

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

FORM 10-Q

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

FOR THE QUARTER ENDED JUNE 30, 2005

COMMISSION FILE NUMBER 1-07094

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

**MARYLAND
(State or other jurisdiction
of incorporation or organization)**

**13-2711135
(I.R.S. Employer
Identification No.)**

**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

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 in Rule 12b-2 of the Act). YES (x) NO ()

The number of shares of common stock, \$.0001 par value, outstanding as of August 3, 2005 was 22,012,320.

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FORM 10-Q
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EASTGROUP PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

	<i>June 30, 2005</i>	<i>December 31, 2004</i>
	<i>(Unaudited)</i>	
ASSETS		
Real estate properties.....	\$ 905,877	845,139
Development.....	51,122	39,330
	956,999	884,469
Less accumulated depreciation.....	(189,797)	(174,662)
	767,202	709,807
Real estate held for sale.....	975	2,637
Unconsolidated investment.....	2,570	9,256
Mortgage loans receivable.....	800	7,550
Cash.....	1,030	1,208
Other assets.....	42,486	38,206
TOTAL ASSETS	\$ 815,063	768,664
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable.....	\$ 321,648	303,674
Notes payable to banks.....	88,050	86,431
Accounts payable & accrued expenses.....	19,028	16,181
Other liabilities.....	9,410	8,688
	438,136	414,974
Minority interest in joint venture.....	1,850	1,884
STOCKHOLDERS' EQUITY		
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.....	32,326	32,326
Common shares; \$.0001 par value; 68,080,000 shares authorized; 22,011,935 shares issued and outstanding at June 30, 2005 and 21,059,164 at December 31, 2004.....	2	2
Excess shares; \$.0001 par value; 30,000,000 shares authorized; no shares issued.....	-	-
Additional paid-in capital on common shares.....	391,198	357,011
Distributions in excess of earnings.....	(45,982)	(35,207)
Accumulated other comprehensive income.....	19	14
Unearned compensation.....	(2,486)	(2,340)
	375,077	351,806
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 815,063	768,664

See accompanying notes to consolidated financial statements.

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

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	2005	2004	2005	2004
REVENUES				
Income from real estate operations.....	\$ 31,121	27,858	61,320	55,209
Equity in earnings of unconsolidated investment.....	127	-	289	-
Mortgage interest income.....	79	-	198	-
Other.....	106	79	181	111
	31,433	27,937	61,988	55,320
EXPENSES				
Operating expenses from real estate operations.....	8,778	7,916	17,201	15,499
Interest.....	5,832	4,990	11,770	9,876
Depreciation and amortization.....	9,751	8,225	18,786	16,388
General and administrative.....	1,795	1,568	3,693	3,244
Minority interest in joint venture.....	114	123	243	244
	26,270	22,822	51,693	45,251
INCOME FROM CONTINUING OPERATIONS	5,163	5,115	10,295	10,069
DISCONTINUED OPERATIONS				
Income (loss) from real estate operations.....	(29)	105	(2)	163
Gain on sale of real estate investments.....	754	61	1,131	61
INCOME FROM DISCONTINUED OPERATIONS	725	166	1,129	224
NET INCOME	5,888	5,281	11,424	10,293
Preferred dividends-Series D.....	656	656	1,312	1,312
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 5,232	4,625	10,112	8,981
BASIC PER COMMON SHARE DATA				
Income from continuing operations.....	\$.21	.21	.42	.42
Income from discontinued operations.....	.03	.01	.05	.01
Net income available to common stockholders.....	\$.24	.22	.47	.43
Weighted average shares outstanding.....	21,755	20,745	21,326	20,716
DILUTED PER COMMON SHARE DATA				
Income from continuing operations.....	\$.21	.21	.42	.42
Income from discontinued operations.....	.03	.01	.05	.01
Net income available to common stockholders.....	\$.24	.22	.47	.43
Weighted average shares outstanding.....	22,073	21,142	21,638	21,128
Dividends declared per common share.....	\$.485	.480	.970	.960

See accompanying notes to consolidated financial statements.

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

	<i>Preferred Stock</i>	<i>Common Stock</i>	<i>Additional Paid-In Capital</i>	<i>Unearned Compensation</i>	<i>Distributions In Excess Of Earnings</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Total</i>
BALANCE, DECEMBER 31, 2004	\$ 32,326	2	357,011	(2,340)	(35,207)	14	351,806
Comprehensive income							
Net income.....	-	-	-	-	11,424	-	11,424
Net unrealized change in cash flow hedge.....	-	-	-	-	-	5	5
Total comprehensive income.....							<u>11,429</u>
Common dividends declared - \$.97 per share.....	-	-	-	-	(20,887)	-	(20,887)
Preferred stock dividends declared - \$.9938 per share....	-	-	-	-	(1,312)	-	(1,312)
Issuance of 860,000 shares of common stock, common stock offering.....	-	-	31,597	-	-	-	31,597
Stock-based compensation, net of forfeitures.....	-	-	2,417	(146)	-	-	2,271
Issuance of 4,600 shares of common stock, dividend reinvestment plan.....	-	-	183	-	-	-	183
Other.....	-	-	(10)	-	-	-	(10)
BALANCE, JUNE 30, 2005	<u>\$ 32,326</u>	<u>2</u>	<u>391,198</u>	<u>(2,486)</u>	<u>(45,982)</u>	<u>19</u>	<u>375,077</u>

See accompanying notes to consolidated financial statements.

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

	<i>Six Months Ended</i>	
	<i>June 30,</i>	
	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Net income	\$ 11,424	10,293
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization from continuing operations	18,786	16,388
Depreciation and amortization from discontinued operations	72	197
Minority interest depreciation and amortization	(70)	(71)
Gain on sale of real estate investments from discontinued operations	(1,131)	(61)
Stock-based compensation expense	1,004	597
Equity in earnings of unconsolidated investment net of distributions	41	-
Changes in operating assets and liabilities:		
Accrued income and other assets	(342)	(2,232)
Accounts payable, accrued expenses and prepaid rent	2,185	3,397
NET CASH PROVIDED BY OPERATING ACTIVITIES	31,969	28,508
INVESTING ACTIVITIES		
Real estate development	(25,587)	(6,386)
Purchases of real estate	(23,891)	(8,140)
Repayments on mortgage loans receivable	6,750	-
Distributions from unconsolidated investment	6,645	-
Proceeds from sale of real estate investments	5,795	746
Real estate improvements	(5,077)	(4,877)
Changes in other assets and other liabilities	(94)	(2,185)
NET CASH USED IN INVESTING ACTIVITIES	(35,459)	(20,842)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	71,417	65,476
Repayments on bank borrowings	(69,798)	(42,529)
Principal payments on mortgage notes payable	(7,935)	(6,837)
Debt issuance costs	(85)	(85)
Distributions paid to stockholders	(22,028)	(21,227)
Proceeds from common stock offering	31,597	-
Proceeds from exercise of stock options	1,218	1,286
Proceeds from dividend reinvestment plan	183	173
Other	(1,257)	(3,601)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,312	(7,344)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(178)	322
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,208	1,786
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,030	2,108
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest, net of amount capitalized of \$1,069 and \$910 for 2005 and 2004, respectively	\$ 11,413	9,543
Fair value of debt assumed by the Company in the purchase of real estate	26,057	2,091
Common stock awards issued to employees and directors, net of forfeitures	1,007	1,047

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 (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by 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 2004 annual report and the notes thereto.

(2) USE OF ESTIMATES

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

(3) RECLASSIFICATIONS

Certain reclassifications have been made in the 2004 financial statements to conform to the 2005 presentation.

(4) REAL ESTATE PROPERTIES

Geographically, the Company's investments are concentrated in major Sunbelt market areas of the United States, primarily in the states of Florida, Texas, California and Arizona. 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. Real estate properties to be held and used are reported at the lower of the carrying amount or fair value. Depreciation of buildings and other improvements, including personal property, is computed using the straight-line method over estimated useful lives of generally 40 years for buildings and 3 to 15 years for improvements and personal property. Building improvements are capitalized, while maintenance and repair expenses are charged to expense as incurred. Significant renovations and improvements that extend the useful life of or improve the assets are capitalized. Depreciation expense for continuing and discontinued operations was \$8,205,000 and \$15,969,000 for the three and six months ended June 30, 2005, respectively, and \$7,346,000 and \$14,641,000 for the same periods in 2004. The Company's real estate properties at June 30, 2005 and December 31, 2004 were as follows:

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
	<i>(In thousands)</i>	
Real estate properties:		
Land.....	\$ 148,372	139,857
Buildings and building improvements.....	633,656	595,852
Tenant and other improvements.....	123,849	109,430
Development.....	51,122	39,330
	<u>956,999</u>	<u>884,469</u>
Less accumulated depreciation.....	(189,797)	(174,662)
	<u>\$ 767,202</u>	<u>709,807</u>

(5) 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." Under SFAS No. 144, 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 December 31, 2004, the Company was offering for sale the Delp Distribution Center II in Memphis, Tennessee with a carrying value of \$1,662,000 and 6.87 acres of land in Houston, Texas and Tampa, Florida with a carrying amount of \$975,000. During the first quarter of 2005, the Company sold Delp II and generated a gain of \$377,000. During the second quarter of 2005, Lamar Distribution Center II was transferred to real estate held for sale and was subsequently sold, generating a gain of \$754,000. At June 30, 2005, the Houston and Tampa land with a total carrying value of \$975,000 was held for sale. No loss is anticipated on

the sale of the properties that are held for sale. The results of operations for the properties sold or held for sale during the periods reported are shown under *Discontinued Operations* on the consolidated income statement. No interest expense was allocated to the properties that are held for sale or whose operations are included under *Discontinued Operations* except for Lamar Distribution Center II, which mortgage was required to be paid in full upon the sale of the property. Accordingly, *Discontinued Operations* includes interest expense of \$32,000 and \$33,000 for the three months ended June 30, 2005 and 2004, respectively, and \$64,000 and \$66,000 for the six months ended June 30, 2005 and 2004, respectively.

(6) BUSINESS COMBINATIONS AND ACQUIRED INTANGIBLES

Upon acquisition of real estate properties, the Company applies the principles of SFAS No. 141, *Business Combinations*, to determine the allocation of the purchase price among the individual components of both the tangible and intangible assets based on their respective fair values. The allocation to tangible assets (land, building and improvements) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models.

Factors considered by management include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The remaining purchase price is allocated among three categories of intangible assets consisting of the above or below market component of in-place leases, the value of in-place leases and the value of customer relationships. The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above and below market leases are included in Other Assets and Other Liabilities, respectively, on the consolidated balance sheets and are amortized to rental income over the remaining terms of the respective leases. The total amount of intangible assets is further allocated to in-place lease values and to customer relationship values based upon management's assessment of their respective values. These intangible assets are included in Other Assets on the consolidated balance sheets and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable. Amortization expense for in-place lease intangibles was \$565,000 and \$1,000,000 for the three and six months ended June 30, 2005, respectively, and \$182,000 and \$372,000 for the same periods in 2004. Amortization of above and below market leases was immaterial for all periods presented.

Total cost of the properties acquired for the six months ended June 30, 2005 was \$49,727,000, of which \$45,415,000 was allocated to real estate properties. In accordance with SFAS No. 141, intangibles associated with the purchases of real estate were allocated as follows: \$4,235,000 to in-place lease intangibles and \$222,000 to above market leases (both included in Other Assets on the balance sheet) and \$145,000 to below market leases (included in Other Liabilities on the balance sheet). All of these costs are amortized over the remaining lives of the associated leases in place at the time of acquisition. The Company paid cash of \$23,670,000 for the properties and intangibles acquired, assumed mortgages of \$25,142,000 and recorded premiums totaling \$915,000 to adjust the mortgage loans assumed to fair market value.

The Company periodically reviews (at least annually) the recoverability of goodwill and (on a quarterly basis) the recoverability of other intangibles for possible impairment. In management's opinion, no material impairment of goodwill and other intangibles existed at June 30, 2005 and December 31, 2004.

(7) UNCONSOLIDATED INVESTMENT

In November 2004, the Company acquired a 50% undivided tenant-in-common interest in Industry Distribution Center II, a 309,000 square foot warehouse distribution building in the City of Industry (Los Angeles), California. The building was constructed in 1998 and is 100% leased for ten years to a single tenant who owns the other 50% interest in the property. This investment is accounted for under the equity method of accounting and had a carrying value of \$2,570,000 at June 30, 2005, a decrease of \$6,686,000 from \$9,256,000 at December 31, 2004. At the end of May 2005, EastGroup and the property co-owner closed a nonrecourse first mortgage loan secured by Industry Distribution Center II. The \$13.3 million loan has a fixed interest rate of 5.31%, a ten-year term and an amortization schedule of 25 years. EastGroup's 50% share of the loan proceeds (\$6.65 million) reduced the carrying value of the investment.

(8) MORTGAGE LOANS RECEIVABLE

In connection with the closing of the investment in Industry Distribution Center II, EastGroup advanced a total of \$7,550,000 in two separate notes to the property co-owner, one for \$6,750,000 and one for \$800,000. As discussed in Note 7, the Company and the property co-owner secured permanent fixed-rate financing on the investment in Industry Distribution Center II in May 2005. As part of this transaction, the loan proceeds payable to the property co-owner (\$6.65 million) were paid to EastGroup to reduce the \$6.75 million note. Also at the closing of the permanent financing, the co-owner repaid the remaining balance of \$100,000 on this note.

The interest rate on the \$800,000 note is 9% and interest is due monthly by the borrower. The principal amount of the \$800,000 note is due in three equal annual installments beginning in November of 2005 until maturity on November 14, 2007.

(9) OTHER ASSETS

A summary of the Company's Other Assets follows:

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
	<i>(In thousands)</i>	
Leasing costs (principally commissions), net of accumulated amortization.....	\$ 12,683	12,003
Deferred rent receivable, net of allowance for doubtful accounts.....	11,854	10,832
Accounts receivable, net of allowance for doubtful accounts.....	1,957	2,316
Acquired in-place lease intangibles, net of accumulated amortization.....	6,164	2,931
Goodwill.....	990	990
Prepaid expenses and other assets.....	8,838	9,134
	<u>\$ 42,486</u>	<u>38,206</u>

(10) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
	<i>(In thousands)</i>	
Property taxes payable.....	\$ 7,474	6,689
Development costs payable.....	3,125	921
Dividends payable.....	2,527	2,355
Other payables and accrued expenses.....	5,902	6,216
	<u>\$ 19,028</u>	<u>16,181</u>

(11) 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 six months ended June 30, 2005 are presented in the Company's Consolidated Statement of Changes in Stockholders' Equity and for the three and six months ended June 30, 2005 and 2004 are summarized below.

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>			
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):				
Balance at beginning of period.....	\$ 258	(294)	14	(30)
Change in fair value of interest rate swap.....	(239)	548	5	284
Balance at end of period.....	<u>\$ 19</u>	<u>254</u>	<u>19</u>	<u>254</u>

(12) 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 dividing net income available to common stockholders by the weighted average number of common shares outstanding plus the dilutive effect of nonvested restricted stock and stock options had the options been exercised. The dilutive effect of stock options and their equivalents (such as nonvested restricted stock) was determined using the treasury stock method which assumes exercise of the options as of the beginning of the period or when issued, if later, and assumes proceeds from the exercise of options are used to purchase common stock at the average market price during the period.

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

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	2005	2004	2005	2004
	<i>(In thousands)</i>			
BASIC EPS COMPUTATION				
Numerator-net income available to common stockholders.....	\$ 5,232	4,625	10,112	8,981
Denominator-weighted average shares outstanding.....	21,755	20,745	21,326	20,716
DILUTED EPS COMPUTATION				
Numerator-net income available to common stockholders.....	\$ 5,232	4,625	10,112	8,981
Denominator:				
Weighted average shares outstanding.....	21,755	20,745	21,326	20,716
Common stock options.....	169	187	168	214
Nonvested restricted stock.....	149	210	144	198
Total Shares.....	22,073	21,142	21,638	21,128

(13) COMMON STOCK ISSUANCE

On March 31, 2005, EastGroup closed the sale of 800,000 shares of its common stock. On May 2, 2005, the underwriter closed on the exercise of a portion of its over-allotment option and purchased 60,000 additional shares. Total net proceeds from the offering of the shares were approximately \$31.6 million after deducting the underwriting discount and other offering expenses.

(14) STOCK-BASED COMPENSATION

The Company has a management incentive plan which was adopted in 2004 (the "2004 Plan"), under which employees of the Company currently are issued common stock in the form of restricted stock and may, in the future, be issued other forms of stock-based compensation. The purpose of the restricted stock plan is to act as a retention device since it allows participants to benefit from dividends as well as potential stock appreciation. The 2004 Plan replaced the 1994 Plan, under which employees of the Company were also granted stock option awards, restricted stock and other forms of stock-based compensation. No further grants will be made under the 1994 Plan.

The Company accounts for restricted stock in accordance with SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of SFAS No. 123, Accounting for Stock-Based Compensation*, and accordingly, compensation expense is recognized over the expected vesting period using the straight-line method. The Company records the fair market value of the restricted stock to additional paid-in capital when the shares are granted and offsets unearned compensation by the same amount. The unearned compensation is amortized over the restricted period into compensation expense. Previously expensed stock-based compensation related to forfeited shares reduces compensation expense during the period in which the shares are forfeited. Stock-based compensation expense was \$556,000 and \$1,004,000 for the three and six months ended June 30, 2005, respectively, and \$294,000 and \$597,000 for the same periods in 2004. 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 are delivered to the employee as they vest.

During the six months ended June 30, 2005, the Company granted 33,446 shares of incentive restricted stock under these plans and 3,213 shares were forfeited. In addition, 18,765 common shares were issued to employees upon the exercise of stock options under the 1994 Plan.

Under the Directors Stock Option Plan, the Company granted 1,200 shares of common stock and 481 shares of restricted stock to directors and issued 37,750 shares to directors upon the exercise of stock options under this plan.

(15) SUBSEQUENT EVENTS

On July 1, 2005, EastGroup repaid two mortgages totaling \$11.5 million. The weighted average interest rate for these mortgages was 8.163%.

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

OVERVIEW

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

The Company primarily generates revenue by leasing space at its real estate properties. As such, EastGroup's greatest challenge is leasing space at competitive market rates. The Company's primary risks are leasing space, rental rates and tenant defaults. During the quarter ended June 30, 2005, leases on 862,000 square feet (4.1%) of EastGroup's total square footage of 21,187,000 expired, and the Company was successful in renewing or re-leasing 78% of that total. In addition, EastGroup leased 267,000 square feet of other vacant space during this period. During the second quarter of 2005, average rental rates on new and renewal leases increased by 2.5%.

During the six months ended June 30, 2005, leases on 2,108,000 square feet (10.0%) of EastGroup's total square footage of 21,187,000 expired, and the Company was successful in renewing or re-leasing 62% of that total. In addition, EastGroup leased 623,000 square feet of other vacant space during this period. During the six months ended June 30, 2005, average rental rates on new and renewal leases increased by 2.2%.

EastGroup's total leased percentage increased to 93.2% at June 30, 2005 from 92.6% at June 30, 2004. The expiring leases anticipated for the remainder of 2005 were 7.2% of the portfolio at June 30, 2005. Property net operating income from same properties increased 3.7% for the quarter ended June 30, 2005 and 3.4% for the six months as compared to the same periods in 2004. The second quarter of 2005 was EastGroup's eighth consecutive quarter of positive same property comparisons.

The Company generates new sources of leasing revenue through its acquisition and development programs. During the six months ended June 30, 2005, EastGroup purchased 113.5 acres of land for development and three properties (749,000 square feet) for approximately \$59 million. The Company transferred three properties (207,000 square feet) with aggregate costs of \$10.6 million at the date of transfer from development to real estate properties. The Company sold two properties during the first six months of 2005 for net proceeds of \$5.8 million, generating combined gains of \$1.1 million. These dispositions represented an opportunity to recycle capital into acquisitions and targeted development with greater upside potential. For 2005, the Company has projected \$25-30 million in new acquisitions (net of dispositions) and has identified approximately \$45-50 million of development opportunities.

In January 2005, EastGroup acquired Arion Business Park in San Antonio, Texas for a purchase price of \$40 million. Arion is a master-planned business park containing 524,000 square feet in 14 existing industrial buildings and 15.5 acres of land for the future development of approximately another 170,000 square feet. As part of the acquisition price, EastGroup assumed the outstanding first mortgage balance of \$20.5 million. This interest only, nonrecourse mortgage has a fixed rate of 5.99% and matures in December 2006. In applying purchase accounting to this assumed mortgage, the Company recorded a premium to reflect the fair market interest rate of 4.45%.

In March 2005, EastGroup acquired Interstate Distribution Center in Jacksonville, Florida for a purchase price of \$7.9 million. Interstate contains 181,000 square feet in two multi-tenant business distribution buildings. As part of the acquisition price, EastGroup assumed the outstanding first mortgage balance of \$4.6 million. This nonrecourse mortgage has a fixed interest rate of 6.91% and matures in 2013. In applying purchase accounting to this assumed mortgage, the Company recorded a premium to reflect the fair market interest rate of 5.64%.

In June 2005, EastGroup acquired Benan Distribution Center, a 44,000 square foot business distribution building in Tucson, Arizona, for a purchase price of \$2.7 million.

EastGroup continues to see targeted development as a major contributor to the Company's growth. The Company mitigates risks associated with development through a Board-approved maximum level of land held for development and adjusting development start dates according to leasing activity. In addition to the 15.5 acres of development land acquired with Arion, in January 2005, EastGroup purchased 32.2 acres adjacent to its Southridge development in Orlando for \$1.9 million, which is expected to increase the eventual build-out of Southridge by 275,000 square feet to a total of over one million square feet. In February 2005, the Company acquired 65.8 acres in Tampa for \$5.0 million. This represents all the remaining undeveloped industrial land in Oak Creek Business Park in which EastGroup currently owns two buildings. During the first six months of 2005, the Company transferred three properties (two 100% and one 92% leased) with an aggregate investment of approximately \$10.6 million from development to the operating portfolio.

The Company primarily funds its initial acquisition and development programs through a \$175 million line of credit (as discussed in *Liquidity and Capital Resources*). As market conditions permit, EastGroup issues equity, including preferred equity, and/or employs fixed-rate, nonrecourse first mortgage debt to replace the short-term bank borrowings. In addition to the mortgage loan assumptions on the purchases discussed above, the Company plans to obtain new fixed rate debt of approximately \$25 million during the fourth quarter of 2005.

At the end of May 2005, EastGroup and the property co-owner closed a nonrecourse first mortgage loan secured by Industry Distribution Center II in Los Angeles. The Company has a 50% undivided tenant-in-common interest in the 309,000 square foot warehouse. The \$13.3 million loan has a fixed interest rate of 5.31%, a ten-year term and an amortization schedule of 25 years. As part of this transaction, the loan proceeds payable to the property co-owner (\$6.65 million) were paid to EastGroup to reduce the \$6.75 million note that the Company advanced to the property co-owner in November 2004 related to the property's acquisition. Also at the closing of the permanent financing, the co-owner repaid the remaining balance of \$100,000 on this note. The total proceeds of \$13.3 million were used to reduce EastGroup's outstanding variable rate bank debt.

On March 31, 2005, EastGroup closed the sale of 800,000 shares of its common stock. On May 2, 2005, the underwriter closed on the exercise of a portion of its over-allotment option and purchased 60,000 additional shares. Total net proceeds from the offering of the shares were approximately \$31.6 million after deducting the underwriting discount and other offering expenses.

Tower Automotive, Inc. (Tower) filed for Chapter 11 reorganization on February 2, 2005. Tower, which leases 210,000 square feet from EastGroup under a lease expiring in December 2010, is current with their rental payments to EastGroup through August 2005. EastGroup is obligated under a recourse mortgage loan on the property for \$10,485,000 as of June 30, 2005. Property net operating income for 2004 was \$1,369,000. Rental income due for 2005 is \$1,389,000 with estimated property net operating income budgeted for 2005 of \$1,372,000. Property net operating income for the first six months of 2005 was \$686,000.

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

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

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

The Company believes FFO is an appropriate measure of performance for equity real estate investment trusts. The Company believes that excluding depreciation and amortization in the calculation of FFO is appropriate since real estate values have historically increased or decreased based on market conditions. FFO is not considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance, 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 Company's key drivers affecting FFO are changes in PNOI (as discussed above), interest rates, the amount of leverage the Company employs and general and

administrative expense. The following table presents on a comparative basis for the three and six months ended June 30, 2005 and 2004 reconciliations of PNOI and FFO Available to Common Stockholders to Net Income.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
<i>(In thousands, except per share data)</i>				
Income from real estate operations.....	\$ 31,121	27,858	61,320	55,209
Operating expenses from real estate operations.....	(8,778)	(7,916)	(17,201)	(15,499)
PROPERTY NET OPERATING INCOME	22,343	19,942	44,119	39,710
Equity in earnings of unconsolidated investment (before depreciation).....	164	—	363	—
Income from discontinued operations (before depreciation and amortization)...	7	202	70	360
Mortgage interest income.....	79	—	198	—
Other income.....	106	79	181	111
Interest expense.....	(5,832)	(4,990)	(11,770)	(9,876)
General and administrative expense.....	(1,795)	(1,568)	(3,693)	(3,244)
Minority interest in earnings (before depreciation and amortization).....	(149)	(159)	(313)	(315)
Dividends on Series D preferred shares.....	(656)	(656)	(1,312)	(1,312)
FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS	14,267	12,850	27,843	25,434
Depreciation and amortization from continuing operations.....	(9,751)	(8,225)	(18,786)	(16,388)
Depreciation and amortization from discontinued operations.....	(36)	(97)	(72)	(197)
Depreciation from unconsolidated investment.....	(37)	—	(74)	—
Share of joint venture depreciation and amortization.....	35	36	70	71
Gain on sale of depreciable real estate investments.....	754	61	1,131	61
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	5,232	4,625	10,112	8,981
Dividends on preferred shares.....	656	656	1,312	1,312
NET INCOME	\$ 5,888	5,281	11,424	10,293
Net income available to common stockholders per diluted share.....	\$.24	.22	.47	.43
Funds from operations available to common stockholders per diluted share.....	.65	.61	1.29	1.20
Diluted shares for earnings per share and funds from operations.....	22,073	21,142	21,638	21,128

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

- The FFO change per share represents the increase or decrease in FFO per share from the same quarter in the current year compared to the prior year. FFO per share for the second quarter of 2005 was \$.65 per share compared with \$.61 per share for the same period of 2004, an increase of 6.6%. The increase in FFO for the second quarter was primarily due to higher PNOI of \$2,401,000, a 12.0% increase in PNOI. The increase in PNOI resulted from \$1,189,000 attributable to 2004 and 2005 acquisitions, \$472,000 from newly developed properties and \$740,000 from same property growth. FFO per share increased for the first quarter of 2005, both the third and fourth quarters of 2004 and for the year 2004. The second quarter of 2004 was the same as the prior year's second quarter. These results are a key improvement over the previous eight quarters ended March 31, 2004 in which the change was negative (FFO per share decreased).

For the six months ended June 30, 2005, FFO was \$1.29 per share compared with \$1.20 for the same period of 2004, an increase of 7.5%. The increase in FFO for 2005 was primarily due to higher PNOI of \$4,409,000 (an 11.1% increase in PNOI). The increase in PNOI resulted from \$2,301,000 attributable to 2004 and 2005 acquisitions, \$770,000 from newly developed properties and \$1,338,000 from same property growth.

- Same property net operating income change represents the PNOI increase or decrease for operating properties owned during the entire current period and prior year reporting period. PNOI from same properties increased 3.7% for the quarter ended June 30, 2005. The second quarter of 2005 was the eighth consecutive quarter of positive results. For the six months ended June 30, 2005, PNOI from same properties increased 3.4%. The Company is continuing to see improvement which results from increases in occupancy more than offsetting the decrease in rental rates on lease renewals and new leasing.

- Occupancy is the percentage of total leasable square footage for which the lease term has commenced as of the close of the reporting period. Occupancy at June 30, 2005 was 91.8%, an increase from March 31, 2005 occupancy of 91.2% and a decrease from December 31, 2004 occupancy of 93.2%, which included several seasonal tenant leases. Occupancy has ranged from 90% to 93% for thirteen straight quarters.
- Rental rate change represents the rental rate increase or decrease on new leases compared to expiring leases on the same space. Rental rate increases on new and renewal leases averaged 2.5% for the quarter and 2.2% for the six months ended June 30, 2005.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Real Estate Properties

In accordance with SFAS No. 141, "Business Combinations," the Company allocates the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values. The allocation to tangible assets (land, building and improvements) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models. Factors considered by management include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The remaining purchase price is allocated among three categories of intangible assets consisting of the above or below market component of in-place leases, the value of in-place leases and the value of customer relationships. The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above and below market leases are included in Other Assets and Other Liabilities, respectively, on the consolidated balance sheets and are amortized to rental income over the remaining terms of the respective leases. The total amount of intangible assets is further allocated to in-place lease values and to customer relationship values based upon management's assessment of their respective values. These intangible assets are included in Other Assets on the consolidated balance sheets and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable.

During the industrial development stage, costs associated with development (i.e., land, construction costs, interest expense during construction and lease-up, property taxes and other direct 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.

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

Valuation of Receivables

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

Tax Status

EastGroup, a Maryland corporation, has qualified as a real estate investment trust under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the Company is required to distribute at least 90% of its ordinary taxable income to its stockholders. The Company has the option of (i) reinvesting the sales price of properties sold through tax-deferred exchanges, allowing for a deferral of capital gains on the sale, (ii) paying out capital gains to the stockholders with no tax to the Company, or (iii) treating the capital gains as having been distributed to the stockholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the stockholders. The Company distributed all of its 2004 taxable income to its stockholders and expects to distribute all of its taxable income in 2005. Accordingly, no provision for income taxes was necessary in 2004, nor is it expected to be necessary for 2005.

FINANCIAL CONDITION

(Comments are for the balance sheets dated June 30, 2005 and December 31, 2004.)

EastGroup's assets were \$815,063,000 at June 30, 2005, an increase of \$46,399,000 from December 31, 2004. Liabilities increased \$23,162,000 to \$438,136,000 and stockholders' equity increased \$23,271,000 to \$375,077,000 during the same period. The paragraphs that follow explain these changes in detail.

ASSETS

Real Estate Properties

Real estate properties increased \$60,738,000 during the six months ended June 30, 2005. This increase was primarily due to the purchase of three properties for total costs of \$45,415,000 and the transfer of three properties from development with total costs of \$10,594,000, as detailed below.

<i>Real Estate Properties Acquired in 2005</i>	<i>Location</i>	<i>Size</i> <i>(Square feet)</i>	<i>Date Acquired</i>	<i>Cost</i> ⁽¹⁾ <i>(In thousands)</i>
Arion Business Park	San Antonio, TX	524,000	01-21-05	\$ 35,288
Interstate Distribution Center.....	Jacksonville, FL	181,000	03-31-05	7,578
Benan Distribution Center.....	Tucson, AZ	44,000	06-15-05	2,549
Total Acquisitions.....		<u>749,000</u>		<u>\$ 45,415</u>

- (1) Total cost of the properties acquired was \$49,727,000, of which \$45,415,000 was allocated to real estate properties as indicated above. In accordance with SFAS No. 141, "Business Combinations," intangibles associated with the purchases of real estate were allocated as follows: \$4,235,000 to in-place lease intangibles and \$222,000 to above market leases (both included in Other Assets on the consolidated balance sheet) and \$145,000 to below market leases (included in Other Liabilities on the consolidated balance sheet). All of these costs are amortized over the remaining lives of the associated leases in place at the time of acquisition. The Company paid cash of \$23,670,000 for the properties and intangibles acquired, assumed mortgages totaling \$25,142,000 and recorded premiums totaling \$915,000 to adjust the mortgage loans assumed to fair market value.

<i>Real Estate Properties Transferred from Development in 2005</i>	<i>Location</i>	<i>Size</i> <i>(Square feet)</i>	<i>Date Transferred</i>	<i>Cost at Transfer</i> <i>(In thousands)</i>
Santan 10.....	Chandler, AZ	65,000	01-31-05	\$ 3,493
Sunport Center V.....	Orlando, FL	63,000	01-31-05	3,259
Palm River South I.....	Tampa, FL	79,000	05-31-05	3,842
Total Developments Transferred.....		<u>207,000</u>		<u>\$ 10,594</u>

In addition to acquisitions and development in 2005, the Company made capital improvements of \$5,077,000 on existing and acquired properties (shown by category in the *Capital Expenditures* table under *Results of Operations*). The Company also acquired one parcel of land for additional parking at an existing property for \$221,000. Also, the Company incurred costs of \$3,201,000 on development properties that had transferred to real estate properties; the Company records these expenditures as development costs during the 12-month period following transfer.

Real estate properties decreased \$3,770,000 for one property that transferred to real estate held for sale during 2005, which was subsequently sold.

Development

The investment in development at June 30, 2005 was \$51,122,000 compared to \$39,330,000 at December 31, 2004. Total incremental capital investment for development for the first six months of 2005 was \$25,587,000. In addition to the costs of \$22,386,000 incurred for the six months ended June 30, 2005 as detailed in the following table, the Company incurred costs of \$3,201,000 on developments during the 12-month period following transfer to real estate properties.

In January, EastGroup acquired 15.5 acres of development land (\$2.1 million) as part of the Arion Business Park purchase. Also in January, EastGroup purchased 32.2 acres adjacent to its Southridge development in Orlando for \$1.9 million, which is expected to increase the eventual build-out of Southridge by 275,000 square feet to a total of over one million square feet. In February 2005, the Company acquired 65.8 acres in Tampa for \$5.0 million. This represents all the remaining undeveloped industrial land in Oak Creek Business Park in which EastGroup currently owns two buildings. Costs associated with these land acquisitions are all included in the respective markets below.

The Company transferred three developments (two 100% and one 92% leased) to real estate properties during the first six months of 2005 with a total investment of \$10,594,000 as of the date of transfer.

DEVELOPMENT	Size (Square feet)	Costs Incurred			Estimated Total Costs ⁽¹⁾
		Costs Transferred In 2005	For the Six Months Ended 6/30/05	Cumulative as of 6/30/05	
LEASE-UP					
World Houston 16, Houston, TX.....	94,000	\$ —	1,111	4,378	5,100
Executive Airport CC II, Fort Lauderdale, FL.....	55,000	—	781	3,752	4,200
Southridge I, Orlando, FL.....	41,000	—	1,366	2,210	3,900
Southridge V, Orlando, FL.....	70,000	—	2,048	3,330	4,600
Total Lease-up.....	260,000	—	5,306	13,670	17,800
UNDER CONSTRUCTION					
Techway SW III, Houston, TX.....	100,000	1,150	1,616	2,766	5,700
Palm River South II, Tampa, FL.....	82,000	1,457	1,379	2,836	4,500
Sunport Center VI, Orlando, FL.....	63,000	1,044	1,523	2,567	3,800
World Houston 15, Houston, TX.....	63,000	1,007	—	1,007	5,800
World Houston 21, Houston, TX.....	68,000	569	—	569	3,800
Total Under Construction.....	376,000	5,227	4,518	9,745	23,600
PROSPECTIVE DEVELOPMENT (PRIMARY LAND)					
Phoenix, AZ.....	213,000	—	162	2,358	11,400
Tucson, AZ.....	70,000	—	—	326	3,500
Tampa, FL.....	600,000	(1,457)	5,124	5,124	29,000
Orlando, FL.....	925,000	(1,044)	3,816	9,938	68,500
West Palm Beach, FL.....	20,000	—	32	510	2,300
El Paso, TX.....	251,000	—	—	2,444	9,600
Houston, TX.....	399,000	(2,726)	259	4,099	20,300
San Antonio, TX.....	171,000	—	2,203	2,203	12,400
Jackson, MS.....	28,000	—	124	705	2,000
Total Prospective Development.....	2,677,000	(5,227)	11,720	27,707	159,000
	3,313,000	\$ —	21,544	51,122	200,400
DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL ESTATE PROPERTIES DURING THE SIX MONTHS ENDED JUNE 30, 2005					
Palm River South I, Tampa, FL.....	79,000	\$ —	650	3,842	
Santan 10, Chandler, AZ.....	65,000	—	187	3,493	
Sunport Center V, Orlando, FL.....	63,000	—	5	3,259	
Total Transferred to Real Estate Properties.....	207,000	\$ —	842	10,594 ⁽²⁾	

(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.

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

Accumulated depreciation on real estate properties increased \$15,135,000 due to depreciation expense of \$15,969,000 on real estate properties, offset by accumulated depreciation of \$834,000 on one property transferred to real estate held for sale in 2005 as discussed below.

Real estate held for sale was \$975,000 at June 30, 2005 and \$2,637,000 at December 31, 2004. Delp Distribution Center II that was transferred to real estate held for sale in 2004 was sold at the end of February 2005. Lamar Distribution Center II was transferred from the portfolio in the second quarter of 2005 and was subsequently sold during the same period. The sale of Delp II and Lamar II reflects the Company's strategy of reducing ownership in Memphis, a noncore market, as market conditions permit. See *Results of Operations* for a summary of the gains on the sale of these properties.

At the end of May 2005, EastGroup and the property co-owner closed a nonrecourse first mortgage loan secured by Industry Distribution Center II in Los Angeles. The Company has a 50% undivided tenant-in-common interest in the 309,000 square foot warehouse. The \$13.3 million loan has a fixed interest rate of 5.31%, a ten-year term and an amortization schedule of 25 years. As part of this transaction, the loan proceeds payable to the property co-owner (\$6.65 million) were paid to EastGroup to reduce the \$6.75 million note that the Company advanced to the property co-owner in November 2004 related to the property's acquisition.

Also at the closing, the co-owner repaid the remaining balance of \$100,000 on this note. The total proceeds of \$13.3 million were used to reduce EastGroup's outstanding variable rate bank debt.

A summary of the changes in Other Assets is presented in Note 9 in the Notes to the Consolidated Financial Statements.

LIABILITIES

Mortgage notes payable increased \$17,974,000 during the six months ended June 30, 2005 primarily due to the assumption of two mortgages totaling \$25,142,000 on the acquisitions of Arion Business Park and Interstate Distribution Center. The Company recorded premiums totaling \$915,000 to adjust the mortgage loans assumed to fair value. These premiums are being amortized over the remaining lives of the associated mortgages. These increases were offset by regularly scheduled principal payments of \$3,783,000, the repayments of an 8.0% mortgage of \$2,371,000 and a 6.9% mortgage of \$1,781,000, and mortgage loan premium amortization of \$148,000.

Notes payable to banks increased \$1,619,000 as a result of advances of \$71,417,000 exceeding repayments of \$69,798,000. The Company's credit facilities are described in greater detail under *Liquidity and Capital Resources*.

See Note 10 in the Notes to the Consolidated Financial Statements for a summary of changes in Accounts Payable and Accrued Expenses. The increase of \$722,000 in Other Liabilities was primarily due to recording tenant security deposits and other liabilities for acquired properties.

STOCKHOLDERS' EQUITY

Distributions in excess of earnings increased \$10,775,000 as a result of dividends on common and preferred stock of \$22,199,000 exceeding net income for financial reporting purposes of \$11,424,000.

On March 31, 2005, EastGroup closed the sale of 800,000 shares of its common stock. On May 2, 2005, the underwriter closed on the exercise of a portion of its over-allotment option and purchased 60,000 additional shares. Total net proceeds from the offering of the shares were \$31,597,000 after deducting the underwriting discount and other offering expenses.

RESULTS OF OPERATIONS

(Comments are for the three and six months ended June 30, 2005 compared to the three and six months ended June 30, 2004.)

Net income available to common stockholders for the three and six months ended June 30, 2005 was \$5,232,000 (\$.24 per basic and diluted share) and \$10,112,000 (\$.47 per basic and diluted share) compared to \$4,625,000 (\$.22 per basic and diluted share) and \$8,981,000 (\$.43 per basic and diluted share) for the three and six months ended June 30, 2004. The primary contributor to the increase in earnings per share for the three month period was higher PNOI of \$2,401,000, or 12.0%. This increase in PNOI resulted from \$1,189,000 attributable to 2004 and 2005 acquisitions, \$472,000 from newly developed properties and \$740,000 from same property growth. The increase in PNOI for the six month period was \$4,409,000, or 11.1%. The increase in PNOI resulted from \$2,301,000 attributable to 2004 and 2005 acquisitions, \$770,000 from newly developed properties and \$1,338,000 from same property growth. These increases in PNOI were offset by increased depreciation and amortization expense and other costs as discussed below.

The Company's 50% undivided tenant-in-common interest in Industry Distribution Center II generated equity in earnings of \$127,000 and \$289,000 for the three and six months ended June 30, 2005 (PNOI of \$199,000 and \$398,000 for the three and six month periods). EastGroup also earned \$79,000 and \$198,000 for the three and six months ended June 30, 2005 in mortgage loan interest income on the advances that the Company made to the property co-owner in connection with the closing of this property. The \$6,750,000 mortgage loan receivable was repaid by the property co-owner at the end of May 2005; the \$800,000 loan is scheduled for repayment as discussed in Note 8 in the Notes to the Consolidated Financial Statements.

Interest costs incurred during the period of construction of real estate properties are capitalized and offset against interest expense. The increases in mortgage interest expense in 2005 were primarily due to a \$30,300,000 new mortgage that the Company obtained in September 2004, the \$20,500,000 loan assumed on the acquisition of Arion Business Park in January 2005 and the \$4,642,000 mortgage assumed on the acquisition of Interstate Distribution Center in March 2005. Mortgage principal payments were \$3,607,000 and \$7,935,000 for the three and six months ended June 30, 2005 and \$1,854,000 and \$6,837,000 for the same periods of 2004. The Company has taken advantage of the lower available interest rates in the market during the past several years and has fixed several new large mortgages at rates deemed by management to be attractive, thereby lowering the weighted average interest rates on mortgage debt from 6.89% at June 30, 2004 to 6.68% at June 30, 2005. This strategy has also reduced the Company's exposure to changes in variable floating bank rates as the proceeds from the mortgages were used to reduce short-term bank borrowings.

The following table presents the components of interest expense for the three and six months ended June 30, 2005 and 2004.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2005	2004	Increase (Decrease)	2005	2004	Increase (Decrease)
<i>(In thousands, except rates of interest)</i>						
Average bank borrowings.....	\$ 87,922	67,554	20,368	96,087	62,640	33,447
Weighted average variable interest rates.....	4.33%	2.40%		4.09%	2.39%	
VARIABLE RATE INTEREST EXPENSE						
Variable rate interest (excluding loan cost amortization).....	949	402	547	1,947	745	1,202
Amortization of bank loan costs.....	89	102	(13)	178	204	(26)
Total variable rate interest expense.....	1,038	504	534	2,125	949	1,176
FIXED RATE INTEREST EXPENSE ⁽¹⁾						
Fixed rate interest (excluding loan cost amortization).....	5,249	4,791	458	10,489	9,628	861
Amortization of mortgage loan costs.....	113	105	8	225	209	16
Total fixed rate interest expense.....	5,362	4,896	466	10,714	9,837	877
Total interest.....	6,400	5,400	1,000	12,839	10,786	2,053
Less capitalized interest.....	(568)	(410)	(158)	(1,069)	(910)	(159)
TOTAL INTEREST EXPENSE	\$ 5,832	4,990	842	11,770	9,876	1,894

(1) Does not include interest expense for discontinued operations. See Note 5 in the Notes to the Consolidated Financial Statements for this information.

Depreciation and amortization increased \$1,526,000 and \$2,398,000 for the three and six months ended June 30, 2005, compared to the same periods in 2004. These increases were primarily due to properties acquired and properties transferred from development during 2004 and 2005.

The increases in general and administrative expenses of \$227,000 and \$449,000 for the three and six months ended June 30, 2005 compared to the same periods in 2004 were primarily from increased accounting costs associated with compliance of the Sarbanes-Oxley Act of 2002 and increased compensation costs, mainly due to the Company achieving goals in its stock-based incentive plans.

NAREIT has recommended supplemental disclosures concerning straight-line rent, capital expenditures and leasing costs. Straight-lining of rent increased income by \$574,000 and \$1,031,000 for the three and six months ended June 30, 2005, compared to \$879,000 and \$1,782,000 for the same periods in 2004.

Capital Expenditures

Capital expenditures for the three and six months ended June 30, 2005 and 2004 were as follows:

	Estimated Useful Life	Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
<i>(In thousands)</i>					
Upgrade on Acquisitions.....	40 yrs	\$ 37	15	54	38
Tenant Improvements:					
New Tenants.....	Lease Life	1,278	1,145	2,121	2,205
New Tenants (<i>first generation</i>) ⁽¹⁾	Lease Life	162	378	410	874
Renewal Tenants.....	Lease Life	498	417	633	549
Other:					
Building Improvements.....	5-40 yrs	509	450	764	544
Roofs.....	5-15 yrs	113	172	127	582
Parking Lots.....	3-5 yrs	647	68	801	68
Other.....	5 yrs	141	2	167	17
Total capital expenditures.....		\$ 3,385	2,647	5,077	4,877

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

Capitalized Leasing Costs

The Company's leasing costs (principally commissions) are capitalized and included in Other Assets. The costs are amortized over the terms of the associated leases and are included in depreciation and amortization expense. Capitalized leasing costs for the three and six months ended June 30, 2005 and 2004 were as follows:

	Estimated Useful Life	Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
(In thousands)					
Development.....	Lease Life	\$ 448	248	800	289
New Tenants.....	Lease Life	612	438	954	964
New Tenants (first generation) ⁽¹⁾	Lease Life	—	—	49	81
Renewal Tenants.....	Lease Life	449	354	814	629
Total capitalized leasing costs.....		\$ 1,509	1,040	2,617	1,963
Amortization of leasing costs ⁽²⁾		\$ 1,017	794	1,889	1,572

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

(2) Includes discontinued operations.

Discontinued Operations

In February 2005, the Company sold Delp Distribution Center II (102,000 square feet) in Memphis for net proceeds of \$2,085,000 and recognized a gain of \$377,000. In June 2005, the Company sold Lamar Distribution Center II (151,000 square feet), also in Memphis, for net proceeds of \$3,710,000 and recognized a gain of \$754,000. The operations, including interest expense (if applicable), and gains on the sale of these properties are recorded under *Discontinued Operations* in accordance with SFAS No. 144 for both 2005 and 2004. Income from discontinued operations for 2004 also includes the operations of the properties that were sold during 2004.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 153, *Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29*. This new standard is the result of a broader effort by the FASB to improve financial reporting by eliminating differences between GAAP in the United States and GAAP developed by the International Accounting Standards Board (IASB). As part of this effort, the FASB and the IASB identified opportunities to improve financial reporting by eliminating certain narrow differences between their existing accounting standards. Statement 153 amends APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, which was issued in 1973. The amendments made by Statement 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have "commercial substance." Previously, Opinion 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. The provisions in Statement 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company's adoption of this Statement in June 2005 had no impact on its overall financial position or results of operation as the Company had no nonmonetary asset exchanges during the second quarter nor does it expect to have nonmonetary asset exchanges in the immediate future.

The FASB has issued SFAS No. 123 (Revised 2004), *Share-Based Payment*. The new FASB rule requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Statement 123R represents the culmination of a two-year effort to respond to requests from investors and many others that the FASB improve the accounting for share-based payment arrangements with employees. Public entities (other than those filing as small business issuers) will be required to apply Statement 123R as of the first annual reporting period that begins after June 15, 2005, or January 1, 2006 for EastGroup. Early adoption of the Statement is encouraged. Effective January 1, 2002, the Company adopted the fair value recognition provisions of SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of SFAS No. 123, 'Accounting for Stock-Based Compensation,'" prospectively to all awards granted, modified, or settled after January 1, 2002. The Company has evaluated the potential impact of the adoption of SFAS 123R in 2006 and expects such adoption to have little or no impact on its overall financial position or results of operation.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$31,969,000 for the six months ended June 30, 2005. The primary other sources of cash were from bank borrowings, proceeds from a common stock offering, repayments on a mortgage loan receivable, distributions

from an unconsolidated investment (primarily EastGroup's 50% share of loan proceeds) and the sale of real estate properties. The Company distributed \$20,716,000 in common and \$1,312,000 in preferred stock dividends during the six months ended June 30, 2005. Other primary uses of cash were for bank debt repayments, construction and development of properties, purchases of real estate properties, mortgage note payments and capital improvements at various properties.

Total debt at June 30, 2005 and December 31, 2004 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 June 30, 2005 and December 31, 2004.

	<i>June 30, 2005</i>	<i>December 31, 2004</i>
	<i>(In thousands)</i>	
Mortgage notes payable – fixed rate.....	\$ 321,648	303,674
Bank notes payable – floating rate.....	88,050	86,431
Total debt.....	<u>\$ 409,698</u>	<u>390,105</u>

The Company has a three-year, \$175 million unsecured revolving credit facility with a group of nine banks that matures in January 2008. The Company customarily uses this line of credit for acquisitions and developments. The interest rate on the facility is based on the LIBOR index and varies according to debt-to-total asset value ratios, with an annual facility fee of 20 basis points. EastGroup's interest rate under this facility is LIBOR plus .95%, except that it may be lower based upon the competitive bid option in the note (the Company was first eligible under this facility to exercise its option to solicit competitive bid offers in June 2005). The line of credit can be expanded by \$100 million and has a one-year extension at EastGroup's option. At June 30, 2005, the interest rate was 4.08% on a balance of \$76,000,000. The interest rate on each tranche is currently reset on a monthly basis two days before the effective date. At August 5, 2005, the balance on this line was comprised of a \$53 million tranche at 4.46%, which was set on July 28, 2005, and \$42 million in competitive bid loans at a weighted average rate of 4.09%, which was set on August 3, 2005.

The Company has a one-year \$20 million unsecured revolving credit facility with PNC Bank, N.A. that matures in December 2005, which the Company customarily uses for working cash needs. 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 1.10%. At June 30, 2005, the interest rate was 4.44% on \$12,050,000.

On March 31, 2005, EastGroup closed the sale of 800,000 shares of its common stock. On May 2, 2005, the underwriter closed on the exercise of a portion of its over-allotment option and purchased 60,000 additional shares. Total net proceeds from the offering of the shares were approximately \$31.6 million after deducting the underwriting discount and other offering expenses. The Company used the net proceeds from this offering for general corporate purposes, including acquisition and development of industrial properties and repayment of fixed rate debt maturing in 2005.

At the end of May 2005, EastGroup and the property co-owner closed a nonrecourse first mortgage loan secured by Industry Distribution Center II in Los Angeles. The Company has a 50% undivided tenant-in-common interest in the 309,000 square foot warehouse. The \$13.3 million loan has a fixed interest rate of 5.31%, a ten-year term and an amortization schedule of 25 years. As part of this transaction, the loan proceeds payable to the property co-owner (\$6.65 million) were paid to EastGroup to reduce the \$6.75 million note that the Company advanced to the property co-owner in November 2004 related to the property's acquisition. Also at the closing, the co-owner repaid the remaining balance of \$100,000 on this note. The total proceeds of \$13.3 million were used to reduce EastGroup's outstanding variable rate bank debt.

On July 1, 2005, EastGroup repaid two mortgages totaling \$11.5 million. The weighted average interest rate for these mortgages was 8.163%.

Contractual Obligations

EastGroup's fixed, noncancelable obligations as of December 31, 2004 did not materially change during the six months ended June 30, 2005 except for the purchase obligations which were fulfilled upon the closings of Arion Business Park and the two parcels of land and the net increases in mortgage notes and bank notes payable as described above.

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, both in the short- and long-term.

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

	Jul-Dec						Total	Fair Value
	2005	2006	2007	2008	2009	Thereafter		
Fixed rate debt ⁽¹⁾ (in thousands).....	\$ 18,101	43,777	22,035	8,175	38,089	191,471	321,648	342,608 ⁽²⁾
Weighted average interest rate.....	7.86%	6.82%	7.51%	6.65%	6.76%	6.43%	6.68%	
Variable rate debt (in thousands).....	12,050	—	—	76,000	—	—	88,050	88,050
Weighted average interest rate.....	4.44%	—	—	4.08%	—	—	4.13%	

(1) 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%.

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

As the table above incorporates only those exposures that existed as of June 30, 2005, it does not consider those exposures or positions that could arise after that date. The ultimate impact of interest rate fluctuations on the Company 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 41 basis points, interest expense and cash flows would increase or decrease by approximately \$364,000 annually.

The Company has an interest rate swap agreement to hedge its exposure to the variable interest rate on the Company's \$10,485,000 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		Reference Rate	Fixed Rate	Fair Market Value	Fair Market Value
	Amount	Maturity Date			at 6/30/05	at 12/31/04
		(In thousands)				
Swap	\$10,485	12/31/10	1 month LIBOR	4.03%	\$19	\$14

FORWARD-LOOKING STATEMENTS

In addition to historical information, certain sections of this report 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, anticipations, intentions, beliefs, budgets, 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.

(i) Disclosure Controls and Procedures.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2005, the Company's disclosure controls and procedures were effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

(ii) Changes in Internal Control Over Financial Reporting.

There was no change in the Company's internal control over financial reporting during the Company's second fiscal quarter ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

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

On June 2, 2005, the Registrant held its Annual Meeting of Shareholders. At the Annual Meeting, D. Pike Aloian, H.C. Bailey, Jr., Hayden C. Eaves III, Fredric H. Gould, David H. Hoster II, David M. Osnos and Leland R. Speed were elected directors of the Registrant, each to serve until the 2006 Annual Meeting. The following is a summary of the voting for directors:

<i>Nominee</i>	<i>Common Stock</i>	
	<i>Vote For</i>	<i>Vote Withheld</i>
D. Pike Aloian	19,947,233	213,921
H.C. Bailey, Jr.	19,878,827	282,327
Hayden C. Eaves III	19,966,671	194,483
Fredric H. Gould	19,952,278	208,876
David H. Hoster II	19,990,365	170,789
David M. Osnos	19,740,077	421,077
Leland R. Speed	19,976,913	184,241

At the same meeting, shareholders were asked to vote on a proposal to ratify the adoption of the EastGroup Properties, Inc. 2005 Directors Equity Incentive Plan. The Plan authorizes the issuance of up to 50,000 shares of common stock pursuant to awards granted to directors of the Company. The following is a summary of the voting:

	<i>Vote For</i>	<i>Vote Against</i>	<i>Abstain</i>	<i>No Vote</i>
Ratification of 2005 Directors Equity Incentive Plan:	10,975,447	5,395,296	134,488	3,663,812

ITEM 6. EXHIBITS.

(a) Form 10-Q Exhibits:

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

- (a) David H. Hoster II, Chief Executive Officer
- (b) N. Keith McKey, Chief Financial Officer

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

- (a) David H. Hoster II, Chief Executive Officer
- (b) N. Keith McKey, Chief Financial Officer

SIGNATURES

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

Date: August 5, 2005

EASTGROUP PROPERTIES, INC.

By: /s/ BRUCE CORKERN

Bruce Corkern, CPA
Senior Vice President, Chief Accounting Officer
and Controller

By: /s/ N. KEITHMCKEY

N. Keith McKey, CPA
Executive Vice President, Chief Financial Officer,
Secretary and Treasurer

**Certification of Chief Executive Officer
EastGroup Properties, Inc.**

Exhibit 31(a)

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's 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
 - d) 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.

By: /s/ DAVID H. HOSTER II
DAVID H. HOSTER II
Chief Executive Officer
August 5, 2005

**Certification of Chief Financial Officer
EastGroup Properties, Inc.**

Exhibit 31(b)

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's 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
 - d) 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.

By: /s/ N. KEITH MCKEY

N. KEITH MCKEY

Chief Financial Officer

August 5, 2005

**Certification of Chief Executive Officer
EastGroup Properties, Inc.**

Exhibit 32(a)

In connection with the quarterly report of EastGroup Properties, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2005 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

August 5, 2005

**Certification of Chief Financial Officer
EastGroup Properties, Inc.**

Exhibit 32(b)

In connection with the quarterly report of EastGroup Properties, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2005 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
August 5, 2005