIN ON SALE OF REAL ESTATE INVESTMENTS	23,612	29,854	27,753
Gain on sale of real estate investments	93	4,311	8,771
INCOME FROM CONTINUING OPERATIONS	<u>23,705</u>	<u>34,165</u>	<u>36,524</u>
DISCONTINUED OPERATIONS			
Income (loss) from real estate operations	(13)	17	(12)
Loss on sale of real estate investments	(66)	-	-
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	<u>(79)</u>	<u>17</u>	<u>(12)</u>
NET INCOME	23,626	34,182	36,512
Preferred dividends-Series A	3,880	3,880	3,880
Preferred dividends-Series B	6,128	6,128	6,128
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ 13,618</u>	<u>24,174</u>	<u>26,504</u>
BASIC PER COMMON SHARE DATA			
Income from continuing operations	\$ 0.86	1.54	1.70
Income (loss) from discontinued operations	0.00	0.00	0.00
Net income available to common stockholders	<u>\$ 0.86</u>	<u>1.54</u>	<u>1.70</u>
Weighted average shares outstanding	<u>15,868</u>	<u>15,697</u>	<u>15,623</u>
DILUTED PER COMMON SHARE DATA			
Income from continuing operations	\$ 0.84	1.51	1.68
Income (loss) from discontinued operations	0.00	0.00	0.00
Net income available to common stockholders	<u>\$ 0.84</u>	<u>1.51</u>	<u>1.68</u>
Weighted average shares outstanding	<u>16,237</u>	<u>16,046</u>	<u>15,798</u>

See accompanying notes to consolidated financial statements.

EASTGROUP PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Unearned Compensation	Undistributed Earnings	Accumulated Other Comprehensive Income	Total
BALANCE, DECEMBER 31, 1999	\$ 108,535	2	233,453	-	26,654	668	369,312
Comprehensive income							
Net income	-	-	-	-	36,512	-	36,512
Net unrealized change in investment securities	-	-	-	-	-	2,436	2,436
Total comprehensive income							38,948
Cash dividends declared-common, \$1.58 per share	-	-	-	-	(24,973)	-	(24,973)
Preferred stock dividends declared	-	-	-	-	(10,008)	-	(10,008)
Issuance of 9,638 shares of common stock, incentive compensation	-	-	174	-	-	-	174
Issuance of 14,175 shares of common stock, dividend reinvestment plan	-	-	312	-	-	-	312
Issuance of 122,250 shares of common stock, exercise options	-	-	1,957	-	-	-	1,957
Issuance of 181,250 shares of common stock, incentive restricted stock	-	-	3,716	(3,716)	-	-	-
Amortization of unearned compensation, incentive restricted stock	-	-	-	372	-	-	372
Repurchase limited partnership units	-	-	(55)	-	-	-	(55)
Purchase of 23,500 common shares	-	-	(457)	-	-	-	(457)
Purchase of 10,000 common shares, stock repurchase plan	-	-	(190)	-	-	-	(190)
BALANCE, DECEMBER 31, 2000	108,535	2	238,910	(3,344)	28,185	3,104	375,392
Comprehensive income							
Net income	-	-	-	-	34,182	-	34,182
Net unrealized change in investment securities	-	-	-	-	-	(1,911)	(1,911)
Total comprehensive income							32,271
Cash dividends declared-common, \$1.80 per share	-	-	-	-	(28,606)	-	(28,606)
Preferred stock dividends declared	-	-	-	-	(10,008)	-	(10,008)
Issuance of 8,204 shares of common stock, incentive compensation	-	-	179	-	-	-	179
Issuance of 15,788 shares of common stock, dividend reinvestment plan	-	-	357	-	-	-	357
Issuance of 40,750 shares of common stock, exercise options	-	-	753	-	-	-	753
Issuance of 15,000 shares of common stock, incentive restricted stock	-	-	346	(346)	-	-	-
Forfeiture of 17,000 shares of common stock, incentive restricted stock	-	-	(348)	281	-	-	(67)
Amortization of unearned compensation, incentive restricted stock	-	-	-	439	-	-	439
BALANCE, DECEMBER 31, 2001	108,535	2	240,197	(2,970)	23,753	1,193	370,710
Comprehensive income							
Net income	-	-	-	-	23,626	-	23,626
Net unrealized change in investment securities	-	-	-	-	-	(838)	(838)
Net unrealized change in cash flow hedge	-	-	-	-	-	(297)	(297)
Total comprehensive income							22,491
Cash dividends declared-common, \$1.88 per share	-	-	-	-	(30,262)	-	(30,262)
Preferred stock dividends declared	-	-	-	-	(10,008)	-	(10,008)
Issuance of common stock options	-	-	6	-	-	-	6
Issuance of 6,822 shares of common stock, incentive compensation	-	-	153	-	-	-	153
Issuance of 14,305 shares of common stock, dividend reinvestment plan	-	-	364	-	-	-	364
Issuance of 161,319 shares of common stock, exercise options	-	-	2,582	-	-	-	2,582
Issuance of 19,100 shares of common stock, incentive restricted stock	-	-	449	(449)	-	-	-
Forfeiture of 9,250 shares of common stock, incentive restricted stock	-	-	(189)	149	-	-	(40)
Amortization of unearned compensation, incentive restricted stock	-	-	-	489	-	-	489
BALANCE, DECEMBER 31, 2002	\$ 108,535	2	243,562	(2,781)	7,109	58	356,485

See accompanying notes to consolidated financial statements.

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

	Years Ended December 31,		
	2002	2001	2000
OPERATING ACTIVITIES:			
Net income	\$ 23,626	34,182	36,512
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization from continuing operations	30,333	26,977	23,384
Depreciation and amortization from discontinued operations	36	64	65
Gain on sale of real estate investments	(93)	(4,311)	(8,771)
Loss on sale of real estate investments from discontinued operations	66	-	-
Gain on real estate investment trust (REIT) shares	(1,836)	(2,967)	(2,154)
Amortization of unearned compensation	449	372	372
Stock option compensation	6	-	-
Minority interest depreciation and amortization	(170)	(161)	(158)
Changes in operating assets and liabilities:			
Accrued income and other assets	971	(5,004)	(568)
Accounts payable, accrued expenses and prepaid rent	398	1,596	4,334
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>53,786</u>	<u>50,748</u>	<u>53,016</u>
INVESTING ACTIVITIES:			
Payments on mortgage loans receivable	5,502	4,740	4,124
Advances on mortgage loans receivable	-	(1,064)	(4,609)
Proceeds from sale of real estate investments	2,917	11,316	17,170
Real estate improvements	(9,686)	(6,622)	(10,611)
Real estate development	(35,600)	(30,735)	(40,661)
Purchases of real estate	(13,667)	(13,804)	(13,628)
Purchases of REIT shares	(1,308)	(5,258)	(4,964)
Proceeds from sale and liquidation of REIT shares	7,095	7,931	17,334
Changes in other assets and other liabilities	(2,667)	(1,675)	(7,302)
NET CASH USED IN INVESTING ACTIVITIES	<u>(47,414)</u>	<u>(35,171)</u>	<u>(43,147)</u>
FINANCING ACTIVITIES:			
Proceeds from bank borrowings	195,586	144,776	182,519
Principal payments on bank borrowings	(207,687)	(160,718)	(175,519)
Proceeds from mortgage notes payable	59,200	45,000	37,800
Principal payments on mortgage notes payable	(15,871)	(8,317)	(17,756)
Debt issuance costs	(1,842)	(486)	(316)
Distributions paid to stockholders	(39,881)	(38,279)	(34,710)
Purchases of limited partnership units	-	-	(705)
Purchases of shares of common stock	-	-	(647)
Proceeds from exercise of stock options	2,582	753	1,957
Proceeds from dividend reinvestment plan	364	357	312
Other	793	243	(2,600)
NET CASH USED IN FINANCING ACTIVITIES	<u>(6,756)</u>	<u>(16,671)</u>	<u>(9,665)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(384)	(1,094)	204
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,767	2,861	2,657
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,383</u>	<u>1,767</u>	<u>2,861</u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest, net of amount capitalized	\$ 16,571	17,222	17,919
Debt assumed by buyer of real estate	-	378	-
Issuance of incentive restricted stock	449	346	3,716
Forfeiture of incentive restricted stock	(189)	(348)	-

See accompanying notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000**

(1) SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of EastGroup Properties, Inc. (the Company or EastGroup), its wholly-owned subsidiaries and its investment in any joint ventures in which the Company has a controlling interest. At December 31, 2002 and 2001, the Company had a controlling interest in one joint venture: the 80% owned University Business Center. At December 31, 2000, the Company had controlling interests in two joint ventures: the 80% owned University Business Center and the 80% owned IBG Wiegman Road Associates. The Company records 100% of the joint ventures' assets, liabilities, revenues and expenses with minority interests provided for in accordance with the joint venture agreements. All significant intercompany transactions and accounts have been eliminated in consolidation.

(b) Income Taxes

EastGroup, a Maryland corporation, has qualified as a real estate investment trust (REIT) 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 90% of its ordinary taxable income to its stockholders. The Company has the option of (i) paying out capital gains to the stockholders with no tax to the Company, or (ii) treating the capital gains as having been distributed to the stockholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the stockholders. The Company distributed all of its 2002, 2001 and 2000 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 paid by the Company during the years 2002, 2001 and 2000.

Federal Income Tax Treatment of Share Distributions

	Years Ended December 31,		
	2002	2001	2000
Common Share Distributions:			
Ordinary Income	\$1.8348	1.7044	1.5800
Long-term 20% capital gain	.0452	.0956	-
Total Common Distributions	\$1.8800	1.8000	1.5800
Series A Preferred Share Distributions:			
Ordinary Income	\$2.1960	2.1308	2.2500
Long-term 20% capital gain	.0540	.1192	-
Total Preferred A Distributions	\$2.2500	2.2500	2.2500
Series B Preferred Share Distributions:			
Ordinary Income	\$2.1355	2.0721	2.1880
Long-term 20% capital gain	.0525	.1159	-
Total Preferred B Distributions	\$2.1880	2.1880	2.1880

The Company's income differs for tax and financial reporting purposes principally because of (1) the timing of the deduction for the provision for possible losses and losses on investments, (2) the timing of the recognition of gains or losses from the sale of investments, (3) different depreciation methods and lives, and (4) real estate properties having a different basis for tax and financial reporting purposes.

(c) Income Recognition

Minimum rental income from real estate operations is recognized on a straight-line basis.

Interest income on mortgage loans is recognized based on the accrual method unless a significant uncertainty of collection exists. If a significant uncertainty exists, interest income is recognized as collected.

The Company recognizes gains on sales of real estate in accordance with the principles set forth in Statement of Financial Accounting Standards (SFAS) No. 66, "Accounting for Sales of Real Estate." Upon closing of real estate transactions, the provisions of SFAS No. 66 require consideration for the transfer of rights of ownership to the purchaser, receipt of an adequate cash down payment from the purchaser and adequate continuing investment by the purchaser. If the requirements for recognizing gains have not been met, the sale and related costs are recorded, but the gain is deferred and recognized by the installment method as collections are received.

(d) Real Estate Properties

Real estate properties are carried at cost less accumulated depreciation. Cost includes the carrying amount of the Company's investment plus any additional consideration paid, liabilities assumed, costs of securing title (not to exceed fair market value in the aggregate) and improvements made subsequent to acquisition. Depreciation of buildings and other improvements, including personal property, is computed using the straight-line method over estimated useful lives of generally 40 years for buildings and 5 to 15 years for improvements and personal property. Building improvements are capitalized, while maintenance and repair expenses are charged to expense as incurred. Significant renovations and improvements that extend the useful life of or improve the assets are capitalized. Geographically, the Company's investments are concentrated in the major Sunbelt market areas of the southeastern and southwestern United States, primarily in the states of California, Florida, Texas and Arizona.

(e) Capitalized Development Costs

During the industrial development stage, costs associated with development (i.e., land, construction costs, interest expense during construction, property taxes, etc.) are aggregated into the total capitalization of the property. As the property becomes occupied, interest, depreciation and property taxes for the percentage occupied only is expensed as incurred. When the property becomes 80% occupied or one year after completion of the shell construction, whichever comes first, the property is no longer considered a development property and becomes an industrial property. When the property becomes classified as an industrial property, the entire property is depreciated accordingly, and all interest and property taxes are expensed.

(f) Asset Impairment

Prior to January 1, 2002, the Company applied SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." Effective January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Both of these pronouncements require that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(g) Real Estate Held for Sale

Real estate properties that are currently offered for sale or are under contract to sell have been shown separately on the consolidated balance sheets as "real estate held for sale." The Company applies SFAS No. 144, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell and are not depreciated while they are held for sale.

At December 31, 2002, the Company had three parcels of land held for sale. There can be no assurances that such properties will be sold. At December 31, 2001, the Company had one improved property and two parcels of land held for sale.

During 2002, three properties were transferred to "held for sale;" however, these properties were subsequently transferred back to the portfolio as a result of a change in plans by the Company due to market conditions. Also, in 2001, three properties that were held for sale at December 31, 2000 were subsequently transferred back to the portfolio. As noted above, depreciation is not recorded for those properties while held for sale. As such, upon the reclassification of these properties, depreciation was adjusted to reflect the carrying amount of these properties as if they had never been classified as "held for sale."

In accordance with the guidelines established under SFAS No. 144, operations and gains and losses on sale from the properties placed in the category "held for sale" subsequent to December 31, 2001 have been classified as income (loss) from discontinued operations for 2002, 2001 and 2000. No interest expense was allocated to the properties that are held for sale.

(h) Investment in Real Estate Investment Trusts

Marketable equity securities owned by the Company are categorized as available-for-sale securities, as defined by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Unrealized holding gains and losses are reflected as a net amount in a separate component of stockholders' equity until realized. Since the Company did not exercise significant influence over any of its investments in REITs, these investments were accounted for under the cost method. The costs of these investments were adjusted to fair market value with an equity adjustment to account for unrealized gains/losses as indicated above.

(i) Derivative Instruments and Hedging Activities

The Company applies SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that all derivatives be recognized as either assets or liabilities in the balance sheet and measured at fair value. Changes in fair value are to be reported either in earnings or outside of earnings depending on the intended use of the derivative and the resulting designation. Entities applying hedge accounting are required to establish at the inception of the hedge the method used to assess the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. The Company entered into an interest rate swap agreement in November 2002, which is summarized in Note 6.

(j) Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(k) Amortization

Debt origination costs are deferred and amortized using the straight-line method over the term of the loan. Leasing costs are deferred and amortized using the straight-line method over the term of the lease.

(l) Business Combinations and Goodwill

The Company applies SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for by using the purchase method of accounting and addresses accounting for purchased goodwill and other intangibles. SFAS No. 142 addresses financial accounting and reporting for the impairment of goodwill and other intangibles and is effective for fiscal years beginning after December 15, 2001. The Company had no business combinations after June 30, 2001. At December 31, 2002 and 2001, the Company had unamortized goodwill of \$990,000 resulting from the acquisition of Ensign Properties in 1998. Amortization expense for goodwill was \$61,000 for each of the years ended December 31, 2001 and 2000. Upon adoption of SFAS No. 142 on January 1, 2002, amortization of goodwill ceased. The Company periodically reviews, at least annually, the recoverability of goodwill for possible

impairment and will continue to do so under the new statement. In management's opinion, no material impairment of goodwill existed at December 31, 2002 and 2001.

(m) Earnings Per Share

The Company applies SFAS No. 128, "Earnings Per Share," which requires companies to present basic earnings per share (EPS) and diluted EPS.

Basic EPS represents the amount of earnings for the year available to each share of common stock outstanding during the reporting period. The Company's basic EPS is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding.

Diluted EPS represents the amount of earnings for the year available to each share of common stock outstanding during the reporting period and to each share that would have been outstanding assuming the issuance of common shares for all dilutive potential common shares outstanding during the reporting period. The Company calculates diluted EPS by totaling net income available to common stockholders plus dividends on dilutive convertible preferred shares and limited partnership (LP) distributions and dividing it by the weighted average number of common shares outstanding plus the dilutive effect of stock options related to outstanding employee stock options, LP units, nonvested restricted stock and convertible preferred stock, had the options or conversions been exercised. The dilutive effect of stock options and nonvested restricted stock was determined using the treasury stock method which assumes exercise of the options as of the beginning of the period or when issued, if later, and assumes proceeds from the exercise of options are used to purchase common stock at the average market price during the period. The dilutive effect of convertible securities was determined using the if-converted method.

(n) Stock-Based Compensation

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of SFAS No. 123, 'Accounting for Stock-Based Compensation'" to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

The Company has a management incentive plan, which was adopted in 1994 and is described more fully in Note 9, under which employees and directors of the Company are granted stock option awards. Prior to 2002, the Company applied SFAS No. 123, "Accounting for Stock-Based Compensation." This standard defines a fair value based method of accounting for an employee stock option or similar equity instrument. Companies are given the choice of either recognizing related compensation cost by adopting the fair value method, or continuing to use the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees," while supplementally disclosing the pro forma effect on net income and net income per share using the new measurement criteria. The Company elected to continue to follow the requirements of APB No. 25 during all years prior to 2002 and, accordingly, there was no effect on the results of operations.

Effective January 1, 2002, the Company adopted the fair value recognition provisions of SFAS No. 148, prospectively to all employee awards granted, modified, or settled after January 1, 2002. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period.

	2002	2001	2000
	<i>(In thousands, except per share data)</i>		
Net income available to common stockholders as reported	\$13,618	24,174	26,504
Add: Stock-based employee compensation expense included in reported net income	6	–	–
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(20)	(67)	(90)
Net income available to common stockholders pro forma	<u>\$13,604</u>	<u>24,107</u>	<u>26,414</u>
Earnings per share:			
Basic – as reported	\$.86	1.54	1.70
Basic – pro forma	.86	1.54	1.69
Diluted – as reported	.84	1.51	1.68
Diluted – pro forma	.84	1.50	1.67

In accordance with SFAS No. 123, the following additional disclosures are required related to options granted after January 1, 1995. The fair value of each option grant is estimated on the grant date using the Black-Scholes option pricing model with the following weighted-average assumptions used for 2002, 2001 and 2000, respectively: risk-free interest rates of 3.60%, 4.31%, and 5.04%; dividend yields of 11.97%, 11.42% and 12.13%; volatility factors of 19.0%, 20.0%, and 19.3%. Expected option lives for employees were five years for all years presented. For directors, expected option lives were eight years for 2002 and five years for 2001 and 2000. The weighted average fair value of the options granted for 2002, 2001 and 2000 was \$.35, \$.68 and \$.55, respectively.

The Company accounts for restricted stock in accordance with APB No. 25, and accordingly, compensation expense is recognized over the expected vesting period using the straight-line method.

(o) Use of Estimates

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

(p) New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," effective for financial statements issued for fiscal years beginning after June 15, 2002. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company will adopt this Statement on January 1, 2003 and believes that the effect of adoption will have little or no impact on its overall financial position or results of operation.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 amends existing guidance on reporting gains and losses on the extinguishment of debt to prohibit the classification of the gain or loss as extraordinary, as the use of such extinguishments have become part of the risk management strategy of many companies. SFAS No. 145 also amends SFAS No. 13 to require sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. The provisions of the Statement related to the rescission of SFAS No. 4 are applied in fiscal years beginning after May 15, 2002. Earlier application of these provisions is encouraged. The provisions of the Statement related to SFAS No. 13 were effective for transactions occurring after May 15, 2002, with early application encouraged. The Company adopted the provisions of this Statement relating to SFAS No. 13 after May 15, 2002. The adoption did not have a material effect on the Company's consolidated financial statements. The Company will adopt the other provisions of this Statement effective January 1, 2003 and believes that the effect of adoption will have little or no impact on its overall financial position or results of operation.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002. The Company will adopt this Statement on January 1, 2003 and believes that the effect of adoption will have no significant impact on its overall financial position or results of operation.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34." This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002. The Company adopted the disclosure provision of this Statement in 2002 and will adopt the measurement provision on January 1, 2003. The application of this Interpretation relating to disclosure did not impact the Company's consolidated financial statements in 2002 and adoption of the measurement provision of this Statement in 2003 is not expected to have a material effect on the Company's consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, and interpretation of ARB No. 51." This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created or obtained after January 31, 2003. For public enterprises with a variable interest in a variable interest entity created after February 1, 2003, the Interpretation applies to that enterprise no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective. The application of this Interpretation is not expected to have a material effect on the Company's consolidated financial statements.

(q) Reclassifications

Certain reclassifications have been made in the 2001 and 2000 financial statements to conform to the 2002 presentation.

(2) REAL ESTATE OWNED

At December 31, 2002, the Company was offering 11.3 acres of land in Houston, Texas and Tampa, Florida for sale with a carrying amount of \$1,375,000. No loss is anticipated on the sale of these parcels of land. These properties are investment properties, not operating properties, thus a comparative for results of operations is not presented. The results of operations (after depreciation) for real estate held for sale at December 31, 2001, amounted to \$73,000 and \$62,000, respectively, for the years ended December 31, 2001 and 2000.

The Company is currently developing the properties detailed below. Costs incurred include capitalization of interest costs during the period of construction. The interest costs capitalized on real estate properties for 2002 were \$2,061,000 compared to \$2,329,000 for 2001 and \$2,060,000 for 2000.

Total cash outflows for development for the year ended December 31, 2002 were \$35,600,000. In addition to the costs incurred for the year ended December 31, 2002 as detailed in the table below, development costs included \$3,435,000 for improvements on properties transferred to the portfolio during the 12-month period following transfer. These costs are included in *Real Estate Properties* on the balance sheet.

Development

	Size	Costs Incurred		Estimated Total Costs
		For the Year Ended 12/31/02	Cumulative as of 12/31/02	
	(Unaudited)			(Unaudited)
	(Square feet)		(In thousands)	
Lease-Up:				
World Houston XIV, Houston, TX	77,000	\$ 741	3,074	3,600
Americas 10 Business Center I, El Paso, TX	97,000	1,000	3,287	3,300
Metro Airport Commerce Center I, Jackson, MS	32,000	1,401	1,727	1,900
Total Lease-up	206,000	3,142	8,088	8,800
Under Construction:				
World Houston XIX, Houston, TX	66,000	1,981	1,981	3,100
World Houston XX, Houston, TX	62,000	1,958	1,958	2,800
Chamberlain Expansion, Tucson, AZ	34,000	1,345	1,345	1,600
Executive Airport Commerce Center I & III Fort Lauderdale, FL	85,000	3,305	4,751	6,000
Expressway Commerce Center, Tampa, FL	108,000	3,621	3,621	4,300
Total Under Construction	355,000	12,210	13,656	17,800
Prospective Development (Principally Land):				
Phoenix, Arizona	103,000	122	1,376	6,000
Tucson, Arizona	70,000	-	326	3,500
Tampa, Florida	140,000	160	1,828	5,600
Orlando, Florida	249,000	476	3,300	14,900
Fort Lauderdale, Florida	55,000	675	1,603	3,300
El Paso, Texas	251,000	301	2,224	7,600
Houston, Texas	915,000	561	6,786	46,200
Jackson, Mississippi	32,000	228	531	1,700
Total Prospective Development	1,815,000	2,523	17,974	88,800
	2,376,000	\$ 17,875	39,718	115,400
Completed Development and Transferred To Real Estate Properties During the Year Ended December 31, 2002:				
Sunport Center III, Orlando, FL	66,000	\$ 538	3,763	
Tower Automotive, Madison, MS	210,000	9,574	9,958	
Walden Distribution Center I, Tampa, FL	90,000	115	3,655	
Techway Southwest I, Houston, TX	126,000	284	4,494	
World Houston XII, Houston, TX	59,000	2,227	2,759	
Kyrene II, Tempe, AZ	60,000	-	3,049	
World Houston XIII, Houston, TX	51,000	1,552	2,851	
Total Transferred to Real Estate Properties	662,000	\$ 14,290	30,529	

A summary of gains (losses) on real estate investments for the years ended December 31, 2002, 2001 and 2000 follows:

Gains (Losses) on Real Estate Investments

	Basis	Net Sales Price	Recognized Gain (Loss)
	<i>(In thousands)</i>		
2002			
Real estate properties:			
Carpenter Duplex, Dallas, TX	\$ 1,018	1,111	93
7 th Street Service Center, Phoenix, AZ	1,872	1,806	(66)
	<u>\$ 2,890</u>	<u>2,917</u>	<u>27</u>
2001			
Real estate properties:			
Nobel Business Center, Hercules, CA	\$ 2,113	5,250	3,137
West Palm II, West Palm Beach, FL	1,274	1,350	76
109 th Street Distribution Center, Dallas, TX	990	1,232	242
West Palm I, West Palm Beach, FL	1,463	1,428	(35)
Lakeside Distribution Center, Oklahoma City, OK	1,165	2,079	914
Other	-	(23)	(23)
	<u>\$ 7,005</u>	<u>11,316</u>	<u>4,311</u>
2000			
Real estate properties:			
LeTourneau Center of Commerce, Tampa, FL	\$ 1,592	1,593	1
8150 Leesburg Pike—deferred gain, Tyson’s Corner, VA	(94)	-	94
La Vista Crossing Apartments, Atlanta, GA	6,472	14,528	8,056
Estelle land, Jefferson County, LA	429	1,049	620
	<u>\$ 8,399</u>	<u>17,170</u>	<u>8,771</u>

The following schedule indicates approximate future minimum rental receipts under noncancelable leases for real estate properties by year as of December 31, 2002:

Future Minimum Rental Receipts Under Noncancelable Leases

Years Ended December 31,	<i>(In thousands)</i>
2003	\$ 74,911
2004	64,727
2005	52,601
2006	42,290
2007	32,052
Thereafter	59,145
Total minimum receipts	<u>\$ 325,726</u>

Ground Leases

As of December 31, 2002, the Company owned two properties in Florida, two properties in Texas, and one property in Mississippi that are subject to ground leases. These leases have terms of 40 to 75 years, expiration dates of August 2031 to November 2076, and renewal options of 15 to 35 years. Total lease expenditures for the years ended December 31, 2002, 2001 and 2000 were \$610,000, \$594,000 and \$567,000, respectively. Payments on four of the properties are subject to increases at 3 to 10 year intervals based upon the agreed or appraised fair market value of the leased premises on the adjustment date or the Consumer Price Index percentage increase since the base rent date. The following schedule indicates approximate future minimum lease payments for these properties by year as of December 31, 2002:

Future Minimum Ground Lease Payments

<u>Years Ended December 31,</u>	<i>(In thousands)</i>
2003	\$ 677
2004	677
2005	677
2006	677
2007	677
Thereafter	18,762
Total minimum payments	<u>\$ 22,147</u>

(3) MORTGAGE LOANS RECEIVABLE

A summary of mortgage loans follows:

	<u>December 31,</u>	
	<u>2002</u>	<u>2001</u>
	<i>(In thousands)</i>	
First mortgage loans:		
Industrial (1 loan in 2001)	\$ -	5,500
Other (1 loan)	13	15
	<u>\$ 13</u>	<u>5,515</u>

The weighted average interest rate on the Company's mortgage loans for both periods was approximately 9%.

(4) INVESTMENT IN REAL ESTATE INVESTMENT TRUSTS

The investment in REITs consists of the following:

	<u>December 31, 2002</u>		<u>December 31, 2001</u>	
	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Cost</u>	<u>Estimated Fair Value</u>
	<i>(In thousands)</i>			
Pacific Gulf Properties	\$ -	122	-	487
Other	1,308	1,541	5,259	5,965
	<u>\$ 1,308</u>	<u>1,663</u>	<u>5,259</u>	<u>6,452</u>

During 2000, the Company received initial liquidating distributions from Pacific Gulf Properties (PAG). The liquidating distributions received reduced the basis in these investments to zero with the remainder recorded as gain on securities in 2000. During 2002 and 2001, the Company received additional liquidating distributions from PAG, which were recorded as realized gains when received. The Company recorded \$365,000, \$2,569,000 and \$807,000 as gains from PAG for 2002, 2001 and 2000, respectively. Final distributions, if any, will also be recorded as realized gains when received.

Gains on the sale of other REIT securities were \$1,471,000 in 2002 and \$398,000 in 2001. In 2000, the Company recorded gains of \$1,347,000 from liquidating distributions received from Franklin Select Realty Trust.

(5) OTHER ASSETS

A summary of the Company's other assets follows:

	December 31,	
	2002	2001
	<i>(In thousands)</i>	
Leasing costs, net of accumulated amortization	\$ 10,537	9,313
Receivables, net of allowance for doubtful accounts	7,967	7,641
Section 1031 tax deferred exchange cash escrows	-	2,074
Prepaid expenses and other assets	8,084	6,981
	\$ 26,588	26,009

(6) NOTES PAYABLE TO BANKS

The Company had a three-year \$150,000,000 unsecured revolving credit facility with a group of ten banks that matured in January 2002 and was refinanced as specified below. The interest rate was based on the Eurodollar rate plus 1.25% and was 3.1875% on \$74,000,000 at December 31, 2001. An unused facility fee of .25% was also assessed on this loan.

The Company had a one-year \$10,000,000 unsecured revolving credit facility with Chase Bank of Texas that matured in January 2002 and was refinanced as specified below. The interest rate was based on Chase Bank of Texas, National Association's prime rate less .75% and was 4.00% on \$558,000 at December 31, 2001.

The Company had a \$15,000,000 unsecured discretionary line of credit with Chase Bank of Texas. The interest rate for the line was negotiated at the time of any advances. At December 31, 2001, the rate for this loan was 3.00% on \$11,500,000, payable on demand.

The foregoing three credit facilities matured and were repaid in January 2002. In January 2002, the Company obtained a new three-year \$175,000,000 unsecured revolving credit facility with a group of ten banks that matures in January 2005. The interest rate on the facility is based on the Eurodollar rate and varies according to debt-to-total asset value ratios. EastGroup's current interest rate for this facility is the Eurodollar rate plus 1.25%. At December 31, 2002, the interest rate was 2.67% on \$70,000,000. The interest rate on each tranche is currently reset on a monthly basis and was last reset on February 26, 2003 at 2.59% on \$71,000,000. An unused facility fee is also assessed on this loan. This fee varies according to debt-to-total asset value ratios and is currently .20%.

In January 2002, the Company also secured a one-year \$12,500,000 unsecured revolving credit facility with PNC Bank, N.A. that matured in January 2003. The loan was amended in January 2003 to reflect a new maturity date of January 2004. The interest rate on this facility is based on the LIBOR rate and varies according to debt-to-total asset value ratios. At December 31, 2002, the interest rate was 2.555% on \$3,957,000. EastGroup's current interest rate for this facility is the LIBOR rate plus 1.175%.

Loan commitment fees were \$43,000 in 2002 and \$37,500 per year in both 2001 and 2000.

Average bank borrowings were \$83,039,000 in 2002 compared to \$82,898,000 in 2001 with average interest rates of 3.11% in 2002 compared to 5.72% in 2001. Amortization of bank loan costs was \$407,000 in 2002 and \$264,000 in 2001. Average interest rates including amortization of loan costs were 3.60% for 2002 and 6.05% for 2001.

The Company's bank credit facilities have certain restrictive covenants, and the Company was in compliance with all of its debt covenants at December 31, 2002 and 2001.

The Company entered into an interest rate swap agreement in November 2002, which is summarized in the table below. The Company designated the swap as a cash flow hedge of the variable interest rate on the Company's \$11,000,000 Tower Automotive Center recourse mortgage. Under the swap agreement, the Company pays a fixed rate of interest and receives a floating rate of interest over the term of the agreement without the exchange of the underlying notional amount. Changes in the fair value of the swap are recognized in accumulated

other comprehensive income. The Company does not hold or issue this type of derivative contract for trading or speculative purposes. At December 31, 2002 and 2001, the Company did not have any other derivative instruments.

Type of Hedge	Notional Amount	Maturity Date	Reference Rate	Fixed Rate	Fair Market Value at 12/31/02
	<i>(In thousands)</i>				<i>(In thousands)</i>
Swap	\$11,000	12/31/10	1 month LIBOR	4.03%	(\$297)

(7) MORTGAGE NOTES PAYABLE

A summary of mortgage notes payable follows:

Property	Rate	Monthly P&I Payment	Maturity Date	Carrying Amount Of Securing Real Estate at December 31, 2002	Balance at December 31,	
					2002	2001
					<i>(In thousands)</i>	
University Business Center (120 & 130 Cremona)	7.450%	\$ 74,235	Repaid 04/02	\$ -	-	8,105
Estrella Distribution Center	9.250%	23,979	Repaid 11/02	-	-	2,404
Deerwood Distribution Center	8.375%	16,339	07/01/03	3,189	1,373	1,451
Eastlake Distribution Center (recourse)	8.500%	57,115	07/05/04	8,833	3,444	3,819
56th Street Commerce Park	8.875%	21,816	08/01/04	4,256	1,801	1,898
Chamberlain Distribution Center	8.750%	21,376	01/01/05	3,526	2,270	2,326
Exchange Distribution Center	8.375%	21,498	08/01/05	2,944	2,010	2,096
Westport Commerce Center	8.000%	28,021	08/01/05	5,072	2,672	2,790
LakePointe Business Park	8.125%	81,675	10/01/05	9,117	10,164	10,312
Jetport Commerce Park	8.125%	33,769	10/01/05	4,991	3,223	3,360
Huntwood Associates	7.990%	100,250	08/22/06	16,076	11,674	11,933
Wiegman Associates	7.990%	46,269	08/22/06	8,604	5,388	5,507
World Houston I & II	7.770%	33,019	04/15/07	5,291	4,325	4,383
E. University I & II, Broadway VI, 55th Avenue and Ethan Allen	8.060%	96,974	06/26/07	22,861	11,463	11,693
Lamar II Distribution Center	6.900%	16,925	12/01/08	6,045	1,964	2,030
Dominguez, Kingsview, Walnut, Washington, Industry and Shaw	6.800%	358,770	03/01/09	58,296	42,277	43,655
Auburn Facility	8.875%	64,885	09/01/09	14,293	3,706	4,307
Tower Automotive Center (recourse)	5.300% ⁽¹⁾	Semiannual	01/15/11	10,922	11,000	-
Interstate Warehouse I & II, Venture, Stemmons, Glenmont I & II, West Loop I & II, Butterfield, Founders and Rojas	7.250%	325,263	05/01/11	47,602	43,929	44,619
America Plaza, Central Green and World Houston III-IX	7.920%	191,519	05/10/11	28,924	25,814	26,057
University Business Center (120 & 130 Cremona)	6.430%	81,856	05/15/12	10,191	7,930	-
University Business Center (125 & 175 Cremona)	7.980%	88,607	06/01/12	13,985	11,099	11,255
Airport Distribution, Southpointe, Broadway I, III & IV, Southpark, 51 st Avenue, Chestnut, Main Street, Interchange Business Park, North Stemmons I, and World Houston XII & XIII	6.860%	279,149	09/01/12	47,736	39,848	-
Kyrene Distribution Center	9.000%	11,246	07/01/14	2,644	969	1,014
				\$ 335,398	248,343	205,014

(1) The Tower Automotive mortgage has a variable interest rate based on the one-month LIBOR. EastGroup entered into an interest rate swap agreement to fix the rate at 4.03% for the 8-year term. Interest and related fees result in an annual effective interest rate of 5.3%.

Principal payments due during the next five years as of December 31, 2002 are as follows:

<u>Year</u>	<i>(In thousands)</i>
2003	\$ 7,876
2004	11,234
2005	25,153
2006	21,715
2007	20,390

(8) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

A summary of the Company's accounts payable and accrued expenses follows:

	<u>December 31,</u>	
	<u>2002</u>	<u>2001</u>
	<i>(In thousands)</i>	
Property taxes payable	\$ 5,814	5,170
Dividends payable	3,346	2,957
Other payables and accrued expenses	6,411	4,674
	<u>\$ 15,571</u>	<u>12,801</u>

(9) STOCKHOLDERS' EQUITY

Management Incentive Plan-Stock Options/Incentive Awards

In 1994, the Company adopted the 1994 Management Incentive Plan, and the Plan was amended in 1999. As amended, the Plan includes stock options (50% vested after one year and the other 50% after two years), an annual incentive award and restricted stock awards.

Stock option activity for the 1994 plan is as follows:

	<u>Years Ended December 31,</u>					
	<u>2002</u>		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	696,423	\$17.921	714,923	\$17.801	861,423	\$17.680
Granted	11,350	24.651	24,500	22.591	50,750	20.766
Exercised	(138,069)	15.966	(40,750)	18.487	(108,000)	16.578
Expired	(4,000)	22.078	(2,250)	20.542	(89,250)	19.809
Outstanding at end of year	<u>565,704</u>	18.503	<u>696,423</u>	17.921	<u>714,923</u>	17.801
Exercisable at end of year	543,104	\$18.287	647,923	\$17.634	575,798	\$17.156
Available for grant at end of year	164,360	-	187,095	-	222,378	-

Following is a summary of the status of the officers and employees options at December 31, 2002:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$12.670-19.000	245,404	3.021 years	\$14.804	245,404	\$14.804
19.313-26.350	320,300	6.151 years	21.338	297,700	21.157

The annual incentive award program began in 1995 and the Compensation Committee determines awards based on actual funds from operations per share compared to goals set for the year. The 2002, 2001 and 2000 awards were expensed in these years and approximated \$133,000, \$382,000 and \$448,000, respectively. The awards for each year were payable 60% in cash and 40% in stock of the Company.

On December 5, 2000, under the 1994 Management Incentive Plan, the Compensation Committee granted a total of 181,250 shares of restricted stock to all employees, effective January 1, 2000. The purpose of the plan is to act as a retention device since it allows participants to benefit from dividends as well as potential stock appreciation. The stock price on the grant date was \$20.50. The restricted period for the stock is 10 years and vesting is 20% at the end of the sixth year through the tenth year or, if certain performance goals are achieved, vesting could reach up to 40% at the end of the fourth year with 10% at the end of the fifth year through the tenth year. The Company recorded \$3,716,000 as additional paid-in capital when the shares were granted, offset by unearned compensation of the same amount. The unearned compensation was deducted from stockholders' equity and is being amortized 10% each year over the restricted period. In 2001, 15,000 additional shares were granted and 17,000 shares were forfeited. In 2002, 19,100 additional shares were granted and 9,250 shares were forfeited. Compensation expense for the restricted stock was \$449,000 for 2002 and \$372,000 each year for both 2001 and 2000. During the restricted period, the Company accrues dividends and holds the certificates for the shares; however, the employee can vote the shares. Share certificates and dividends will be delivered to the employee as they vest.

Directors Stock Option Plan

The Company has a Directors Stock Option Plan, as amended in 1994, under which an aggregate of 150,000 shares of common stock were reserved for issuance upon exercise of any options granted. An additional 150,000 shares were reserved in 2000. Under the Directors plan, each Non-Employee Director is granted an initial 7,500 options and 2,250 additional options on the date of any Annual Meeting at which the Director is reelected to the Board.

Stock option activity for the Director plan is as follows:

	Years Ended December 31,					
	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	109,500	\$17.744	96,000	\$17.231	96,750	\$15.780
Granted	21,000	24.331	13,500	21.400	13,500	21.750
Exercised	(23,250)	16.273	-	-	(14,250)	11.695
Expired	-	-	-	-	-	-
Outstanding at end of year	<u>107,250</u>	19.354	<u>109,500</u>	17.744	<u>96,000</u>	17.231
Exercisable at end of year	107,250	\$19.354	109,500	\$17.744	96,000	\$17.231
Available for grant at end of year	108,750	-	129,750	-	143,250	-

Following is a summary of the status of the director's options at December 31, 2002:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$11.250-14.580	26,250	1.863 years	\$12.207	26,250	\$12.207
19.375-24.890	81,000	7.255 years	21.669	81,000	21.669

Series A 9.00% Cumulative Redeemable Preferred Stock

In June 1998, EastGroup sold 1,725,000 shares of Series A 9.00% Cumulative Redeemable Preferred Stock at \$25.00 per share in a public offering. The preferred stock, which may be redeemed by the Company at \$25.00 per share, plus accrued and unpaid dividends, on or after June 19, 2003, has no stated maturity, sinking fund or mandatory redemption and is not convertible into any other securities of the Company.

The Company declared dividends of \$2.25 per share of Series A Preferred for each year in 2002, 2001 and 2000.

Series B 8.75% Cumulative Convertible Preferred Stock

In September 1998, EastGroup entered into an agreement with Five Arrows Realty Securities II, L.L.C. (Five Arrows), an investment fund managed by Rothschild Realty, Inc., a member of the Rothschild Group, providing for the sale of 2,800,000 shares of Series B 8.75% Cumulative Convertible Preferred Stock at a net price of \$24.50 per share. In December 1998, EastGroup sold \$10,000,000 of the Series B Preferred Stock to Five Arrows. The Company sold the remaining \$60,000,000 to Five Arrows in September 1999. In connection with this offering, EastGroup has entered into certain related agreements with Five Arrows, providing, among other things, for certain registration rights with respect to the Series B Preferred Stock.

The Series B Preferred Stock, which is convertible into common stock at a conversion price of \$22.00 per share (3,182,000 common shares), is entitled to quarterly dividends in arrears equal to the greater of \$0.547 per share or the dividend on the number of shares of common stock into which a share of Series B Preferred Stock is convertible.

The Series B Preferred Stock is not redeemable by the Company at its option prior to the fifth anniversary of the original date of issuance of the Series B Preferred Stock. On and after January 1, 2004, the Series B Preferred Stock is redeemable by the Company at its option. Beginning in 2004, the Series B Preferred Stock is redeemable at 104% of par, plus accrued and unpaid dividends, declining to 103%, 102% and 101% of par in each subsequent year. Beginning January 1, 2008 and thereafter, the Series B Preferred Stock is redeemable at par. Holders of shares of the Series B Preferred Stock have 30 days following the Company's written notice of redemption to exercise their conversion rights. The Series B Preferred Stock may be redeemed in part so long as the initial redemption is for not less than 50% of the outstanding shares.

The Company declared dividends of \$2.188 per share of Series B Preferred for each year in 2002, 2001 and 2000.

Common Stock Repurchase Plan

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. The Company did not repurchase any shares during 2002 or 2001. Since September 30, 1998, a total of 827,700 shares have been repurchased for \$14,170,000 (an average of \$17.12 per share) with 672,300 shares still available for repurchase.

Shareholder Rights Plan

In December 1998, EastGroup adopted a Shareholder Rights Plan (the Plan) designed to enhance the ability of all of the Company's stockholders to realize the long-term value of their investment. Under the Plan, Rights were distributed as a dividend on each share of Common Stock (one Right for each share of Common Stock) held as of the close of business on December 28, 1998. A Right was also delivered with all shares of Common Stock issued after December 28, 1998 and 1.1364 Rights were delivered with all shares of EastGroup's Series B Cumulative Convertible Preferred Stock issued after December 28, 1998. The Rights will expire at the close of business on December 3, 2008.

Each whole Right will entitle the holder to buy one one-thousandth (1/1000) of a newly issued share of EastGroup's Series C Preferred Stock at an exercise price of \$70.00. The Rights attach to and trade with the shares of the Company's Common Stock and Series B Preferred Stock. No separate Rights Certificates will be

issued unless an event triggering the Rights occurs. The Rights will detach from the Common Stock and Series B Preferred Stock and will initially become exercisable for shares of Series C Preferred Stock if a person or group acquires beneficial ownership of, or commences a tender or exchange offer which would result in such person or group beneficially owning 15% or more of EastGroup's Common Stock, except through a tender or exchange offer for all shares which the Board determines to be fair and otherwise in the best interests of EastGroup and its shareholders. The Rights will also detach from the Common Stock and Series B Preferred Stock if the Board determines that a person holding at least 9.8% of EastGroup's Common Stock intends to cause EastGroup to take certain actions adverse to it and its shareholders or that such holder's ownership would have a material adverse effect on EastGroup.

If any person becomes the beneficial owner of 15% or more of EastGroup's Common Stock (except for Five Arrows either as a result of the ownership of the Series B Preferred Stock or in the event of conversion of the Series B Preferred Stock into common) and the Board of Directors does not within 10 days thereafter redeem the Rights, or a 9.8% holder is determined by the Board to be an adverse person, each Right not owned by such person or related parties will then enable its holder to purchase, at the Right's then-current exercise price, EastGroup Common Stock (or, in certain circumstances as determined by the Board, a combination of cash, property, common stock or other securities) having a value of twice the Right's exercise price.

Under certain circumstances, if EastGroup is acquired in a merger or similar transaction with another person, or sells more than 50% of its assets, earning power or cash flow to another entity, each Right that has not previously been exercised will entitle its holder to purchase, at the Right's then-current exercise price, common stock of such other entity having a value of twice the Right's exercise price.

EastGroup will generally be entitled to redeem the Rights at \$0.0001 per Right at any time until the 10th day following public announcement that a 15% position has been acquired, or until the Board has determined a 9.8% holder to be an adverse person. Prior to such time, the Board of Directors may extend the redemption period.

Dividend Reinvestment Plan

The Company has a dividend reinvestment plan that allows stockholders to reinvest cash distributions in new shares of the Company.

Earnings Per Share

The Company applies SFAS No. 128, "Earnings Per Share," which requires companies to present basic EPS and diluted EPS. Reconciliation of the numerators and denominators in the basic and diluted EPS computations is as follows:

Reconciliation of Numerators and Denominators

	2002	2001	2000
	<i>(In thousands)</i>		
Basic EPS Computation			
Numerator-net income available to common stockholders	\$ 13,618	24,174	26,504
Denominator-weighted average shares outstanding	15,868	15,697	15,623
Diluted EPS Computation			
Numerator-net income available to common stockholders			
Plus limited partnership distributions (\$18 in 2000)	\$ 13,618	24,174	26,522
Denominator:			
Weighted average shares outstanding	15,868	15,697	15,623
Common stock options	182	164	147
Nonvested restricted stock	187	185	13
Limited partnership units	-	-	15
Total Shares	<u>16,237</u>	<u>16,046</u>	<u>15,798</u>

The Company's Series B Preferred Stock, which is convertible into common stock at a conversion price of \$22.00 per share, was not included in the computation of diluted earnings per share for the periods presented due to its antidilutive effect.

Comprehensive Income

Comprehensive income comprises net income plus all other changes in equity from nonowner sources. The components of comprehensive income for 2002, 2001 and 2000 are presented in the Company's Consolidated Statements of Changes in Stockholders' Equity and are summarized below.

	2002	2001	2000
	<i>(In thousands)</i>		
Accumulated Other Comprehensive Income:			
Balance at beginning of year	\$ 1,193	3,104	668
Unrealized holding gains on REIT securities during the period	998	1,056	4,590
Less reclassification adjustment for gains on REIT securities included in net income	(1,836)	(2,967)	(2,154)
Change in fair value of interest rate swap	(297)	-	-
Balance at end of year	<u>\$ 58</u>	<u>1,193</u>	<u>3,104</u>

(10) QUARTERLY RESULTS OF OPERATIONS – UNAUDITED

	2002 Quarter Ended				2001 Quarter Ended			
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
	<i>(In thousands, except per share data)</i>							
Revenues	\$ 25,589	26,623	26,352	27,246	24,723	26,314	27,652	26,423
Expenses	(19,575)	(19,689)	(21,112)	(21,822)	(17,919)	(18,606)	(19,040)	(19,693)
Income before gain (loss) on sale of real estate investments	6,014	6,934	5,240	5,424	6,804	7,708	8,612	6,730
Gain (loss) on sale of real estate investments	93	-	-	-	-	3,455	(35)	891
Income from continuing operations	6,107	6,934	5,240	5,424	6,804	11,163	8,577	7,621
Income (loss) from discontinued operations	3	(6)	(67)	(9)	9	3	(2)	7
Net income	6,110	6,928	5,173	5,415	6,813	11,166	8,575	7,628
Preferred dividends	(2,502)	(2,502)	(2,502)	(2,502)	(2,502)	(2,502)	(2,502)	(2,502)
Net income available to Common stockholders	<u>\$ 3,608</u>	<u>4,426</u>	<u>2,671</u>	<u>2,913</u>	<u>4,311</u>	<u>8,664</u>	<u>6,073</u>	<u>5,126</u>
BASIC PER SHARE DATA								
Net income available to Common stockholders	<u>\$ 0.23</u>	<u>0.28</u>	<u>0.17</u>	<u>0.18</u>	<u>0.28</u>	<u>0.55</u>	<u>0.39</u>	<u>0.33</u>
Weighted average shares outstanding	<u>15,772</u>	<u>15,892</u>	<u>15,901</u>	<u>15,906</u>	<u>15,673</u>	<u>15,692</u>	<u>15,702</u>	<u>15,719</u>
DILUTED PER SHARE DATA								
Net income available to Common stockholders	<u>\$ 0.22</u>	<u>0.27</u>	<u>0.16</u>	<u>0.18</u>	<u>0.27</u>	<u>0.53</u>	<u>0.38</u>	<u>0.32</u>
Weighted average shares outstanding	<u>16,166</u>	<u>16,254</u>	<u>16,264</u>	<u>16,264</u>	<u>16,029</u>	<u>19,208</u>	<u>16,045</u>	<u>16,084</u>

The above quarterly earnings per share calculations are based on the weighted average number of common shares outstanding during each quarter for basic earnings per share and the weighted average number of outstanding common shares and common share equivalents during each quarter for diluted earnings per share. The annual earnings per share calculations in the Consolidated Statements of Income are based on the weighted average number of common shares outstanding during each year for basic earnings per share and the weighted average number of outstanding common shares and common share equivalents during each year for diluted earnings per share.

The Series B Preferred Stock, which is convertible into common stock, was included in the computation of diluted earnings per share for the quarter ended June 30, 2001 due to its dilutive effect in such quarter.

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2002 and 2001. SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties.

	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(In thousands)</i>				
Financial Assets				
Cash and cash equivalents	\$ 1,383	1,383	1,767	1,767
Investment in real estate investment trusts	1,663	1,663	6,452	6,452
Mortgage loans receivable	13	13	5,515	5,517
Financial Liabilities				
Mortgage notes payable	248,343	263,971	205,014	210,514
Notes payable to banks	73,957	73,957	86,058	86,058
Interest rate swap	297	297	-	-

Carrying amounts shown in the table are included in the balance sheet under the indicated captions.

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

Cash and Cash Equivalents: The carrying amounts approximate fair value because of the short maturity of those instruments.

Investment in Real Estate Investment Trusts: The carrying amount is the fair value of this equity investment based on quoted market prices.

Mortgage Loans Receivable: The fair value of performing mortgage loans is either estimated using discounted cash flows at current interest rates for loans with similar terms and maturities or based on the estimated value of the underlying collateral adjusted for the borrower's payment history and financial strength. The Company has no nonperforming loans for the periods presented.

Mortgage Notes Payable: The fair value of the Company's mortgage notes payable is estimated based on the quoted market prices for similar issues or by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company's bankers.

Notes Payable to Banks: The carrying amounts approximate fair value because of the variable rates of interest on the debt.

Interest Rate Swap: The fair value of the interest rate swap is the amount at which it could be settled, based on estimates obtained from the counterparty. The interest rate swap is shown under *Other Liabilities* on the balance sheet.

(12) SEGMENT REPORTING

The Company applies SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This Statement establishes standards for the reporting of information about operating segments in annual and interim financial statements. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision makers in deciding how to allocate resources and in assessing performance.

EastGroup has one reportable segment—industrial properties. These properties are concentrated 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, such as allocating resources: property net operating income (PNOI), defined as income from real estate operations (REO) less property operating expenses (before interest expense and depreciation and amortization), and funds from operations (FFO), defined as net income (loss) (computed in accordance with accounting principles generally accepted in the United States of America (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.

PNOI is a supplemental industry reporting measurement used to evaluate the performance of the Company's investments in real estate assets. The Company believes that the exclusion of depreciation and amortization in the industry's calculation of PNOI provides a supplemental indicator of the property's 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 REITs.

The major factors that influence PNOI are occupancy levels, acquisitions and sales, development properties that achieve stabilized operations, rental rate increases or decreases, and the recoverability of operating expenses. The Company's success depends largely upon its ability to lease warehouse space and to recover from tenants the operating costs associated with those leases. REO income is comprised of rental income including straight-line rent adjustments, pass-through income and other REO income, which includes termination fees. Property operating expenses are comprised of insurance, property taxes, repair and maintenance expenses, management fees and other operating costs. Generally, the Company's most significant operating expenses are insurance and property taxes. 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 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 recoverable.

The Company believes FFO is an appropriate measure of performance for equity real estate investment trusts. FFO is not considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance, or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to provide for the Company's cash needs, including its ability to make distributions. The following table presents on a comparative basis for the three fiscal years reported PNOI by operating segment, followed by reconciliations of PNOI to FFO and FFO to net income.

Business Segments

	2002	2001	2000
	<i>(In thousands)</i>		
PROPERTY REVENUES:			
Industrial	\$ 101,472	98,864	89,977
Other	1,576	1,513	3,730
	<u>103,048</u>	<u>100,377</u>	<u>93,707</u>
PROPERTY EXPENSES:			
Industrial	(29,424)	(25,081)	(20,909)
Other	(500)	(454)	(1,304)
	<u>(29,924)</u>	<u>(25,535)</u>	<u>(22,213)</u>
PROPERTY NET OPERATING INCOME:			
Industrial	72,048	73,783	69,068
Other	1,076	1,059	2,426
TOTAL PROPERTY NET OPERATING INCOME	<u>73,124</u>	<u>74,842</u>	<u>71,494</u>
Income from discontinued operations (before depreciation and amortization)	23	81	53
Gain on securities	1,836	2,967	2,154
Gain on sale of nondepreciable real estate investments	-	-	620
Other income	926	1,768	2,043
Interest expense	(17,387)	(17,823)	(18,570)
General and administrative expense	(4,179)	(4,573)	(5,607)
Minority interest in earnings	(545)	(511)	(535)
Dividends on Series A preferred shares	(3,880)	(3,880)	(3,880)
Limited partnership unit distributions	-	-	18
FUNDS FROM OPERATIONS	<u>49,918</u>	<u>52,871</u>	<u>47,790</u>
Depreciation and amortization from continuing operations	(30,333)	(26,977)	(23,384)
Depreciation and amortization from discontinued operations	(36)	(64)	(65)
Share of joint venture depreciation and amortization	170	161	158
Gain on sale of depreciable real estate investments	27	4,311	8,151
Limited partnership unit distributions	-	-	(18)
Dividends on Series B convertible preferred shares	(6,128)	(6,128)	(6,128)
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	<u>13,618</u>	<u>24,174</u>	<u>26,504</u>
Dividends on preferred shares	10,008	10,008	10,008
NET INCOME	<u>\$ 23,626</u>	<u>34,182</u>	<u>36,512</u>
ASSETS:			
Industrial	\$ 782,807	727,264	668,053
Other	7,489	7,069	-
	<u>790,296</u>	<u>734,333</u>	<u>668,053</u>
Less accumulated depreciation	(118,977)	(92,060)	(66,492)
	<u>671,319</u>	<u>642,273</u>	<u>601,561</u>
Real estate held for sale	1,375	1,907	26,602
Less accumulated depreciation	-	(141)	(3,628)
	<u>1,375</u>	<u>1,766</u>	<u>22,974</u>
Mortgage loans	13	5,515	9,191
Investment in real estate investment trusts	1,663	6,452	8,068
Cash	1,383	1,767	2,861
Other assets	26,588	26,009	21,550
TOTAL ASSETS	<u>\$ 702,341</u>	<u>683,782</u>	<u>666,205</u>
REAL ESTATE INVESTMENT CAPITAL EXPENDITURES			
Acquisitions	\$ 13,667	13,804	13,628
Developments	35,600	30,735	40,661

(13) RELATED PARTY TRANSACTIONS. EastGroup and Parkway Properties, Inc. currently share the services and expenses of the Company's Chairman of the Board and his administrative assistant.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULES

THE DIRECTORS AND STOCKHOLDERS
EASTGROUP PROPERTIES, INC.:

Under date of March 7, 2003 we reported on the consolidated balance sheets of EastGroup Properties, Inc., and subsidiaries, as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2002, which are included in the 2002 Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related consolidated financial statement schedules as listed in Item 15(a)(2) of Form 10-K. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

Jackson, Mississippi
March 7, 2003

KPMG LLP

**SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002 (In thousands)**

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at which Carried at Close of Period			Accumulated Depreciation Dec. 31, 2002	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Capitalized Costs	Other	Land	Buildings and Improvements	Total			
Real Estate Properties (c):											
Industrial:											
FLORIDA											
Jacksonville											
Deerwood Distribution Center	\$1,373	1,147	1,799	1,183	-	1,147	2,982	4,129	940	1989	1978
Phillips Distribution Center	-	1,375	2,961	2,261	-	1,375	5,222	6,597	1,598	1994	1984/95
Lake Pointe Business Park	10,164	3,442	6,450	2,700	-	3,442	9,150	12,592	3,475	1993	1986/87
Ellis Distribution Center	-	540	7,513	451	-	540	7,964	8,504	1,307	1997	1977
Westside Distribution Center	-	1,170	12,400	2,067	-	1,170	14,467	15,637	2,407	1997	1984
Beach Commerce Center	-	476	1,899	289	-	476	2,188	2,664	100	2000	2000
Orlando											
Chancellor Center	-	291	1,711	55	-	291	1,766	2,057	464	1996/97	1996/97
Exchange Distribution Center I	2,010	603	2,414	913	-	603	3,327	3,930	986	1994	1975
Exchange Distribution Center II	-	300	945	18	-	300	963	1,263	28	2002	1976
Exchange Distribution Center III	-	320	997	4	-	320	1,001	1,321	29	2002	1980
Sunbelt Distribution Center I	-	1,034	5,056	736	-	1,034	5,792	6,826	2,199	1989	1987
Sunbelt Distribution Center II	-	249	114	2,014	-	249	2,128	2,377	419	1997/98	1997/98
Sunbelt Distribution Center III	-	191	575	198	-	191	773	964	365	1989	1974
John Young Commerce Center I	-	497	2,444	290	-	497	2,734	3,231	490	1997/98	1997/98
John Young Commerce Center II	-	512	3,613	(267)	-	512	3,346	3,858	748	1998	1999
Altamonte Commerce Center	-	1,518	2,661	470	-	1,518	3,131	4,649	741	1999	1980/82
Sunport Center I	-	555	1,977	474	-	555	2,451	3,006	230	1999	1999
Sunport Center II	-	597	3,271	452	-	597	3,723	4,320	489	1999	2001
Sunport Center III	-	642	3,121	-	-	642	3,121	3,763	54	1999	2002
Tampa											
56th Street Commerce Park	1,801	843	3,567	1,630	-	843	5,197	6,040	1,784	1993	1981/86/97
Jetport Commerce Park	3,223	1,034	4,416	1,709	-	1,034	6,125	7,159	2,168	1993/94/95	1974/79/85
Jetport 517 & 518	-	541	2,175	213	-	541	2,388	2,929	520	1999	1981/82
Westport Commerce Center	2,672	980	3,800	1,706	-	980	5,506	6,486	1,414	1994	1983/87
Benjamin Distribution Center I & II	-	843	3,963	54	40	883	4,017	4,900	898	1997	1996
Benjamin Distribution Center III	-	407	1,503	106	-	407	1,609	2,016	561	1999	1988
Palm River Center I	-	540	2,131	299	-	540	2,430	2,970	475	1997	1990
Palm River Center II	-	650	2,494	201	-	650	2,695	3,345	933	1997/98	1997/98
Palm River North I & III	-	1,005	4,688	1,126	-	1,005	5,814	6,819	316	1998	2000
Palm River North II	-	724	4,418	62	(90)	634	4,480	5,114	461	1997/98	1999
Walden Distribution Center I	-	337	3,318	53	-	337	3,371	3,708	240	1997/98	2001
Walden Distribution Center II	-	465	3,738	305	-	465	4,043	4,508	766	1998	1998
Premier Distribution Center	-	1,110	6,126	137	(1)	1,109	6,263	7,372	859	1998	1998
Airport Commerce Center	-	1,257	4,012	483	-	1,257	4,495	5,752	681	1998	1998
Westlake Distribution Center I	-	613	4,223	110	-	613	4,333	4,946	926	1998	1999
Westlake Distribution Center II	-	720	2,775	505	-	720	3,280	4,000	289	1998	1998
Fort Lauderdale/Pompano Beach area											
Linpro Commerce Center	-	613	2,243	661	3	616	2,904	3,520	714	1996	1986
Cypress Creek Business Park	-	-	2,465	643	-	-	3,108	3,108	643	1997	1986
Lockhart Distribution Center	-	-	3,489	924	-	-	4,413	4,413	878	1997	1986
Interstate Commerce Center	-	485	2,652	314	-	485	2,966	3,451	769	1998	1988
Sample 95 Business Park I	-	1,565	6,262	404	-	1,565	6,666	8,231	1,640	1996	1990
Sample 95 Business Park II	-	815	3,242	(122)	-	815	3,120	3,935	593	1998	1999
Blue Heron Distribution Center	-	975	3,626	787	-	975	4,413	5,388	695	1999	1986

**SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002 (In thousands)**

(continued)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at which Carried at Close of Period			Accumulated Depreciation Dec. 31, 2002	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Capitalized Costs	Other	Land	Buildings and Improvements	Total			
CALIFORNIA											
San Francisco area											
Wiegman Associates	5,388	2,197	8,788	757	111	2,308	9,545	11,853	1,698	1996	1986/87
Huntwood Associates	11,674	3,842	15,368	213	-	3,842	15,581	19,423	3,347	1996	1988
San Clemente Distribution Center	-	893	2,004	-	-	893	2,004	2,897	268	1997	1978
Yosemite Distribution Center	-	259	7,058	115	-	259	7,173	7,432	1,072	1999	1974/87
Los Angeles area											
Kingsview Industrial Center (e)	2,026	643	2,573	-	-	643	2,573	3,216	481	1996	1980
Dominguez Distribution Center (e)	6,910	2,006	8,025	935	-	2,006	8,960	10,966	1,765	1996	1977
Main Street Distribution Center (i)	4,288	1,606	4,103	138	-	1,606	4,241	5,847	550	1999	1999
Walnut Business Center (e)	5,260	2,885	5,274	189	-	2,885	5,463	8,348	1,175	1996	1966/90
Washington Distribution Center (e)	4,265	1,636	4,900	232	-	1,636	5,132	6,768	902	1997	1996/97
Ethan Allen Distribution Center (f)	5,692	2,544	10,175	95	-	2,544	10,270	12,814	1,565	1998	1980
Industry Distribution Center (e)	14,587	10,230	12,373	547	-	10,230	12,920	23,150	2,302	1998	1959
Chestnut Business Center (i)	3,791	1,674	3,465	30	-	1,674	3,495	5,169	395	1998	1999
Santa Barbara											
University Business Center	19,029	5,517	22,067	1,421	3	5,520	23,488	29,008	4,832	1996	1987/88
Fresno											
Shaw Commerce Center (e)	9,229	2,465	11,627	554	-	2,465	12,181	14,646	2,173	1998	1978/81/87
San Diego											
Eastlake Distribution Center	3,444	3,046	6,888	197	-	3,046	7,085	10,131	1,298	1997	1989
TEXAS											
Dallas											
Interstate Warehouses I & II (h)	5,806	1,757	4,941	1,351	-	1,757	6,292	8,049	2,770	1988	1978
Interstate Warehouse III	-	520	2,008	53	-	520	2,061	2,581	235	2000	1979
Venture Warehouses (h)	4,473	1,452	3,762	987	-	1,452	4,749	6,201	2,140	1988	1979
Stemmons Circle (h)	1,820	363	2,014	147	-	363	2,161	2,524	690	1998	1977
Ambassador Row Warehouses	-	1,156	4,625	1,251	-	1,156	5,876	7,032	1,337	1998	1958/65
Viscount Row Distribution Center	-	395	1,578	521	-	395	2,099	2,494	396	1998	1965
North Stemmons I (i)	2,882	619	3,264	47	-	619	3,311	3,930	280	2001	1979
North Stemmons II	-	150	583	33	-	150	616	766	7	2002	1971
Houston											
Northwest Point Business Park	-	1,243	5,640	1,439	-	1,243	7,079	8,322	1,631	1994	1984/85
Lockwood Distribution Center	-	749	5,444	298	-	749	5,742	6,491	895	1997	1968/69
West Loop Distribution Center I (h)	1,891	465	1,872	285	-	465	2,157	2,622	280	2000	1980
West Loop Distribution Center II (h)	2,480	440	2,511	488	-	440	2,999	3,439	581	1997	1980
World Houston Int'l Business Ctr I & II	4,325	660	5,893	243	-	660	6,136	6,796	1,505	1998	1996
World Houston Int'l Business Ctr III, IV & V (g)	5,203	1,025	6,413	138	-	1,025	6,551	7,576	1,625	1998	1998
World Houston Int'l Business Ctr VI (g)	2,356	425	2,423	38	-	425	2,461	2,886	561	1998	1998
World Houston Int'l Business Ctr VII & VIII (g)	5,987	680	4,584	3,035	-	680	7,619	8,299	1,797	1998	1998
World Houston Int'l Business Ctr IX (g)	5,202	800	4,355	1,422	-	800	5,777	6,577	583	1998	1998
World Houston Int'l Business Ctr X	-	933	4,779	7	-	933	4,786	5,719	370	2001	1999
World Houston Int'l Business Ctr XI	-	638	3,764	515	-	638	4,279	4,917	289	1999	1999
World Houston Int'l Business Ctr XII (i)	2,155	340	2,419	180	-	340	2,599	2,939	72	2000	2002
World Houston Int'l Business Ctr XIII (i)	2,103	282	2,569	16	-	282	2,585	2,867	195	2000	2002
America Plaza (g)	3,729	662	4,660	-	-	662	4,660	5,322	954	1998	1996
Central Green Distribution Center (g)	3,337	566	4,031	13	-	566	4,044	4,610	826	1999	1998
Glenmont Business Park I (h)	3,001	496	3,735	(70)	-	496	3,665	4,161	439	1998	1999
Glenmont Business Park II (h)	2,817	440	2,426	1,040	-	440	3,466	3,906	435	1998	2000

**SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002 (In thousands)**

(continued)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at which Carried at Close of Period			Accumulated Depreciation Dec. 31, 2002	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Capitalized Costs	Other	Land	Buildings and Improvements	Total			
Techway Southwest I	-	729	3,765	133	-	729	3,898	4,627	49	2000	2001
Freeport Tech Center	-	458	5,712	-	-	458	5,712	6,170	98	2002	2001
EI Paso											
Butterfield Trail (h)	15,626	-	19,842	1,821	-	-	21,663	21,663	4,484	1997	1995
Founders Business Center (h)	1,998	-	2,302	468	-	-	2,770	2,770	231	2000	1987
Rojas Commerce Park (h)	4,017	900	3,659	1,010	-	900	4,669	5,569	1,252	1999	1986
ARIZONA											
Phoenix area											
Broadway Industrial Park I (i)	3,362	837	3,349	398	-	837	3,747	4,584	1,005	1996	1971
Broadway Industrial Park II	-	455	482	125	-	455	607	1,062	121	1999	1971
Broadway Industrial Park III (i)	1,866	775	1,742	27	-	775	1,769	2,544	329	2000	1983
Broadway Industrial Park IV (i)	1,604	380	1,652	155	-	380	1,807	2,187	191	2000	1986
Broadway Industrial Park V	-	353	1,090	4	-	353	1,094	1,447	40	2002	1980
Broadway Industrial Park VI (f)	1,092	599	1,855	5	-	599	1,860	2,459	68	2002	1979
Kyrene Distribution Center	969	850	2,044	172	-	850	2,216	3,066	422	1999	1981
Kyrene Distribution Center II	-	640	2,409	262	-	640	2,671	3,311	204	1999	2001
Metro Business Park	-	1,927	7,708	807	-	1,927	8,515	10,442	1,846	1996	1977/79
35th Avenue Distribution Center	-	418	2,381	90	-	418	2,471	2,889	387	1997	1967
Estrella Distribution Center	-	628	4,694	100	-	628	4,794	5,422	747	1998	1988
51st Avenue Distribution Center (i)	1,778	300	2,029	95	-	300	2,124	2,424	431	1998	1987
East University Distribution Center I and II (f)	2,533	1,120	4,482	101	-	1,120	4,583	5,703	728	1998	1989/87
55th Avenue Distribution Center (f)	2,146	912	3,717	198	5	917	3,915	4,832	586	1998	1987
Interstate Commons Dist Ctr I	-	798	3,632	184	-	798	3,816	4,614	629	1999	1988
Interstate Commons Dist Ctr II	-	320	2,448	79	-	320	2,527	2,847	117	1999	2000
Southpark Distribution Center (i)	3,099	918	2,738	570	-	918	3,308	4,226	116	2001	2000
Tucson											
Chamberlain Distribution Center	2,270	506	3,564	13	-	506	3,577	4,083	557	1997	1994
Airport Distribution Center (i)	4,241	1,103	4,672	8	-	1,103	4,680	5,783	664	1998	1995
Southpointe Distribution Center (i)	4,207	-	3,982	1,754	-	-	5,736	5,736	1,025	1999	1989
TENNESSEE											
Memphis											
Senator Street Distribution Center I	-	540	2,187	327	-	540	2,514	3,054	433	1997	1982
Senator Street Distribution Center II	-	435	1,742	142	-	435	1,884	2,319	267	1998	1968
Air Park Distribution Center I	-	250	1,916	136	-	250	2,052	2,302	322	1998	1975
Air Park Distribution Center II	-	66	263	65	-	66	328	394	55	1998	1975
Lamar Distribution Center I & II	1,964	1,332	5,398	258	-	1,332	5,656	6,988	943	1998	1978/80
Delp Distribution Center I, II, & III	-	1,049	4,197	391	-	1,049	4,588	5,637	828	1998	1977
Penney Distribution Center	-	486	1,946	1	-	486	1,947	2,433	294	1998	1972
Getwell Distribution Center	-	151	603	109	-	151	712	863	129	1998	1972
Southeast Crossing	-	1,802	10,267	896	-	1,802	11,163	12,965	2,067	1999	1987/97
LOUISIANA											
New Orleans											
Elmwood Business Park	-	2,861	6,337	1,468	-	2,861	7,805	10,666	2,309	1997	1979
Riverbend Business Park	-	2,592	17,623	909	-	2,592	18,532	21,124	4,369	1997	1984
COLORADO											
Denver											
Rampart Distribution Center I	-	1,023	3,861	511	-	1,023	4,372	5,395	1,755	1988	1987
Rampart Distribution Center II	-	230	2,977	647	-	230	3,624	3,854	923	1996/97	1996/97
Rampart Distribution Center III	-	1,098	3,884	1,169	-	1,098	5,053	6,151	624	1997/98	1999

**SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002 (In thousands)**

(continued)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at which Carried at Close of Period			Accumulated Depreciation Dec. 31, 2002	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Capitalized Costs	Other	Land	Buildings and Improvements	Total			
OKLAHOMA											
Oklahoma City											
Northpointe Commerce Center	-	777	3,113	2	-	777	3,115	3,892	370	1998	1996/97
Tulsa											
Braniff Park West	-	1,066	4,641	1,011	-	1,066	5,652	6,718	1,420	1996	1974
MISSISSIPPI											
Interchange Business Park (i)	4,472	343	5,007	748	-	343	5,755	6,098	1,345	1997	1981
Tower Automotive	11,000	-	9,958	1,043	-	-	11,001	11,001	79	2001	2002
MICHIGAN											
Auburn Facility	3,706	3,230	12,922	130	-	3,230	13,052	16,282	1,989	1998	1986
	<u>\$ 248,343</u>	<u>125,937</u>	<u>553,020</u>	<u>64,060</u>	<u>71</u>	<u>126,008</u>	<u>617,080</u>	<u>743,088</u>	<u>117,856</u>		
Industrial Development:											
FLORIDA											
Orlando Central Park - Lot 60	-	310	-	80	-	310	80	390	-	2000	n/a
Expressway Commerce Center A	-	380	-	1,154	-	380	1,154	1,534	-	2002	n/a
Expressway Commerce Center B	-	535	-	1,552	-	535	1,552	2,087	-	2002	n/a
Palm River South	-	1,310	-	518	-	1,310	518	1,828	-	2000	n/a
Executive Airport Commerce Ctr I	-	695	-	2,015	-	695	2,015	2,710	-	2001	n/a
Executive Airport Commerce Ctr II	-	781	-	822	-	781	822	1,603	-	2001	n/a
Executive Airport Commerce Ctr III	-	515	-	1,526	-	515	1,526	2,041	-	2001	n/a
Sunport Center IV	-	642	-	383	-	642	383	1,025	-	1999	n/a
Sunport Center V	-	772	-	246	-	772	246	1,018	-	2001	n/a
Sunport Center VI	-	650	-	217	-	650	217	867	-	2001	n/a
TEXAS											
Techway Southwest II	-	550	-	420	-	550	420	970	-	2000	n/a
Techway Southwest III	-	535	-	315	-	535	315	850	-	1999	n/a
Techway Southwest IV	-	597	-	351	-	597	351	948	-	1999	n/a
World Houston Int'l Business Ctr Land	-	2,126	-	573	-	2,332	367	2,699	-	2000	n/a
World Houston Int'l Business Ctr Land	-	1,147	-	173	-	1,181	139	1,320	-	2000	n/a
Americas Ten Business Center I	-	526	-	2,761	-	526	2,761	3,287	9	2001	n/a
Americas Ten Business Center II	-	708	-	447	-	708	447	1,155	-	2001	n/a
Americas Ten Business Center III	-	656	-	412	-	656	412	1,068	-	2001	n/a
World Houston Int'l Business Ctr XIV	-	477	-	2,597	-	477	2,597	3,074	86	2000	n/a
World Houston Int'l Business Ctr XIX	-	211	-	1,770	-	373	1,608	1,981	-	2000	n/a
World Houston Int'l Business Ctr XX	-	197	-	1,761	-	346	1,612	1,958	-	2000	n/a
ARIZONA											
Airport Distribution Center II	-	299	-	27	-	300	26	326	-	2000	n/a
Interstate Commons Distribution Center III	-	237	-	115	-	242	110	352	-	2000	n/a
SanTan 10 Distribution Center	-	820	-	204	-	846	178	1,024	-	2001	n/a
Chamberlain Distribution Center Expansion	-	-	-	1,345	-	-	1,345	1,345	-	1997	n/a
MISSISSIPPI											
Metro Airport Commerce Center I	-	303	-	1,424	-	303	1,424	1,727	-	2001	n/a
Metro Airport Commerce Center II	-	280	-	251	-	280	251	531	-	2001	n/a
	<u>\$ -</u>	<u>16,259</u>	<u>-</u>	<u>23,459</u>	<u>-</u>	<u>16,842</u>	<u>22,876</u>	<u>39,718</u>	<u>95</u>		

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002 *(In thousands)*

(continued)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at which Carried at Close of Period			Accumulated Depreciation Dec. 31, 2002	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Capitalized Costs	Other	Land	Buildings and Improvements	Total			
Office Buildings:											
CALIFORNIA											
Los Angeles Corporate Center	-	1,363	5,453	674		1,363	6,127	7,490	1,026	1996	1986
	\$ -	1,363	5,453	674	-	1,363	6,127	7,490	1,026		
Real Estate Properties Held For Sale:											
TEXAS											
World Houston Int'l Business Ctr Land (d)	-	765	-	8	-	773	-	773	-	2000	n/a
FLORIDA											
Sabal Park Land (d)	-	351	-	251	-	602	-	602	-	1998	n/a
	\$ -	1,116	-	259	-	1,375	-	1,375	-		
Total real estate owned (a)(b)	\$ 248,343	144,675	558,473	88,452	71	145,588	646,083	791,671	118,977		

(a) Changes in Real Estate Properties follow:

	Years Ended December 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(In thousands)		
Balance at beginning of year	\$736,240	694,655	641,048
Improvements	45,286	37,357	51,272
Purchase of real estate properties	13,363	13,804	13,628
Carrying amount of investments sold	<u>(3,218)</u>	<u>(9,576)</u>	<u>(11,293)</u>
Balance at end of year (1)	<u>\$791,671</u>	<u>736,240</u>	<u>694,655</u>

(1) Includes 20% minority interest in University Business Center totaling \$5,802,000 at December 31, 2002 and \$5,752,000 at December 31, 2001, and 20% minority interest in University Business Center and IBG Wiegman Road Associates totaling \$7,998,000 at December 31, 2000.

Changes in the accumulated depreciation on real estate properties follow:

	Years Ended December 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(In thousands)		
Balance at beginning of year	\$ 92,201	70,120	51,579
Depreciation expense	27,050	24,439	21,354
Accumulated depreciation on assets sold	(371)	(2,352)	(2,813)
Other	<u>97</u>	<u>(6)</u>	<u>-</u>
Balance at end of year	<u>\$118,977</u>	<u>92,201</u>	<u>70,120</u>

(b) The aggregate cost for federal income tax purposes is approximately \$608,850,000. The federal income tax return for the year ended December 31, 2002 has not been filed and, accordingly, the income tax basis of real estate properties as of December 31, 2002 is based on preliminary data.

(c) The Company computes depreciation using the straight-line method over the estimated useful lives of the buildings (generally 40 years) and improvements (generally 5 to 15 years).

(d) The investment is not producing income to the Company as of December 31, 2002 and 2001.

(e) EastGroup has a \$42,277,000 nonrecourse first mortgage loan with Metropolitan Life secured by Dominguez, Kingsview, Walnut, Washington, Industry and Shaw.

(f) EastGroup has an \$11,463,000 nonrecourse first mortgage loan with Prudential Life secured by East University I & II, Broadway VI, 55th Avenue and Ethan Allen.

(g) EastGroup has a \$25,814,000 nonrecourse first mortgage loan with New York Life secured by America Plaza, Central Green and World Houston III-IX.

(h) EastGroup has a \$43,929,000 nonrecourse first mortgage loan with Metropolitan Life secured by Interstate Warehouse I & II, Venture, Stemmons, Glenmont I & II, West Loop I & II, Butterfield, Founders and Rojas.

(i) EastGroup has a \$39,848,000 nonrecourse first mortgage loan with Metropolitan Life secured by Airport Distribution, Southpointe, Broadway I, III & IV, Southpark, 51st Avenue, Chestnut, Main Street, Interchange Business Park, North Stemmons I and World Houston XII & XIII.

**SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
DECEMBER 31, 2002
(In thousands)**

	<u>Number of Loans</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Periodic Payment Terms</u>
First mortgage loans:	1	8.5%	01/08	P&I monthly

	<u>Face Amount of Mortgages Dec. 31, 2002</u>	<u>Carrying Amount of Mortgages</u>	(a) (b)	<u>Principal Amount of Loans Subject to Delinquent Principal or Interest (c)</u>
First mortgage loans:	\$ 13	\$ 13		-

Notes:

(a) Changes in mortgage loans follow:

	<u>Years Ended December 31,</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(In thousands)		
Balance at beginning of year	\$ 5,515	9,191	8,706
Advances on mortgage notes receivable	-	1,064	4,609
Payments on mortgage notes receivable	(5,502)	(4,740)	(4,124)
Balance at end of year	<u>\$ 13</u>	<u>5,515</u>	<u>9,191</u>

(b) The aggregate cost for federal income tax purposes is approximately \$13,000.

(c) Interest or principal in arrears for three months or less is disregarded in computing principal amount of loans subject to delinquent principal or interest.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EASTGROUP PROPERTIES, INC.

By: _____
David H. Hoster II, Chief Executive Officer,
President & Director
March 20, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

* _____
D. Pike Aloian, Director
March 19, 2003

* _____
Alexander G. Anagnos, Director
March 19, 2003

* _____
H. C. Bailey, Jr., Director
March 19, 2003

* _____
Hayden C. Eaves III, Director
March 19, 2003

* _____
Fredric H. Gould, Director
March 19, 2003

* _____
David M. Osnos, Director
March 19, 2003

* _____
Leland R. Speed, Chairman of the Board
(Principal Executive Officer)
March 19, 2003

* _____
* By N. Keith McKey, Attorney-in-fact
March 20, 2003

Bruce Corkern, Sr. Vice President & Controller
(Principal Accounting Officer)
March 20, 2003

N. Keith McKey, Executive Vice-President,
Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer)
March 20, 2003

CERTIFICATIONS

I, David H. Hoster II, certify that:

1. I have reviewed this annual report on Form 10-K of EastGroup Properties, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATED: March 20, 2003

/s/ DAVID H. HOSTER II
David H. Hoster II
Chief Executive Officer

I, N. Keith McKey, certify that:

1. I have reviewed this annual report on Form 10-K of EastGroup Properties, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATED: March 20, 2003

/s/ N. KEITH MCKEY
N. Keith McKey
Chief Financial Officer

EXHIBIT INDEX

The following exhibits are included in this Form 10-K or are incorporated by reference as noted in the following table:

- (3) Form 10-K Exhibits:
 - (a) Articles of Incorporation (incorporated by reference to Appendix B to the Registrant's Proxy Statement dated April 24, 1997).
 - (b) Bylaws of the Registrant (incorporated by reference to Appendix C to the Registrant's Proxy Statement dated April 24, 1997).
 - (c) Articles Supplementary of the Company relating to the 9.00% Series A Cumulative Redeemable Preferred Stock of the Company (incorporated by reference to the Company's Form 8-A filed June 15, 1998).
 - (d) Articles Supplementary of the Company relating to the Series B Cumulative Convertible Preferred Stock (incorporated by reference to the Company's Form 8-K filed on October 1, 1998).
 - (e) Articles Supplementary of the Company relating to the Series C Preferred Stock (incorporated by reference to the Company's Form 8-A filed December 9, 1998).
 - (f) Certificate of Correction to Articles Supplementary with respect to Series B Cumulative Convertible Preferred Stock (incorporated by reference to the Registrant's Form 10-K for the year ended December 31, 1998).

- (10) Material Contracts:
 - (a) EastGroup Properties 1994 Management Incentive Plan, As Amended (incorporated by reference to Appendix A of the Registrant's Proxy Statement for its Annual Meeting of Shareholders held on June 2, 1999).*
 - (b) EastGroup Properties 1991 Directors Stock Option Plan, As Amended (incorporated by reference to Exhibit B of the Registrant's Proxy Statement dated April 26, 1994).*
 - (c) EastGroup Properties 2000 Directors Stock Option Plan (incorporated by reference to Appendix A to the Registrant's Proxy Statement for its Annual Meeting of Shareholders held on June 1, 2000).*
 - (d) Form of Change in Control Agreement that Registrant has entered into with certain executive officers (Leland R. Speed, David H. Hoster II and N. Keith McKey) (incorporated by reference to the Registrant's 1996 Annual Report on Form 10-K).*
 - (e) Form of Amendment to Change in Control Agreement that Registrant has entered into with certain executive officers (filed herewith).*
 - (f) Investment Agreement dated as of September 25, 1998 between the Company and Five Arrows Realty Securities II, L.L.C. (incorporated by reference to the Company's Form 8-K filed October 1, 1998).
 - (g) Operating Agreement dated September 25, 1998 between the Company and Five Arrows Realty Securities II, L.L.C. (incorporated by reference to the Company's Form 8-K filed October 1, 1998).
 - (h) Agreement and Waiver between the Company and Five Arrows Realty Securities II, L.L.C. (incorporated by reference to the Company's Form 8-K filed October 1, 1998).
 - (i) Credit Agreement dated January 8, 2002 among EastGroup Properties, L.P.; EastGroup Properties, Inc.; PNC Bank, National Association, as Administrative Agent; Commerzbank Aktiengesellschaft, New York Branch, as Syndication Agent; SouthTrust Bank, as Co-Syndication Agent; U.S. Bank, National Association, as Documentation Agent; Wells Fargo Bank, National Association, as Co-Documentation Agent; AmSouth Bank, as Managing Agent; PNC Capital Market, Inc., as Lead Arranger and Lead Agent; and the Lenders (incorporated by reference to the Registrant's Form 10-K for the year ended December 31, 2001).

- (21) Subsidiaries of Registrant (filed herewith).

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

- (24) Powers of attorney (filed herewith).

(28) Agreement of Registrant to furnish the Commission with copies of instruments defining the rights of holders of long-term debt (incorporated by reference to Exhibit 28(e) of the Registrant's 1986 Annual Report on Form 10-K).

(99) Rights Agreement dated as of December 3, 1998 between the Company and EquiServe Trust Company, N.A., which replaced Harris Trust and Savings Bank, as Rights Agent (incorporated by reference to the Company's Form 8-A filed December 9, 1998).

(b) None

*Indicates management or compensatory agreement.

AMENDMENT TO CHANGE IN CONTROL AGREEMENT

AGREEMENT by and between EASTGROUP PROPERTIES, INC., a Maryland corporation (the "Company"), with offices at 300 One Jackson Place, 188 East Capitol Street, Jackson, Mississippi 39201-2195, and _____ (the "Executive"), an individual residing at _____, dated as of the ____ day of March 2003.

WHEREAS, the Company entered into an agreement designated the Change in Control Agreement with the Executive, dated as of the 5th day of December, 1996; and

WHEREAS, the intent of the Change in Control Agreement is to provide the Executive with compensation arrangements upon a Change in Control (as defined in the Change in Control Agreement) that provide the Executive with individual financial security and that are competitive with those of other corporations; and

WHEREAS, the Change in Control Agreement limits the compensation otherwise payable to the Executive to the greatest amount that will not result in any payment being nondeductible under section 280G of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Board of Directors of the Company (the "Board") believes that the section 280G limit has an unpredictable impact on the compensation arrangements for its executives and may result in unintended discrepancies between the amounts of compensation payable to various executives upon a Change in Control, and that the excise tax penalties imposed by section 4999 of the Code would similarly distort executives' net after-tax benefits if the section 280G limit were taken out of the Company's change in control agreements; and

WHEREAS, the Board believes it is essential to provide the Executive with compensation arrangements upon a Change in Control that will produce the financial results intended for the Executive, when evaluated net of any excise tax imposed under section 4999 of the Code.

NOW THEREFORE, the parties, for good and valuable consideration and intending to be legally bound, agree as follows:

1. Section 7 of the Change in Control Agreement (entitled "Cut Back in Benefits") is deleted in its entirety.

2. A new Section 7 is added to the Change in Control Agreement, to read as follows:

7. Certain Additional Payments by the Company.

7.1 Payment Subject to Excise Tax. If it shall be determined that any payment or distribution made, or benefit provided, by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 7) (a "Payment") would be subject to the excise tax imposed by section 4999 of the Code (or any similar excise tax) or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are referred to collectively as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any Excise Tax, income tax, or payroll tax) imposed upon the Gross-Up Payment and any interest or penalties imposed with respect to the taxes imposed upon the Gross-Up Payment, Executive retains from the Gross-Up Payment an amount equal to the Excise Tax imposed upon the Payments.

7.2 Determination of Gross-Up Payment. Subject to the provisions of Section 7.3, all determinations required to be made under this Section 7, including the determination of whether a Gross-Up Payment is required and of the amount of any such Gross-Up Payment, shall be made by tax counsel selected by the independent public accounting firm then retained by the Company to audit its financial statements and acceptable to the Company ("Tax Counsel"), which shall provide detailed supporting calculations to both the Company and Executive within 15 business days of the date of termination, if applicable, or such earlier time as is requested by the Company, provided that any determination that an Excise Tax is payable by Executive shall be

made on the basis of substantial authority. The Company shall pay the initial Gross-Up Payment, if any, as determined pursuant to this Section 7.2, to Executive within five business days of the receipt of Tax Counsel's determination, provided, however, that, if any Payment to which an Excise Tax relates was not payable or distributable before that date, then the part of the Gross-Up Payment attributable to such Payment shall be paid to Executive at the time such Payment is due. In either case, the Gross-Up Payment shall be subject to any withholding tax obligation determined by Tax Counsel to be applicable. If Tax Counsel determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion that he has substantial authority not to report any Excise Tax on his Federal income tax return. Any determination by Tax Counsel meeting the requirements of this Section 7.2 shall be binding upon the Company and Executive; subject only to payments pursuant to the following sentence based on a determination that additional Gross-Up Payments should have been made, consistent with the calculations required to be made under this Section 7 (the amount of such additional payments, including any interest and penalties, are referred to as the "Gross-Up Underpayment"). If the Company exhausts its remedies pursuant to Section 7.3, and Executive is required to make a payment of any Excise Tax, Tax Counsel shall determine the amount of the Gross-Up Underpayment that has occurred and the Company shall promptly pay any such Gross-Up Underpayment to or for the benefit of Executive, subject to any withholding tax obligation determined by Tax Counsel to be applicable. The Company shall pay the fees and disbursements of Tax Counsel.

7.3 Company Remedies with Respect to IRS Claim. Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Underpayment. Such notification shall be given as soon as practicable but not later than ten business days after Executive receives written notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim before the last day of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing before the last day of such period that it desires to contest such claim and that it will bear the costs and provide the indemnification as required by this sentence, Executive shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim,
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by counsel reasonably selected by the Company and reasonably satisfactory to Executive,
- (iii) cooperate with the Company in good faith in order effectively to contest such claim, and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax, income tax, or payroll tax, including interest and penalties, imposed as a result of such representation and payment of costs and expenses. Without limitation of the foregoing provisions of this Section 7.3, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings, and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction, and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis, and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax, income tax, or payroll tax, including interest or penalties, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to the payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due shall be limited solely to such contested amount, unless Executive agrees otherwise. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. If the Company has notified Executive that it desires to contest such an IRS claim but fails to pursue the contest in good faith, or fails to pay

the costs and expenses of the contest, or, in the case the Company has directed Executive to pay the tax claimed and sue for a refund, fails to advance the amount of such payment to Executive, then the Company shall forfeit its right to control the proceedings taken in connection with such contest and Executive may, in his discretion, assume control of such proceedings, provided, however, that Executive's assumption or failure to assume control of such proceedings shall not negate the Company's obligation to make a Gross-Up Underpayment; to bear and pay all costs and expenses (including additional interest and penalties) incurred in connection with such contest; and to indemnify Executive, on an after-tax basis, for any Excise Tax, income tax, or payroll tax, including interest and penalties, imposed as a result of such payment of costs and expenses.

7.4 Repayment of Advance from Refund. If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 7.3, Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Section 7.3) promptly pay to the Company the amount of such refund (together with any interest paid or credited on the amount of the refund after taxes applicable to such interest). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 7.3 a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing within 30 days after such determination of its intent to contest such denial of refund, then any obligation of Executive to repay such advance shall be forgiven and the amount of such advance shall offset the amount of Gross-Up Underpayment required to be paid.

7.5 Treatment of Certain Interest and Penalties. Notwithstanding any contrary provision of this Section 7, the amounts referred to in this Section 7 as "Excise Tax," "Gross-Up Payment," and "Gross-Up Underpayment" shall not include, and the Company shall not be obliged to pay or reimburse Executive for, any interest or penalties incurred by Executive to the extent the Executive would not have incurred the interest or penalties had the Executive, upon the Company's payment of a Gross-Up Payment or Gross-Up Underpayment, promptly filed tax returns or amended returns, or reported a tax liability, or made a payment of taxes, interest, and penalties, that would, in any case, have been consistent with the premise of the Gross-Up Payment or Gross-Up Underpayment.

3. The changes to the Change in Control Agreement described in paragraphs 1 and 2 are effective January 1, 2003.

IN WITNESS WHEREOF, the Executive has set his hand to this Agreement and, pursuant to authorization from the Board, the Company has caused this Agreement to be executed as of the day and year first above written.

EASTGROUP PROPERTIES, INC.

By _____

EXECUTIVE

LIST OF SUBSIDIARIES

100% Owned Subsidiaries of EastGroup Properties, Inc.

- EastGroup Properties General Partners, Inc.
- EastGroup Properties Holdings, Inc.
- Nash IND Corporation
- EastGroup TRS, Inc.

Partnerships and LLC's with Partners and Members Indented:

- EastGroup Properties, LP
 - 99% EastGroup Properties Holdings, Inc.
 - 1% EastGroup Properties General Partners, Inc.
- M.O.R. XXXVI Associates Limited
 - 99% EastGroup Properties, Inc.
 - 1% EastGroup Properties LP
- Sample I-95 Associates
 - 99% EastGroup Properties LP
 - 1% EastGroup Properties General Partners, Inc.
- University Business Center Associates
 - 80% Profit interest EastGroup Properties, LP
 - 49% Capital interest EastGroup Properties, LP
 - 31% Capital interest EastGroup Properties, Inc.
 - 20% JCB Limited
- EastGroup Southbay, LLC
 - 100% EastGroup Properties, LP
- EastGroup Property Services, LLC
 - 100% EastGroup Properties, LP
- EastGroup Property Services of Florida, LLC
 - 100% EastGroup Property Services, LLC

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
EastGroup Properties, Inc.

We consent to incorporation by reference in the registration statement (No. 333-29193) on Form S-3 and the registration statement (No. 33-60909) on Form S-8 of EastGroup Properties, Inc. of our reports dated March 7, 2003, relating to the consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2002, and all related schedules, which reports appear in the December 31, 2002 Annual Report on Form 10-K of EastGroup Properties, Inc. Our report refers to a change in the methods of accounting for the impairment or disposal of long-lived assets and stock-based compensation.

Jackson, Mississippi
March 18, 2003

KPMG LLP

**EASTGROUP PROPERTIES, INC.
POWER OF ATTORNEY**

The undersigned Director of EastGroup Properties, Inc., a State of Maryland corporation, hereby constitutes and appoints N. Keith McKey as the true and lawful Attorney-in-fact and Agent of the undersigned to sign on behalf of the undersigned: (a) the Annual Report of the Company on Form 10-K (or such other form as may be required) for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission ("SEC"); and (b) any and all amendments to such Report as may be required to be filed with the SEC.

/s/ D. Pike Aloian
D. Pike Aloian
Director

March 19, 2003

**EASTGROUP PROPERTIES, INC.
POWER OF ATTORNEY**

The undersigned Director of EastGroup Properties, Inc., a State of Maryland corporation, hereby constitutes and appoints N. Keith McKey as the true and lawful Attorney-in-fact and Agent of the undersigned to sign on behalf of the undersigned: (a) the Annual Report of the Company on Form 10-K (or such other form as may be required) for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission ("SEC"); and (b) any and all amendments to such Report as may be required to be filed with the SEC.

/s/ Alexander G. Anagnos
Alexander G. Anagnos
Director

March 19, 2003

**EASTGROUP PROPERTIES, INC.
POWER OF ATTORNEY**

The undersigned Director of EastGroup Properties, Inc., a State of Maryland corporation, hereby constitutes and appoints N. Keith McKey as the true and lawful Attorney-in-fact and Agent of the undersigned to sign on behalf of the undersigned: (a) the Annual Report of the Company on Form 10-K (or such other form as may be required) for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission ("SEC"); and (b) any and all amendments to such Report as may be required to be filed with the SEC.

/s/ H. C. Bailey, Jr.
H. C. Bailey, Jr.
Director

March 19, 2003

**EASTGROUP PROPERTIES, INC.
POWER OF ATTORNEY**

The undersigned Director of EastGroup Properties, Inc., a State of Maryland corporation, hereby constitutes and appoints N. Keith McKey as the true and lawful Attorney-in-fact and Agent of the undersigned to sign on behalf of the undersigned: (a) the Annual Report of the Company on Form 10-K (or such other form as may be required) for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission ("SEC"); and (b) any and all amendments to such Report as may be required to be filed with the SEC.

/s/ Hayden C. Eaves III
Hayden C. Eaves III
Director

March 19, 2003

**EASTGROUP PROPERTIES, INC.
POWER OF ATTORNEY**

The undersigned Director of EastGroup Properties, Inc., a State of Maryland corporation, hereby constitutes and appoints N. Keith McKey as the true and lawful Attorney-in-fact and Agent of the undersigned to sign on behalf of the undersigned: (a) the Annual Report of the Company on Form 10-K (or such other form as may be required) for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission ("SEC"); and (b) any and all amendments to such Report as may be required to be filed with the SEC.

/s/ Fredric H. Gould
Fredric H. Gould
Director

March 19, 2003

**EASTGROUP PROPERTIES, INC.
POWER OF ATTORNEY**

The undersigned Director of EastGroup Properties, Inc., a State of Maryland corporation, hereby constitutes and appoints N. Keith McKey as the true and lawful Attorney-in-fact and Agent of the undersigned to sign on behalf of the undersigned: (a) the Annual Report of the Company on Form 10-K (or such other form as may be required) for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission ("SEC"); and (b) any and all amendments to such Report as may be required to be filed with the SEC.

/s/ David M. Osnos
David M. Osnos
Director

March 19, 2003

**EASTGROUP PROPERTIES, INC.
POWER OF ATTORNEY**

The undersigned Director of EastGroup Properties, Inc., a State of Maryland corporation, hereby constitutes and appoints N. Keith McKey as the true and lawful Attorney-in-fact and Agent of the undersigned to sign on behalf of the undersigned: (a) the Annual Report of the Company on Form 10-K (or such other form as may be required) for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission ("SEC"); and (b) any and all amendments to such Report as may be required to be filed with the SEC.

/s/ Leland R. Speed
Leland R. Speed
Chairman of the Board

March 19, 2003