

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

FORM 10-Q

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2003

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)

39201-2195
(Zip code)

Registrant's telephone number: (601) 354-3555

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES (x) NO ()

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

The number of shares of common stock, \$.0001 par value, outstanding as of November 11, 2003 was 19,998,741.

EASTGROUP PROPERTIES, INC.

FORM 10-Q

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

	September 30, 2003	December 31, 2002
	(Unaudited)	
ASSETS		
Real estate properties	\$ 778,680	750,578
Development	45,654	39,718
	824,334	790,296
Less accumulated depreciation	(139,822)	(118,977)
	684,512	671,319
Real estate held for sale	1,375	1,375
Investment in real estate investment trusts	15	1,663
Cash	2,357	1,383
Other assets	28,934	27,997
TOTAL ASSETS	\$ 717,193	703,737
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable	\$ 287,604	248,343
Notes payable to banks	55,852	73,957
Accounts payable & accrued expenses	16,583	15,571
Other liabilities	7,631	7,622
	367,670	345,493
Minority interest in joint ventures	1,800	1,759
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 at December 31, 2002; stated liquidation preference of \$43,125 at December 31, 2002	-	41,357
Series B 8.75% Cumulative Convertible Preferred Shares and additional paid-in capital; \$.0001 par value; 2,800,000 shares authorized; 550,000 shares issued at September 30, 2003 and 2,800,000 at December 31, 2002; stated liquidation preference of \$13,750 at September 30, 2003 and \$70,000 at December 31, 2002	13,196	67,178
Series C Preferred Shares; \$.0001 par value; 600,000 shares authorized; no shares issued	-	-
Series D 7.95% Cumulative Redeemable Preferred Shares and additional paid-in capital; \$.0001 par value; 1,320,000 shares authorized and issued; stated liquidation preference of \$33,000	32,329	-
Common shares; \$.0001 par value; 65,280,000 shares authorized; 19,369,471 shares issued and outstanding at September 30, 2003 and 16,104,356 at December 31, 2002	2	2
Excess shares; \$.0001 par value; 30,000,000 shares authorized; no shares issued	-	-
Additional paid-in capital on common shares	314,584	243,562
Undistributed earnings (Distributions in excess of earnings)	(9,795)	7,109
Accumulated other comprehensive income (loss)	(190)	58
Unearned compensation	(2,403)	(2,781)
	347,723	356,485
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 717,193	703,737

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
REVENUES				
Income from real estate operations	\$ 27,302	25,906	80,320	75,872
Interest	7	26	17	304
Gain on securities	-	365	389	1,836
Other	58	54	160	535
	<u>27,367</u>	<u>26,351</u>	<u>80,886</u>	<u>78,547</u>
EXPENSES				
Operating expenses from real estate operations	8,083	7,686	23,698	21,806
Interest	4,796	4,363	14,137	12,703
Depreciation and amortization	7,978	7,848	23,409	22,275
General and administrative	1,246	1,102	3,746	3,279
Minority interest in joint ventures	107	103	320	286
	<u>22,210</u>	<u>21,102</u>	<u>65,310</u>	<u>60,349</u>
INCOME BEFORE GAIN ON SALE OF REAL ESTATE INVESTMENTS				
	5,157	5,249	15,576	18,198
Gain on sale of real estate investments	-	-	-	93
INCOME FROM CONTINUING OPERATIONS	<u>5,157</u>	<u>5,249</u>	<u>15,576</u>	<u>18,291</u>
DISCONTINUED OPERATIONS				
Loss from real estate operations	-	(10)	(2)	(14)
Gain (loss) on sale of real estate investments	6	(66)	112	(66)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	<u>6</u>	<u>(76)</u>	<u>110</u>	<u>(80)</u>
NET INCOME	5,163	5,173	15,686	18,211
Preferred dividends-Series A	76	970	2,016	2,910
Preferred dividends-Series B	300	1,532	2,598	4,596
Preferred dividends-Series D	649	-	649	-
Costs on redemption of Series A preferred	1,778	-	1,778	-
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ 2,360</u>	<u>2,671</u>	<u>8,645</u>	<u>10,705</u>
BASIC PER COMMON SHARE DATA				
Income from continuing operations	\$ 0.13	0.17	0.50	0.68
Income (loss) from discontinued operations	0.00	0.00	0.01	0.00
Net income available to common stockholders	<u>\$ 0.13</u>	<u>0.17</u>	<u>0.51</u>	<u>0.68</u>
Weighted average shares outstanding	<u>18,451</u>	<u>15,901</u>	<u>17,089</u>	<u>15,856</u>
DILUTED PER COMMON SHARE DATA				
Income from continuing operations	\$ 0.13	0.16	0.49	0.66
Income (loss) from discontinued operations	0.00	0.00	0.01	0.00
Net income available to common stockholders	<u>\$ 0.13</u>	<u>0.16</u>	<u>0.50</u>	<u>0.66</u>
Weighted average shares outstanding	<u>18,818</u>	<u>16,264</u>	<u>17,453</u>	<u>16,228</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)
(UNAUDITED)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Unearned Compensation	Undistributed Earnings (Distributions in Excess of Earnings)	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, DECEMBER 31, 2002	\$ 108,535	2	243,562	(2,781)	7,109	58	356,485
Comprehensive income							
Net income	-	-	-	-	15,686	-	15,686
Net change in investment securities	-	-	-	-	-	(340)	(340)
Net unrealized change in cash flow hedge	-	-	-	-	-	92	92
Total comprehensive income							15,438
Cash dividends declared-common, \$1.425 per share	-	-	-	-	(25,549)	-	(25,549)
Preferred stock dividends declared	-	-	-	-	(5,263)	-	(5,263)
Redemption of 1,725,000 shares of Series A preferred stock	(41,357)	-	-	-	(1,778)	-	(43,135)
Conversion of 2,250,000 shares of cumulative convertible preferred stock into 2,556,900 shares of common stock	(53,982)	-	53,982	-	-	-	-
Issuance of 1,320,000 share of Series D preferred stock	32,329	-	-	-	-	-	32,329
Issuance of 571,429 shares of common stock, common stock offering	-	-	14,464	-	-	-	14,464
Issuance of 2,108 shares of common stock, incentive compensation	-	-	53	-	-	-	53
Issuance of 10,194 shares of common stock, dividend reinvestment plan	-	-	272	-	-	-	272
Issuance of 130,484 shares of common stock, exercise options	-	-	2,370	-	-	-	2,370
Forfeiture of 6,000 shares of common stock, incentive restricted stock	-	-	(127)	86	-	-	(41)
Amortization of unearned compensation, incentive restricted stock	-	-	-	292	-	-	292
Issuance of common stock options	-	-	8	-	-	-	8
BALANCE, SEPTEMBER 30, 2003	\$ 45,525	2	314,584	(2,403)	(9,795)	(190)	347,723

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2003	2002
OPERATING ACTIVITIES:		
Net income	\$ 15,686	18,211
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization from continuing operations	23,409	22,275
Depreciation and amortization from discontinued operations	-	46
Gain on sale of real estate investments	-	(93)
(Gain) loss on sale of real estate investments from discontinued operations	(112)	66
Gain on real estate investment trust (REIT) shares	(389)	(1,836)
Amortization of unearned compensation	251	347
Minority interest depreciation and amortization	(110)	(129)
Changes in operating assets and liabilities:		
Accrued income and other assets	1,491	2,643
Accounts payable, accrued expenses and prepaid rent	4,640	4,602
NET CASH PROVIDED BY OPERATING ACTIVITIES	44,866	46,132
INVESTING ACTIVITIES:		
Payments on mortgage loans receivable	-	5,501
Proceeds from sale of real estate investments	841	2,917
Real estate improvements	(7,170)	(5,811)
Real estate development	(17,732)	(27,085)
Purchases of real estate	(9,445)	(12,935)
Purchases of real estate investment trust shares	-	(1,308)
Proceeds from sale and liquidation of REIT shares	1,697	7,095
Changes in other assets and other liabilities	(4,135)	(1,172)
NET CASH USED IN INVESTING ACTIVITIES	(35,944)	(32,798)
FINANCING ACTIVITIES:		
Proceeds from bank borrowings	125,971	163,782
Principal payments on bank borrowings	(144,076)	(184,767)
Proceeds from mortgage notes payable	45,500	48,200
Principal payments on mortgage notes payable	(7,717)	(11,974)
Debt issuance costs	(629)	(1,473)
Distributions paid to stockholders	(31,984)	(29,903)
Redemption of Series A preferred stock	(43,135)	-
Proceeds from Series D preferred stock offering	32,329	-
Proceeds from common stock offering	14,464	-
Proceeds from exercise of stock options	2,370	2,438
Proceeds from dividend reinvestment plan	272	276
Other	(1,313)	(208)
NET CASH USED IN FINANCING ACTIVITIES	(7,948)	(13,629)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	974	(295)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,383	1,767
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,357	1,472
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest, net of amount capitalized	\$ 13,234	12,046
Conversion of cumulative convertible preferred stock into common stock	53,982	-
Debt assumed by the Company in purchase of real estate	1,478	-
Issuance of incentive restricted stock	-	437
Forfeiture of incentive restricted stock	(127)	(189)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) BASIS OF PRESENTATION

The accompanying unaudited financial statements of EastGroup Properties, Inc. ("EastGroup" or "the Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The financial statements should be read in conjunction with the 2002 annual report and the notes thereto.

(2) RECLASSIFICATIONS

Certain reclassifications have been made in the 2002 financial statements to conform to the 2003 presentation.

(3) 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 Statement of Financial Accounting Standards (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 estimated costs to sell and are not depreciated while they are held for sale.

At September 30, 2003 and December 31, 2002, the Company had three parcels of land held for sale. There can be no assurances that the properties that are held for sale will be sold.

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 the three and nine months ended September 30, 2003 and 2002. No interest expense was allocated to the properties that are held for sale.

(4) BUSINESS COMBINATIONS AND GOODWILL

The Company applies SFAS No. 141, "Business Combinations," which 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. The Company also applies SFAS No. 142, "Goodwill and Other Intangible Assets," which addresses financial accounting and reporting for the impairment of goodwill and other intangibles. Upon the acquisition of real estate properties, the Company applies the principles of SFAS No. 141 to determine the allocation of the purchase price among the individual components of both the tangible and intangible assets, including in-place leases. The Company periodically reviews, at least annually, the recoverability of goodwill and other intangibles for possible impairment. In management's opinion, no material impairment of goodwill and other intangibles existed at September 30, 2003 and December 31, 2002.

(5) OTHER ASSETS

A summary of the Company's other assets follows:

	<u>September 30, 2003</u>	<u>December 31, 2002</u>
	<i>(In thousands)</i>	
Leasing costs, net of accumulated amortization	\$ 11,414	10,537
Receivables, net of allowance for doubtful accounts	9,468	9,363
Prepaid expenses and other assets	8,052	8,097
	<u>\$ 28,934</u>	<u>27,997</u>

(6) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	September 30, 2003	December 31, 2002
	<i>(In thousands)</i>	
Property taxes payable	\$ 9,625	5,814
Dividends payable	2,174	3,346
Other payables and accrued expenses	4,784	6,411
	<u>\$ 16,583</u>	<u>15,571</u>

(7) COMPREHENSIVE INCOME

Comprehensive income is comprised of net income plus all other changes in equity from nonowner sources. The components of accumulated other comprehensive income (loss) for the nine months ended September 30, 2003 and 2002 are summarized below:

Accumulated Other Comprehensive Income (Loss)

	Nine Months Ended September 30,	
	2003	2002
Balance at beginning of period	\$ 58	1,193
Unrealized holding gains on REIT securities during the period	49	942
Less reclassification adjustment for realized gains on REIT securities included in net income	(389)	(1,836)
Change in fair value of interest rate swap	92	-
Balance at end of period	<u>\$ (190)</u>	<u>299</u>

(8) 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 period 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 period 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 dividing this numerator by the weighted average number of common shares outstanding plus the dilutive effect of stock options related to outstanding employee stock options, 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. Reconciliation of the numerators and denominators in the basic and diluted EPS computations is as follows:

Reconciliation of Numerators and Denominators

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
	<i>(In thousands)</i>			
Basic EPS Computation				
Numerator-net income available to common stockholders	\$ 2,360	2,671	8,645	10,705
Denominator-weighted average shares outstanding	18,451	15,901	17,089	15,856
Diluted EPS Computation				
Numerator-net income available to common stockholders	\$ 2,360	2,671	8,645	10,705
Denominator:				
Weighted average shares outstanding	18,451	15,901	17,089	15,856
Common stock options	182	176	177	187
Nonvested restricted stock	185	187	187	185
Total shares	18,818	16,264	17,453	16,228

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.

(9) 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 and nine months ended September 30, 2003 and 2002 reported PNOI by operating segment, followed by reconciliations of PNOI to FFO Available to Common Stockholders and FFO Available to Common Stockholders to Net Income.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
	<i>(In thousands)</i>			
PROPERTY REVENUES:				
Industrial	\$ 26,871	25,518	79,023	74,676
Other	431	388	1,297	1,196
	<u>27,302</u>	<u>25,906</u>	<u>80,320</u>	<u>75,872</u>
PROPERTY EXPENSES:				
Industrial	(7,949)	(7,564)	(23,285)	(21,424)
Other	(134)	(122)	(413)	(382)
	<u>(8,083)</u>	<u>(7,686)</u>	<u>(23,698)</u>	<u>(21,806)</u>
PROPERTY NET OPERATING INCOME:				
Industrial	18,922	17,954	55,738	53,252
Other	297	266	884	814
TOTAL PROPERTY NET OPERATING INCOME	<u>19,219</u>	<u>18,220</u>	<u>56,622</u>	<u>54,066</u>
Income (loss) from discontinued operations (before depreciation and amortization)	-	(5)	(2)	32
Gain on securities	-	365	389	1,836
Other income	65	80	177	839
Interest expense	(4,796)	(4,363)	(14,137)	(12,703)
General and administrative expense	(1,246)	(1,102)	(3,746)	(3,279)
Minority interest in earnings (before depreciation and amortization)	(141)	(140)	(430)	(415)
Gain on sale of nondepreciable real estate investments	6	-	6	-
Dividends on Series A preferred shares	(76)	(970)	(2,016)	(2,910)
Dividends on Series D preferred shares	(649)	-	(649)	-
Redemption of Series A preferred stock	(1,778)	-	(1,778)	-
FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS	<u>10,604</u>	<u>12,085</u>	<u>34,436</u>	<u>37,466</u>
Depreciation and amortization from continuing operations	(7,978)	(7,848)	(23,409)	(22,275)
Depreciation and amortization from discontinued operations	-	(5)	-	(46)
Share of joint venture depreciation and amortization	34	37	110	129
Gain (loss) on sale of depreciable real estate investments	-	(66)	106	27
Dividends on Series B convertible preferred shares	(300)	(1,532)	(2,598)	(4,596)
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	<u>2,360</u>	<u>2,671</u>	<u>8,645</u>	<u>10,705</u>
Dividends on preferred shares	1,025	2,502	5,263	7,506
Redemption of Series A preferred stock	1,778	-	1,778	-
NET INCOME	<u>\$ 5,163</u>	<u>5,173</u>	<u>15,686</u>	<u>18,211</u>

(10) STOCK-BASED COMPENSATION

In December 2002, the Financial Accounting Standards Board 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.

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. Stock-based compensation expense was immaterial for both the three and nine months ended September 30, 2003 and 2002. There was an immaterial effect to pro forma net income available to common stockholders for all periods and no effect to basic or diluted earnings per share for either period.

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

(11) NEW ACCOUNTING PRONOUNCEMENTS

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," effective for financial instruments entered into or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 requires certain financial instruments with characteristics of both liabilities and equity to be classified as liabilities. The Company adopted this Statement on July 1, 2003 with no impact on its overall financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an 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 had no impact on the Company's overall financial position or results of operations.

(12) SUBSEQUENT EVENTS

In October 2003, EastGroup announced that it is developing a 66,000 square foot warehouse/distribution building for Devon Energy Production Company, LP. The facility, which has a projected total cost of approximately \$3.4 million, will be located on 4.22 acres in the Company's World Houston International Business Center development in north Houston between Beltway 8 and George Bush Intercontinental Airport. The initial term of the lease is 15 years.

In October 2003, the Company purchased Expressway Commerce Center II (72,000 square feet) in Tampa, Florida for a price of \$4,850,000. The building was constructed in 2001 and is located in the Tampa International Airport submarket. The property is 100% leased to five tenants.

The Company is currently under contract to purchase two additional properties in Florida totaling 227,000 square feet for approximately \$10,450,000. These properties are expected to close during the fourth quarter of 2003; however, there can be no assurance that these potential acquisitions will actually occur.

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

FINANCIAL CONDITION

(Comments are for the balance sheet dated September 30, 2003 compared to December 31, 2002.)

Assets of EastGroup were \$717,193,000 at September 30, 2003, an increase of \$13,456,000 from December 31, 2002. Liabilities (excluding minority interests) increased \$22,177,000 to \$367,670,000 and stockholders' equity decreased \$8,762,000 to \$347,723,000 during the same period. Book value per common share increased from \$15.11 at December 31, 2002 to \$15.54 at September 30, 2003. The paragraphs that follow explain these changes in detail.

Real estate properties increased \$28,102,000 during the nine months ended September 30, 2003. This increase was due to the transfer of four properties and two parcels of land from development with total costs of \$10,171,000, the purchase of three properties for \$9,920,000, capital improvements of \$7,170,000, and improvements on development properties transferred to real estate properties in the 12-month period following transfer of \$1,625,000. These increases were offset by the transfer of one property and one parcel of land to real estate held for sale with costs of \$784,000.

Real Estate Properties

Real Estate Properties Acquired in 2003	Location	Size	Date Acquired	Cost ⁽¹⁾
				(In thousands)
Altamonte Commerce Center II	Orlando, Florida	62,000 sq. ft.	05-20-03	\$ 3,336
Airport Commons	Phoenix, Arizona	63,000 sq. ft.	05-28-03	2,447
Shady Trail Distribution Center	Dallas, Texas	118,000 sq. ft.	09-16-03	4,137
Total Acquisitions				<u>\$ 9,920</u>

(1) Total costs of the properties acquired was \$10,923,000, of which \$9,920,000 was allocated to the real estate properties as indicated above and \$1,003,000 was allocated to in-place leases. The Company paid cash of \$9,445,000 for the properties and in-place leases acquired and assumed a mortgage of \$1,478,000, which is included in Mortgage Notes Payable on the balance sheet. The amount assigned to in-place leases, which is included in Other Assets on the balance sheet, will be amortized over the remaining lives of the associated leases in place at the time of acquisition in accordance with SFAS No. 141, "Business Combinations."

Development increased \$5,936,000 during the nine months ended September 30, 2003. This increase was due to development costs of \$16,107,000 on existing and completed development, as detailed in the table below, exceeding decreases due to the transfer of four development properties with total costs of \$9,537,000 and the transfer of two parcels of land with costs of \$634,000 to real estate properties.

Total cash outflows for development for the nine months ended September 30, 2003 were \$17,732,000. In addition to the costs incurred for the nine months ended September 30, 2003 as detailed in the table below, development costs included \$1,625,000 for improvements on properties transferred to real estate properties 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 ⁽¹⁾
		For the 9 Months Ended 9/30/03	Cumulative as of 9/30/03	
	(Square feet)		(In thousands)	
Lease-Up:				
World Houston 19, Houston, TX	66,000	\$ 466	2,447	3,100
World Houston 20, Houston, TX	62,000	192	2,150	2,800
Executive Airport CC I & III, Fort Lauderdale, FL	85,000	959	5,710	6,000
Expressway Commerce Center, Tampa, FL	103,000	1,817	5,438	6,000
Sunport Center IV, Orlando, FL	63,000	1,993	3,019	3,500
Techway Southwest II, Houston, TX	94,000	2,880	3,849	4,800
Total Lease-up	473,000	8,307	22,613	26,200
Under Construction:				
Santan 10, Chandler, AZ	65,000	1,430	1,430	3,800
Total Under Construction	65,000	1,430	1,430	3,800
Prospective Development (Principally Land):				
Phoenix, Arizona	40,000	(1,010)	366	2,000
Tucson, Arizona	70,000	-	326	3,500
Tampa, Florida	140,000	76	1,904	7,700
Orlando, Florida	892,000	5,474	7,359	49,600
Fort Lauderdale, Florida	55,000	173	1,776	3,800
El Paso, Texas	251,000	120	2,344	7,600
Houston, Texas	858,000	1,410	6,982	41,500
Jackson, Mississippi	32,000	23	554	1,700
Total Prospective Development	2,338,000	6,266	21,611	117,400
	2,876,000	\$ 16,003	45,654	147,400
Completed Development and Transferred To Real Estate Properties During the Nine Months Ended September 30, 2003:				
Metro Airport Commerce Center I, Jackson, MS	32,000	\$ 55	1,782	
World Houston 14, Houston, TX	77,000	32	3,106	
Americas 10 Business Center I, El Paso, TX	98,000	17	3,304	
Chamberlain Expansion, Tucson, AZ	34,000	-	1,345	
Total Transferred to Real Estate Properties	241,000	\$ 104	9,537	

(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 was \$1,375,000 at September 30, 2003 and December 31, 2002; however, one property and one parcel of land with total costs of \$784,000 were transferred from real estate properties and subsequently sold.

Accumulated depreciation on real estate properties and real estate held for sale increased \$20,845,000 due to depreciation expense of \$20,900,000 on real estate properties, offset by the sale of one property with accumulated depreciation of \$55,000.

Investment in REITs decreased from \$1,663,000 at December 31, 2002 to \$15,000 at September 30, 2003 primarily as a result of the sale of REIT shares with a cost of \$1,308,000. Unrealized gains decreased \$340,000 as a result of realized gains of \$389,000 on REIT shares, offset by unrealized gains of \$49,000 during the period.

Mortgage notes payable increased \$39,261,000 during the nine months ended September 30, 2003 primarily due to a new \$45,500,000 mortgage. This note is a nonrecourse first mortgage loan secured by ten properties and has a fixed interest rate of 4.75%, a ten-year term, and an amortization schedule of 25 years. The proceeds were used to reduce floating rate bank borrowings. The Company also assumed a \$1,478,000 mortgage on the purchase of Airport Commons. These increases were offset by the repayment of two mortgages totaling \$2,813,000 (including the Airport Commons mortgage) and regularly scheduled principal payments of \$4,904,000.

Notes payable to banks decreased \$18,105,000 as a result of payments of \$144,076,000 exceeding advances of \$125,971,000. The Company's credit facilities are described in greater detail under Liquidity and Capital Resources.

On July 7, 2003, EastGroup redeemed all of its outstanding 9.00% Series A Cumulative Redeemable Preferred Stock. The redemption price of these shares (excluding accrued dividends) was \$43,125,000. Costs of \$1,768,000 related to the original issuance of the Series A stock in 1998 were recorded in the third quarter as a preferred issuance cost and treated in a manner similar to a preferred dividend.

During the nine months ended September 30, 2003, the holder of the 8.75% Series B Cumulative Convertible Preferred Stock elected to convert 2,250,000 shares into 2,556,900 shares of common stock.

On July 2, 2003, EastGroup closed a public offering of 1,320,000 shares of 7.95% Series D Cumulative Redeemable Preferred Stock with a liquidation preference of \$25 per share. The offering resulted in \$32,329,000 of net proceeds.

On May 20, 2003, EastGroup closed on the sale of 571,429 shares of its common stock at \$26.25 per share. The shares were sold to an institutional buyer and EastGroup received proceeds of \$14,464,000, net of related issuance costs.

Accumulated other comprehensive income (loss) decreased \$248,000 as a result of realized gains of \$389,000 on REIT shares offset by unrealized gains of \$49,000 on REIT shares during the period and an unrealized gain of \$92,000 due to the fair value adjustment of the Company's interest rate swap.

Undistributed earnings (distributions in excess of earnings) decreased \$16,904,000 as a result of dividends on common and preferred stock of \$30,812,000 and write-off of original issuance costs and other costs of redemption totaling \$1,778,000 on the redemption of the Series A preferred stock exceeding net income for financial reporting purposes of \$15,686,000.

RESULTS OF OPERATIONS

(Comments are for the three and nine months ended September 30, 2003, compared to the three and nine months ended September 30, 2002.)

Net income available to common stockholders for the three and nine months ended September 30, 2003 was \$2,360,000 (\$.13 per basic and diluted share) and \$8,645,000 (\$.51 per basic share and \$.50 per diluted share) compared to net income available to common stockholders for the three and nine months ended September 30, 2002 of \$2,671,000 (\$.17 per basic share and \$.16 per diluted share) and \$10,705,000 (\$.68 per basic share and \$.66 per diluted share). Income before gain on sale of real estate investments was \$5,157,000 and \$15,576,000 for the three and nine months ended September 30, 2003 compared to \$5,249,000 and \$18,198,000 for the same periods of 2002. The Company had a gain of \$93,000 on the sale of real estate investments from continuing operations for the nine months ended September 30, 2002. In accordance with the guidelines under 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 were gains of \$6,000 and \$112,000 from discontinued operations for the three and nine months ended September 30, 2003 compared to a loss of \$66,000 for the three and nine months ended September 30, 2002. The paragraphs that follow describe the results of operations in detail.

PNOI from continuing operations, as defined and discussed in Note 9 in the Notes to the Consolidated Financial Statements, increased by \$999,000 or 5.5% for the three months ended September 30, 2003 compared to the three months ended September 30, 2002. For the nine months ended September 30, 2003, PNOI increased by \$2,556,000 or 4.7% compared to the nine months ended September 30, 2002. PNOI by property type and total percentage leased were as follows:

Property Net Operating Income

	Three Months Ended September 30,		Nine Months Ended September 30,		Percent Leased	
	2003	2002	2003	2002	9-30-03	9-30-02
	<i>(In thousands)</i>					
Industrial	\$ 18,922	17,954	55,738	53,252		
Other	297	266	884	814		
Total PNOI	\$ 19,219	18,220	56,622	54,066	91.6%	91.7%

PNOI from industrial properties increased \$968,000 (5.4%) and \$2,486,000 (4.7%) for the three and nine months ended September 30, 2003, compared to September 30, 2002. Industrial properties held throughout the three and nine months ended September 30, 2003 compared to the same periods in 2002 showed an increase in PNOI of 1.5% for the three months and no change for the nine months.

Bank interest expense before amortization of loan costs and capitalized interest was \$367,000 for the three months ended September 30, 2003, a decrease of \$307,000 from the three months ended September 30, 2002. Bank interest expense before amortization of loan costs and capitalized interest was \$1,349,000 for the nine months ended September 30, 2003, a decrease of \$717,000 from the nine months ended September 30, 2002. Average bank borrowings were \$60,844,000 and \$75,598,000 for the three and nine months ended September 30, 2003 compared to \$85,301,000 and \$87,225,000 for the same periods in 2002 with average bank interest rates of 2.39% for both the three months and nine months ended September 30, 2003 compared to 3.13% and 3.17% for the same periods in 2002. 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 the three and nine months ended September 30, 2003 were \$518,000 and \$1,520,000 compared to \$532,000 and \$1,620,000 for the same periods in 2002. Amortization of bank loan costs was \$102,000 and \$307,000 for the three and nine months ended September 30, 2003 compared to \$100,000 and \$309,000 for the same periods in 2002.

Mortgage interest expense on real estate properties was \$4,749,000 for the three months ended September 30, 2003, an increase of \$675,000 from the three months ended September 30, 2002. Mortgage interest expense on real estate properties was \$13,717,000 for the nine months ended September 30, 2003, an increase of \$1,913,000 from the nine months ended September 30, 2002. The increase in interest for the three and nine months was primarily due to several new mortgages—a \$40,000,000 loan obtained in the third quarter of 2002, an \$11,000,000 loan in the fourth quarter of 2002 and a \$45,500,000 loan in the third quarter of 2003. Amortization of mortgage loan costs was \$96,000 and \$284,000 for the three and nine months ended September 30, 2003 compared to \$47,000 and \$144,000 for the same periods in 2002.

Depreciation and amortization increased \$130,000 for the three months and \$1,134,000 for the nine months ended September 30, 2003 compared to the same periods in 2002 primarily due to properties acquired and transferred from development during 2002 and 2003.

During the nine months ended September 30, 2003, the Company sold one parcel of land and Air Park Distribution Center II and recognized total gains of \$112,000, which are recorded under *Discontinued Operations* in accordance with SFAS No. 144 (see Note 3 in the Notes to Consolidated Financial Statements). In the same period of 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 \$66,000 loss on 7th Street is recorded under *Discontinued Operations* in accordance with SFAS No. 144. A summary of these sales follows:

Gain (Loss) on Real Estate Investments

	Net Sales Price	Basis	Recognized Gain (Loss)
<i>(In thousands)</i>			
2003			
Real estate properties:			
Air Park Distribution Center II, Memphis, TN	\$ 445	339	106
Orlando Central Park Land, Orlando, FL	396	390	6
	<u>\$ 841</u>	<u>729</u>	<u>112</u>
2002			
Real estate properties:			
Carpenter Duplex, Dallas, TX	\$ 1,111	1,018	93
7 th Street Service Center, Phoenix, AZ	1,806	1,872	(66)
	<u>\$ 2,917</u>	<u>2,890</u>	<u>27</u>

The increase in general and administrative expenses of \$144,000 and \$467,000 for the three and nine months ended September 30, 2003 compared to the same periods in 2002 is primarily due to increased employee costs.

The National Association of Real Estate Investment Trusts has recommended supplemental disclosures concerning straight-line rent, capital expenditures and leasing costs. Straight-lining of rent increased income by \$745,000 and \$1,648,000 for the three and nine months ended September 30, 2003 compared to \$450,000 and \$958,000 for the same periods in 2002. Capital expenditures for the three and nine months ended September 30, 2003 and 2002 were as follows:

Capital Expenditures

	Estimated Useful Life	Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2003	2002	2003	2002
<i>(In thousands)</i>					
Upgrade on Acquisitions	40 yrs	\$ 10	8	51	8
Major Renovation/Redevelopment	40 yrs	-	-	-	53
Tenant Improvements:					
New Tenants	Lease Life	963	1,380	2,763	2,847
New Tenants - First Generation ¹	Lease Life	62	4	734	417
Renewal Tenants	Lease Life	371	103	1,636	524
Other:					
Building Improvements	5-40 yrs	150	155	586	621
Roofs	5-15 yrs	522	765	1,250	1,275
Parking Lots	5 yrs	10	10	95	30
Other	5 yrs	1	5	55	36
Total Capital Expenditures		<u>\$ 2,089</u>	<u>2,430</u>	<u>7,170</u>	<u>5,811</u>

¹ First generation refers to space that has never been occupied.

The Company's leasing costs are capitalized and included in other assets. The costs are amortized over the terms of the associated leases and are included in depreciation and amortization expense. Capitalized leasing costs for the three months and nine months ended September 30, 2003 and 2002 were as follows:

Capitalized Leasing Costs

	Estimated Useful Life	Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2003	2002	2003	2002
<i>(In thousands)</i>					
Development	Lease Life	\$ 366	56	694	986
New Tenants	Lease Life	916	825	1,641	1,311
New Tenants - First Generation ¹	Lease Life	-	-	88	133
Renewal Tenants	Lease Life	325	282	829	749
Total Capitalized Leasing Costs		<u>\$ 1,607</u>	<u>1,163</u>	<u>3,252</u>	<u>3,179</u>
Amortization of Leasing Costs		<u>\$ 874</u>	<u>895</u>	<u>2,375</u>	<u>2,228</u>

¹ First generation refers to space that has never been occupied.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$44,866,000 for the nine months ended September 30, 2003. Other sources of cash were primarily from bank borrowings, proceeds from mortgage notes payable, the Series D preferred stock offering, a common stock offering, proceeds from exercise of stock options and sales and liquidation of REIT shares. The Company distributed \$25,319,000 in common and \$6,665,000 in preferred stock dividends during the nine months ended September 30, 2003. Other primary uses of cash were for bank debt payments, redemption of the Series A preferred stock, construction and development of properties, purchases of real estate properties, mortgage note payments and capital improvements at the various properties.

Total debt at September 30, 2003 and December 31, 2002 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 September 30, 2003 and December 31, 2002.

	September 30, 2003	December 31, 2002
<i>(In thousands)</i>		
Mortgage notes payable – fixed rate	\$ 287,604	248,343
Bank notes payable – floating rate	55,852	73,957
Total debt	<u>\$ 343,456</u>	<u>322,300</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 September 30, 2003, the interest rate was 2.37% on \$51,000,000. The interest rate on each tranche is currently reset on a monthly basis. A \$16,000,000 tranche was last reset on October 29, 2003 at 2.37% and a \$42,000,000 tranche was last reset on November 12, 2003 at 2.37%. 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 has a one-year \$12,500,000 unsecured revolving credit facility with PNC Bank, N.A. that matures in January 2004. The interest rate on this facility is based on LIBOR and varies according to debt-to-total asset value ratios; it is currently LIBOR plus 1.175%. At September 30, 2003, the interest rate was 2.295% on \$4,852,000.

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, and (viii) 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to interest rate changes primarily as a result of its lines of credit and long-term debt maturities. This debt is used to maintain liquidity and fund capital expenditures and expansion of the Company's real estate investment portfolio and operations. The Company's 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.

	Oct-Dec							Fair
	2003	2004	2005	2006	2007	Thereafter	Total	Value
Fixed rate debt (in thousands)	\$ 1,875	12,218	26,186	22,797	21,524	203,004 ⁽²⁾	287,604	311,856 ⁽¹⁾
Weighted average interest rate	7.20%	7.64%	7.84%	7.61%	7.56%	6.61%	6.92%	
Variable rate debt (in thousands)	\$ -	4,852	51,000	-	-	-	55,852	55,852
Weighted average interest rate	-	2.30%	2.37%	-	-	-	2.36%	

(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.

(2) The fixed rate debt shown above includes the Tower Automotive mortgage, which has a variable interest rate based on the one-month LIBOR. EastGroup has an interest rate swap agreement that fixes the rate at 4.03% for the 8-year term. Interest and related fees result in an annual effective interest rate of 5.3%.

As the table above incorporates only those exposures that exist as of September 30, 2003, it does not consider those exposures or positions that could arise after that date. The ultimate impact on the Company of 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 24 basis points, interest expense and cash flows would increase or decrease by approximately \$132,000 annually.

The Company has an interest rate swap agreement to hedge its exposure to the variable interest rate on the Company's \$10,880,000 Tower Automotive Center recourse mortgage, which is summarized in the table below. Under the swap agreement, the Company effectively pays a fixed rate of interest over the term of the agreement without the exchange of the underlying notional amount. This swap is designated as a cash flow hedge and is considered to be fully effective in hedging the variable rate risk associated with the Tower mortgage loan. Changes in the fair value of the swap are recognized in accumulated other comprehensive income. The Company does not hold or issue this type of derivative contract for trading or speculative purposes.

Type of Hedge	Current Notional Amount	Maturity Date	Reference Rate	Fixed Rate	Fair Market Value at 9/30/03	Fair Market Value at 12/31/02
	<i>(In thousands)</i>				<i>(In thousands)</i>	
Swap	\$10,880	12/31/10	1 month LIBOR	4.03%	(\$205)	(\$297)

FORWARD-LOOKING STATEMENTS

In addition to historical information, certain sections of this Form 10-Q 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 4. CONTROLS AND PROCEDURES.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the Company's most recent fiscal quarter 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.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Form 10-Q Exhibits:

- 3(a) Articles of Incorporation (incorporated by reference to Appendix B to the Registrant's Proxy Statement dated April 24, 1997).
- 3(b) Bylaws of the Registrant (incorporated by reference to Appendix C to the Registrant's Proxy Statement dated April 24, 1997).
- 3(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).
- 3(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).
- 3(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).
- 3(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).
- 3(g) Articles Supplementary of the Company relating to the 7.95% Series D Cumulative Redeemable Preferred Stock (incorporated by reference to the Company's Form 8-A filed June 6, 2003).
- 3(h) Articles Supplementary of the Company relating to the reclassification of the Series A Cumulative Redeemable Preferred Stock of the Company to the Company's common stock (filed herewith).
- 31(a) Certification of David H. Hoster II, Chief Executive Officer.
- 31(b) Certification of N. Keith McKey, Chief Financial Officer.
- 32(a) Certification of David H. Hoster II, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
- 32(b) Certification of N. Keith McKey, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.

(b) Reports on Form 8-K during the quarter ended September 30, 2003:

- 1. A Form 8-K was filed on July 17, 2003 (a) reporting under Item 5 thereof the issuance of the Company's 7.95% Series D Cumulative Redeemable Preferred Stock, and (b) filing as exhibits under Item 7 thereof, Articles Supplementary creating the Series D Preferred Stock and opinions of counsel.
- 2. A Form 8-K was filed on July 22, 2003 under Item 12, incorporating by reference EastGroup's July 21, 2003 press release, setting forth the Company's second quarter 2003 earnings.

SIGNATURES

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

DATE: November 12, 2003

EASTGROUP PROPERTIES, INC.

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

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

EASTGROUP PROPERTIES, INC.

ARTICLES SUPPLEMENTARY

EASTGROUP PROPERTIES, INC., a Maryland corporation, having its principal office in Baltimore City, Maryland (hereinafter called the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Pursuant to the authority expressly vested in the Board of Directors of the Corporation by Article V Section 3 of the Articles of Incorporation, as amended, of the Corporation, the Board of Directors has duly reclassified 1,725,000 shares of 9.00% Series A Cumulative Redeemable Preferred Stock, par value \$.0001 per share, of the Corporation into 1,725,000 shares of Common Stock, par value \$.0001 per share, of the Corporation.

SECOND: The reclassification increases the number of shares classified as Common Stock from 63,555,000 shares immediately prior to the reclassification to 65,280,000 shares immediately after the reclassification. The reclassification decreases the number of shares classified as 9.00% Series A Cumulative Redeemable Preferred Stock from 1,725,000 shares immediately prior to the reclassification to no shares immediately after the reclassification.

THIRD: The terms of the Common Stock as set by the Board of Directors, including preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption, are the same, in all respects, as those terms of the Common Stock set forth in the Corporation's Articles of Incorporation, as amended.

IN WITNESS WHEREOF, EASTGROUP PROPERTIES, INC. has caused these presents to be signed in its name and on its behalf by its President and witnessed by its Secretary on September 4, 2003.

WITNESS:

EASTGROUP PROPERTIES, INC.

/s/ N. Keith McKey
N. Keith McKey, Secretary

By: /s/ David H. Hoster II
David H. Hoster II, President

THE UNDERSIGNED, President of EASTGROUP PROPERTIES, INC., who executed on behalf of the Corporation the Articles Supplementary of which this certificate is made a part, hereby acknowledges in the name and on behalf of said Corporation the foregoing Articles Supplementary to be the corporate act of said Corporation and hereby certifies that the matters and facts set forth herein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

/s/ David H. Hoster II
David H. Hoster II

CERTIFICATION

I, David H. Hoster II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EastGroup Properties, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID H. HOSTER II
David H. Hoster II
Chief Executive Officer
November 12, 2003

CERTIFICATION

I, N. Keith McKey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EastGroup Properties, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ N. KEITH MCKEY
N. Keith McKey
Chief Financial Officer
November 12, 2003

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of EastGroup Properties, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David H. Hoster II, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID H. HOSTER II
David H. Hoster II
Chief Executive Officer
November 12, 2003

A signed original of this written statement required by Section 906 has been provided to EastGroup Properties, Inc. and will be retained by EastGroup Properties, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of EastGroup Properties, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, N. Keith McKey, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ N. KEITH MCKEY
N. Keith McKey
Chief Financial Officer
November 12, 2003

A signed original of this written statement required by Section 906 has been provided to EastGroup Properties, Inc. and will be retained by EastGroup Properties, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.