EASTGROUP PROPERTIES INC
Form 10-K
February 27, 2009

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 COMMISSION FILE NUMBER 1-07094

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

MARYLAND	13-2711135
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

190 EAST CAPITOL STREET SUITE 400 JACKSON, MISSISSIPPI	39201
(Address of principal executive offices)	(Zip code)

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

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

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

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

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

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer (x) Accelerated Filer ( ) Non-accelerated Filer ( )
Smaller Reporting Company ( )

Indicate by check mark whether the Registrant is a shell company (as defined in

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2008, the last business day of the Registrant's most recently completed second fiscal quarter: $1,038,074,000.

The number of shares of common stock, $.0001 par value, outstanding as of February 25, 2009 was 25,066,494.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2009 Annual Meeting of Shareholders are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS.

Organization

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

Available Information

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

Administration

EastGroup maintains its principal executive office and headquarters in Jackson, Mississippi. The Company also has regional offices in Phoenix, Orlando and Houston and an asset management office in Charlotte. EastGroup has property management offices in Jacksonville, Tampa, Fort Lauderdale and San Antonio. Offices at these locations allow the Company to directly manage all of its Florida (except Fort Myers), Arizona, Mississippi, and Houston and San Antonio, Texas properties, which together account for 63% of the Company's total portfolio on a square foot basis. In addition, the Company currently provides property administration (accounting of operations) for its entire portfolio. The regional offices in Arizona, Florida and Texas also provide development capability and oversight in those states. As of February 25, 2009, EastGroup had 69 full-time employees and one part-time employee.

Operations

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

During 2008, EastGroup increased its ownership in real estate properties through its development and acquisition programs. The Company purchased five operating properties (669,000 square feet), one property for re-development (150,000 square feet) and 125 acres of developable land for a combined cost of $58.2 million. Also during 2008, EastGroup transferred 16 properties (1,391,000 square feet) with aggregate costs of $84.3 million at the date of transfer from development to real estate properties.

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

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

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

The Company intends to continue to qualify as a REIT under the Code. To maintain its status as a REIT, the Company is required to distribute 90% of its ordinary taxable income to its shareholders. 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.

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

Environmental Matters

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

ITEM 1A. RISK FACTORS.

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

Real Estate Industry Risks

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

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

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

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

Risks Associated with Our Properties

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

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

with respect to the premises. If a tenant becomes bankrupt, the federal bankruptcy code will apply and, in some instances, may restrict the amount and recoverability of our claims against the tenant. A tenant's default on its obligations to us could adversely affect our financial condition and the cash we have available for distribution.

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

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

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

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

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

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

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

We face possible environmental liabilities. Current and previous real estate owners and operators may be required under various federal, state and local laws, ordinances and regulations to investigate and clean up hazardous substances released at the properties they own or operate. They may also be liable to the government or to third parties for substantial property or natural resource damage, investigation costs and cleanup costs. Such laws often impose liability without regard to whether the owner or operator knew of, or was

responsible for, the release or presence of such hazardous substances. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs the government incurs in connection with the contamination. Contamination may adversely affect the owner's ability to use, sell or lease real estate or to borrow using the real estate as collateral. We have no way of determining at this time the magnitude of any potential liability to which we may be subject arising out of environmental conditions or violations with respect to the properties we currently or formerly owned. Environmental laws today can impose liability on a previous owner or operator of a property that owned or operated the property at a time when hazardous or toxic substances were disposed of, released from, or present at, the property. A conveyance of the property, therefore, may not relieve the owner or operator from liability. Although ESAs have been conducted at our properties to identify potential sources of contamination at the properties, such ESAs do not reveal all environmental liabilities or compliance concerns that could arise from the properties. Moreover, material environmental liabilities or compliance concerns may exist, of which we are currently unaware, that in the future may have a material adverse effect on our business, assets or results of operations.

Financing Risks

We face risks associated with the use of debt to fund acquisitions and developments, including refinancing risk. We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. We anticipate that a portion of the principal of our debt will not be repaid prior to maturity. Therefore, we will likely need to refinance at least a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of the existing debt.

We face risks related to "balloon payments." Certain of our mortgages will have significant outstanding principal balances on their maturity dates, commonly known as "balloon payments." There can be no assurance whether we will be able to refinance such balloon payments on the maturity of the loans, which may force disposition of properties on disadvantageous terms or require replacement with debt with higher interest rates, either of which would have an adverse impact on our financial performance and ability to pay dividends to investors.

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

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

Fluctuations in interest rates may adversely affect our operations and value of our stock. As of December 31, 2008, we had approximately $110 million of variable interest rate debt. As of December 31, 2008, the weighted average interest rate on our variable rate debt was 1.23%. We may incur additional indebtedness in the future that bears interest at a variable rate or we may be required to refinance our existing debt at higher rates. Accordingly, increases in interest rates could adversely affect our financial condition, our ability to pay expected distributions to stockholders and the value of our stock.

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

Other Risks

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

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

We may fail to qualify as a REIT. If we fail to qualify as a REIT, we will not be allowed to deduct distributions to stockholders in computing our taxable income and will be subject to federal income tax, including any applicable alternative minimum tax, at regular corporate rates. In addition, we may be barred from qualification as a REIT for the four years following disqualification. The additional tax incurred at regular corporate rates would significantly reduce the cash flow available for distribution to stockholders and for debt service. Furthermore, we would no longer be required by the Internal Revenue Code to make any distributions to our stockholders as a condition of REIT qualification. Any distributions to stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits, although such dividend distributions would be subject to a top federal tax rate of 15% through 2010. Corporate distributees, however, may be eligible for the dividends received deduction on the distributions, subject to limitations under the Internal Revenue Code. To qualify as a REIT, we must comply with certain highly technical and complex requirements. We cannot be certain we have complied with these requirements because there are few judicial and administrative interpretations of these provisions. In addition, facts and circumstances that may be beyond our control may affect our ability to qualify as a REIT. We cannot assure you that new legislation, regulations, administrative interpretations or court decisions will not change the tax laws significantly with respect to our qualification as a REIT or with respect to the federal income tax consequences of qualification. We cannot assure you that we will remain qualified as a REIT.

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

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

EastGroup owned 222 industrial properties and one office building at December 31, 2008. These properties are located primarily in the Sunbelt states of Florida, Texas, Arizona and California, and the majority are clustered around major transportation features in supply constrained submarkets. As of February 25, 2009, EastGroup's portfolio is currently 93.5% leased and 92.7% occupied. The Company has developed approximately 33% of its total portfolio, including real estate properties and development properties in lease-up and under construction. The Company's focus is the ownership of business distribution space (77% of the total portfolio) with the remainder in bulk distribution space (18%) and business service space (5%). Business distribution space properties are typically multi-tenant buildings with a building depth of 200 feet or less, clear height of 20-24 feet, office finish of 10-25% and truck courts with a depth of 100-120 feet. See Consolidated Financial Statement Schedule III - Real Estate Properties and Accumulated Depreciation for a detailed listing of the Company's properties.

At December 31, 2008, EastGroup did not own any single property that was 10% or more of total book value or 10% or more of total gross revenues and thus is not subject to the requirements of Items 14 and 15 of Form S-11.

ITEM 3. LEGAL PROCEEDINGS.

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

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

None.

PART II. OTHER INFORMATION

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

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

Shares of Common Stock Market Prices and Dividends

Calendar Year 2008	Calendar Year 2007

Quarter	High	Low	Distributions	High	Low	Distr
First	$ 48.07	39.09	$ .52	$ 57.55	50.27	$
Second	51.07	42.12	.52	52.00	43.24	
Third	50.00	40.52	.52	46.28	38.49	
Fourth	48.53	22.30	.52	48.86	40.44	
			$ 2.08			$

As of February 25, 2009, there were 785 holders of record of the Company's 25,066,494 outstanding shares of common stock. The Company distributed all of its 2008 and 2007 taxable income to its stockholders. Accordingly, no provision for income taxes was necessary. The following table summarizes the federal income tax treatment for all distributions by the Company for the years 2008 and 2007.

Federal Income Tax Treatment of Share Distributions

	Years Ended Dec
	2008
Common Share Distributions:	
Ordinary Income..	$ 2.0758
Return of capital......................................	-
Unrecaptured Section 1250 long-term capital gain........	.0042
Other long-term capital gain...........................	-
Total Common Distributions................................	$ 2.0800

Securities Authorized For Issuance Under Equity Compensation Plans

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
10/01/08 thru 10/31/08	-	-	-
11/01/08 thru 11/30/08	-	-	-
12/01/08 thru 12/31/08	2,631 (1)	$ 35.58	-
Total	2,631	$ 35.58	-

(1) As permitted under the Company's equity compensation plans, these shares were withheld by the Company to satisfy the tax withholding obligations for those employees who elected this option in connection with the vesting of

shares of restricted stock. Shares withheld for tax withholding obligations do not affect the total number of remaining shares available for repurchase under the Company's common stock repurchase plan.

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

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Performance Graph

The following graph compares, over the five years ended December 31, 2008, the cumulative total shareholder return on EastGroup's Common Stock with the cumulative total return of the Standard & Poor's 500 Index (S&P 500) and the Equity REIT index prepared by the National Association of Real Estate Investment Trusts (NAREIT Equity).

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

[GRAPHIC OMITTED]

	Fiscal years ended December 31,					
	2003	2004	2005	2006	2007	
EastGroup	$ 100.00	124.96	154.19	190.26	155.37	1
NAREIT Equity	100.00	131.58	147.59	199.33	168.05	1
S&P 500	100.00	110.87	116.32	134.69	142.09	

The information above assumes that the value of the investment in shares of EastGroup's Common Stock and each index was $100 on December 31, 2003, and that all dividends were reinvested.

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ITEM 6. SELECTED FINANCIAL DATA.

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

Years Ende	
2008	2007
(In thousands, e	

OPERATING DATA		
Revenues		
Income from real estate operations	$ 168,327	150,083
Other income	248	92
	168,575	150,175
Expenses		
Expenses from real estate operations	47,374	40,926
Depreciation and amortization	51,221	47,738
General and administrative	8,547	8,295
	107,142	96,959
Operating income	61,433	53,216
Other income (expense)		
Equity in earnings of unconsolidated investment	316	285
Gain on sales of non-operating real estate	321	2,602
Gain on sales of securities	435	-
Interest income	293	306
Interest expense	(30,192)	(27,314)
Minority interest in joint ventures	(626)	(609)
Income from continuing operations	31,980	28,486
Discontinued operations		
Income from real estate operations	130	288
Gain on sales of real estate investments	2,032	960
Income from discontinued operations	2,162	1,248
Net income	34,142	29,734
Preferred dividends-Series D	1,326	2,624
Costs on redemption of Series D preferred shares	682	-
Net income available to common stockholders	$ 32,134	27,110
BASIC PER COMMON SHARE DATA		
Income from continuing operations	$ 1.22	1.10
Income from discontinued operations	.09	.05
Net income available to common stockholders	$ 1.31	1.15
Weighted average shares outstanding	24,503	23,562
DILUTED PER COMMON SHARE DATA		
Income from continuing operations	$ 1.21	1.09
Income from discontinued operations	.09	.05
Net income available to common stockholders	$ 1.30	1.14
Weighted average shares outstanding	24,653	23,781

OTHER PER SHARE DATA		
Book value (at end of year)	$ 16.39	15.51
Common distributions declared	2.08	2.00
Common distributions paid	2.08	2.00
BALANCE SHEET DATA (AT END OF YEAR)		
Real estate investments, at cost	$ 1,409,476	1,270,691
Real estate investments, net of accumulated depreciation	1,099,125	1,001,559
Total assets	1,156,205	1,055,833
Mortgage and bank loans payable	695,692	600,804
Total liabilities	742,829	651,136
Minority interest in joint ventures	2,536	2,312
Total stockholders' equity	410,840	402,385

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

OVERVIEW

EastGroup's goal is to maximize shareholder value by being the leading provider in its markets of functional, flexible, and quality business distribution space for location sensitive tenants primarily in the 5,000 to 50,000 square foot range. The Company 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, Arizona and California.

The Company expects the slowdown in the economy to affect its operations. The Company is projecting a decrease in occupancy, and there are no plans for development starts. The current economic situation is also impacting lenders, and it is more difficult to obtain financing. The Company believes that its lines of credit provide the capacity to fund debt maturities and the operations of the Company for 2009 and 2010.

The Company's primary revenue is rental income; as such, EastGroup's greatest challenge is leasing space. During 2008, leases on 4,223,000 square feet (16.5%) of EastGroup's total square footage of 25,612,000 expired, and the Company was successful in renewing or re-leasing 83% of that total. In addition, EastGroup leased 1,354,000 square feet of other vacant space during the year. During 2008, average rental rates on new and renewal leases increased by 11.1%.

EastGroup's total leased percentage was 94.8% at December 31, 2008 compared to 96.0% at December 31, 2007. Leases scheduled to expire in 2009 were 14.6% of the portfolio on a square foot basis at December 31, 2008, and this figure was reduced to 12.2% as of February 25, 2009. Property net operating income (PNOI) from same properties increased 0.3% for 2008 as compared to 2007. Excluding termination fees of $798,000 and $1,149,000 in 2008 and 2007, respectively, PNOI from same properties increased 0.6%. Excluding termination fees, the fourth quarter of 2008 was the twenty-second consecutive quarter of improved same property operations.

The Company generates new sources of leasing revenue through its acquisition and development programs. During 2008, EastGroup purchased five operating properties (669,000 square feet), one property for re-development (150,000 square feet), and 125 acres of development land for a combined cost of $58.2 million. The five operating properties and 9.9 acres of development land are located in metropolitan Charlotte, North Carolina, where the Company now owns over 1.6 million square feet. The property acquired for re-development is located in Jacksonville, Florida, and the remaining development land is located in Orlando (94.3 acres), San Antonio (12.7 acres), and Houston (8.1 acres).

EastGroup continues to see targeted development as a major contributor to the Company's long-term growth. The Company mitigates risks associated with development through a Board-approved maximum level of land held for development and by adjusting development start dates according to leasing activity. EastGroup's development activity has slowed considerably as a result of current market conditions. The Company had one development start in the fourth quarter of 2008 and does not currently have any plans to start construction on new developments in 2009. During 2008, the Company transferred 16 properties (1,391,000 square feet) with aggregate costs of $84.3 million at the date of transfer from development to real estate properties. These properties, which were collectively 91.8% leased as of February 25, 2009, are located in Fort Myers, Orlando, and Tampa, Florida; Phoenix, Arizona; Houston and San Antonio, Texas; and Denver, Colorado.

During 2008, the Company initially funded its acquisition and development programs through its $225 million lines of credit (as discussed in Liquidity and Capital Resources). As market conditions permit, EastGroup issues equity, including preferred equity, and/or employs fixed-rate, non-recourse first mortgage debt to replace the short-term bank borrowings.

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

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

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

The Company believes FFO is a meaningful supplemental measure of operating performance for equity REITs. The Company believes that excluding depreciation and amortization in the calculation of FFO is appropriate since real estate values have historically increased or decreased based on market conditions. FFO is not considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance, nor is it a measure of the Company's liquidity or indicative of funds available to provide for the Company's cash needs, including its ability to make distributions. 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 the reconciliations of PNOI and FFO Available to Common Stockholders to Net Income for three fiscal years.

	Years Ende
	2008
	(In thousands, e
Income from real estate operations	$ 168,327
Expenses from real estate operations	(47,374)
PROPERTY NET OPERATING INCOME	120,953
Equity in earnings of unconsolidated investment (before depreciation)	448
Income from discontinued operations (before depreciation and amortization)	201
Interest income	293
Gain on sales of securities	435
Other income	248
Interest expense	(30,192)
General and administrative expense	(8,547)
Minority interest in earnings (before depreciation and amortization)	(827)
Gain on sales of land and non-operating real estate	321
Dividends on Series D preferred shares	(1,326)
Costs on redemption of Series D preferred shares	(682)
FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS	81,325
Depreciation and amortization from continuing operations	(51,221)
Depreciation and amortization from discontinued operations	(71)
Depreciation from unconsolidated investment	(132)
Minority interest depreciation and amortization	201
Gain on sales of depreciable real estate investments	2,032
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	32,134
Dividends on Series D preferred shares	1,326
Costs on redemption of Series D preferred shares	682
NET INCOME	$ 34,142
Net income available to common stockholders per diluted share	$ 1.30
Funds from operations available to common stockholders per diluted share	3.30
Diluted shares for earnings per share and funds from operations	24,653

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 fourth quarter of 2008 was $.85 per share compared with $.86 per share for the same period of 2007, a decrease of 1.2% per share. FFO for the fourth quarter of 2008 included gain on sales of land and non-operating real estate of $8,000 as compared to $2,579,000 in the same period of 2007. Excluding these gains for both periods, FFO per share increased 11.8%. The fourth quarter of 2008 was the eighteenth consecutive quarter of increased FFO (excluding gain on sales of land and non-operating real estate) as compared to the previous year's quarter. PNOI increased 11.2% primarily due to additional PNOI of $1,865,000 from newly developed properties, $740,000 from 2007 and 2008 acquisitions, and $587,000 from same property growth.

  For the year 2008, FFO was $3.30 per share compared with $3.12 per share for 2007, an increase of 5.8% per share. Gain on sales of land and non-operating real estate was $321,000 ($.01 per share) for 2008 and $2,602,000 ($.11 per share) for 2007. Costs on redemption of preferred shares was $682,000 ($.03 per share) for 2008. Gain on sales of securities was $435,000 ($.02 per share) for 2008. PNOI increased 10.8% due to additional PNOI of $7,966,000 from newly developed properties, $3,660,000 from 2007 and 2008 acquisitions and $282,000 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 2.1% for the fourth quarter. Excluding termination fees of $68,000 and $133,000 in the fourth quarters of 2008 and 2007, respectively, PNOI from same properties increased 2.4% for the quarter. Excluding termination fees, the fourth quarter of 2008 was the twenty-second consecutive quarter of improved same property operations. For the year 2008, PNOI from same properties increased 0.3%. Excluding termination fees of $798,000 and $1,149,000 for 2008 and 2007, respectively, PNOI from same properties increased 0.6%.

- Occupancy is the percentage of leased square footage for which the lease term has commenced as compared to the total leasable square footage as of the close of the reporting period. Occupancy at December 31, 2008 was 93.8%. Occupancy has ranged from 93.8% to 95.4% in the previous four quarters.

- Rental rate change represents the rental rate increase or decrease on new and renewal leases compared to the prior leases on the same space. Rental rate increases on new and renewal leases (3.7% of total square footage) averaged 4.5% for the fourth quarter of 2008. For the year, rental rate increases on new and renewal leases (18.9% of total square footage) averaged 11.1%.

- Development starts were $48 million in 2008, and there are no planned development starts for 2009.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Real Estate Properties

The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values. Factors considered by management in allocating the cost of the properties acquired include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The allocation to tangible assets (land, building and improvements) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models. The 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 period in which a property is under development, costs associated with development (i.e., land, construction costs, interest expense, property taxes and other direct and indirect costs associated with development) are aggregated into the total capitalized costs of the property. Included in these costs are management's estimates for the portions of internal costs (primarily personnel costs) that are deemed directly or indirectly related to such development activities.

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

Valuation of Receivables

The Company is subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, the Company performs credit reviews and analyses on prospective tenants before significant leases are executed. On a quarterly basis, the Company evaluates outstanding receivables and estimates the allowance for doubtful accounts. Management specifically analyzes aged receivables, customer credit-worthiness, historical bad debts and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. The Company believes 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 on the Consolidated Statements of Income.

Tax Status

EastGroup, a Maryland corporation, has qualified as a real estate investment trust under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the Company is required to distribute at least 90% of its ordinary taxable income to its stockholders. The Company has the option of (i) reinvesting the sales price of properties sold through tax-deferred exchanges, allowing for a deferral of capital gains on the sale, (ii) paying out capital gains to the stockholders with no tax to the Company, or (iii) treating the capital gains as having been distributed to the stockholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the stockholders. The Company distributed all of its 2008, 2007 and 2006 taxable income to its stockholders. Accordingly, no provision for income taxes was necessary.

FINANCIAL CONDITION

EastGroup's assets were $1,156,205,000 at December 31, 2008, an increase of $100,372,000 from December 31, 2007. Liabilities increased $91,693,000 to $742,829,000 and stockholders' equity increased $8,455,000 to $410,840,000 during the same period. The paragraphs that follow explain these changes in detail.

ASSETS

Real Estate Properties

Real estate properties increased $137,316,000 during the year ended December 31, 2008, primarily due to the purchase of five operating properties in a single transaction and the transfer of 16 properties from development, as detailed under Development below. These increases were offset by the disposition of two operating properties, North Stemmons I and Delp Distribution Center III, during the year. In addition, EastGroup sold 41 acres of residential land in San Antonio, Texas, for $841,000 with no gain or loss. This property was acquired as part of the Company's Alamo Ridge industrial land acquisition in September 2007.

Real Estate Properties Acquired in 2008	Location	Size	Da Acqu
		(Square feet)	
Airport Commerce Center I & II, Interchange Park, Ridge Creek III and Waterford Distribution Center.............	Charlotte, NC	669,000	02/2

(1) Total cost of the properties acquired was $41,913,000, of which $39,018,000 was allocated to real estate properties as indicated above and $855,000 was allocated to development. Intangibles associated with the purchases of real estate were allocated as follows: $2,143,000 to in-place lease intangibles, $252,000 to above market leases (both included in Other Assets on the Consolidated Balance Sheets) and $355,000 to below market leases (included in Other Liabilities on the Consolidated Balance Sheets). All of these costs are amortized over the remaining lives of the associated leases in place at the time of acquisition.

The Company made capital improvements of $15,210,000 on existing and acquired properties (included in the Capital Expenditures table under Results of Operations). Also, the Company incurred costs of $4,116,000 on development properties subsequent to transfer to real estate properties; the Company records these expenditures as development costs on the Consolidated Statements of Cash Flows during the 12-month period following transfer.

Development

The investment in development at December 31, 2008 was $150,354,000 compared to $152,963,000 at December 31, 2007. Total capital invested for development during 2008 was $85,441,000, which primarily consisted of costs of $81,642,000 as detailed in the development activity table and costs of $4,116,000 on developments transferred to real estate properties during the 12-month period following transfer.

During 2007, the Company executed a ten-year lease for a 404,000 square foot build-to-suit development in its Southridge Commerce Park in Orlando. In March 2008, construction on this project (Southridge XII) was completed, and the tenant, United Stationers Supply Company, occupied the space. In connection with this transaction, EastGroup entered into contracts with United Stationers to purchase two of its existing properties in Jacksonville and Tampa. In July 2008, EastGroup closed on the first contract for the acquisition of 12th Street Distribution Center, a 150,000 square foot building in Jacksonville. The Company purchased the vacant property for $3,776,000 and is re-developing it for multi-tenant use for a projected total investment of $4,900,000. In August 2008, EastGroup closed the second contract for the acquisition of a 128,000 square foot warehouse in Tampa through its taxable REIT subsidiary. The Company then sold the building, recognizing a gain of $294,000.

During 2008, EastGroup purchased 125 acres of developable land for a total cost of $13,368,000. Costs associated with these acquisitions are included in the development activity table. The Company transferred 16 developments to Real Estate Properties during 2008 with a total investment of $84,251,000 as of the date of transfer.

		Costs Incu	
DEVELOPMENT	Size	Costs Transferred in 2008 (1)	For th Year End 12/31/
	(Square feet)		
LEASE-UP			
40th Avenue Distribution Center, Phoenix, AZ.........	89,000	$ -	1,3
Wetmore II, Building B, San Antonio, TX.............	55,000	-	7
Beltway Crossing VI, Houston, TX....................	128,000	-	2,0
Oak Creek VI, Tampa, FL............................	89,000	-	1,6
Southridge VIII, Orlando, FL........................	91,000	-	1,9
Techway SW IV, Houston, TX..........................	94,000	-	2,8
SunCoast III, Fort Myers, FL........................	93,000	-	2,5
Sky Harbor, Phoenix, AZ.............................	264,000	-	8,8
World Houston 26, Houston, TX.......................	59,000	1,110	1,7
12th Street Distribution Center, Jacksonville, FL....	150,000	-	4,8
Total Lease-up...	1,112,000	1,110	28,6
UNDER CONSTRUCTION			
Beltway Crossing VII, Houston, TX...................	95,000	2,123	2,0

Country Club III & IV, Tucson, AZ....................	138,000	2,552	5,4
Oak Creek IX, Tampa, FL..............................	86,000	1,369	2,8
Blue Heron III, West Palm Beach, FL..................	20,000	863	1,0
World Houston 28, Houston, TX........................	59,000	733	1,6
World Houston 29, Houston, TX........................	70,000	849	1,0
World Houston 30, Houston, TX........................	88,000	1,591	
Total Under Construction.............................	556,000	10,080	14,1
PROSPECTIVE DEVELOPMENT (PRIMARILY LAND)			
Tucson, AZ...	70,000	(2,552)	9
Tampa, FL..	249,000	(1,369)	6
Orlando, FL..	1,254,000	-	10,6
West Palm Beach, FL..................................	-	(863)	
Fort Myers, FL.......................................	659,000	-	2,1
Dallas, TX...	70,000	-	5
El Paso, TX..	251,000	-	
Houston, TX..	1,064,000	(6,406)	4,6
San Antonio, TX......................................	595,000	-	2,8
Charlotte, NC..	95,000	-	9
Jackson, MS..	28,000	-	
Total Prospective Development........................	4,335,000	(11,190)	23,6
	6,003,000	$ -	66,4
DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL ESTATE PROPERTIES DURING 2008			
Beltway Crossing IV, Houston, TX.....................	55,000	$ -	
Beltway Crossing III, Houston, TX....................	55,000	-	
Southridge XII, Orlando, FL..........................	404,000	-	3,4
Arion 18, San Antonio, TX............................	20,000	-	6
Southridge VII, Orlando, FL..........................	92,000	-	4
Wetmore II, Building C, San Antonio, TX..............	69,000	-	1
Interstate Commons III, Phoenix, AZ..................	38,000	-	
SunCoast I, Fort Myers, FL...........................	63,000	-	1
World Houston 27, Houston, TX........................	92,000	-	1,7
Wetmore II, Building D, San Antonio, TX..............	124,000	-	4,9
World Houston 24, Houston, TX........................	93,000	-	7
Centennial Park, Denver, CO..........................	68,000	-	6
World Houston 25, Houston, TX........................	66,000	-	5
Beltway Crossing V, Houston, TX......................	83,000	-	9
Wetmore II, Building A, San Antonio, TX..............	34,000	-	5
Oak Creek A & B, Tampa, FL...........................	35,000	-	
Total Transferred to Real Estate Properties...........	1,391,000	$ -	15,2

(1) Represents costs transferred from Prospective Development (primarily land) to Under Construction (or subsequently to Lease-up) during the period.
(2) Included in these costs are development obligations of $11.1 million and tenant improvement obligations of $2.0 million on properties under development.
(3) Represents cumulative costs at the date of transfer.

Accumulated depreciation on real estate and development properties increased $41,219,000 during 2008, primarily due to depreciation expense on real estate properties, offset by accumulated depreciation related to North Stemmons

I and Delp Distribution Center III, which were disposed of during the year.

Mortgage loans receivable, net of discount, (included in Other Assets on the Consolidated Balance Sheets) increased $4,042,000 during 2008. In August 2008, EastGroup closed on the sale of the United Stationers Tampa building and advanced the buyer $4,994,000 in a first mortgage recourse loan. In September, EastGroup received a principal payment of $844,000. The mortgage loan has a five-year term and calls for monthly interest payments (interest accruals and payments begin January 1, 2009) through the maturity date of August 8, 2013, when a balloon payment for the remaining principal balance of $4,150,000 is due. At the inception of the loan, EastGroup recognized a discount on the loan of $198,000 and recognized amortization of the discount of $117,000 during 2008. In addition, EastGroup received principal payments of $27,000 on the second mortgage loan on the Madisonville land in Kentucky, which the Company sold in 2006.

A summary of Other Assets is presented in Note 5 in the Notes to Consolidated Financial Statements.

LIABILITIES

Mortgage notes payable increased $120,446,000 during the year ended December 31, 2008. EastGroup closed on two mortgage loans during the year: a $78,000,000 mortgage loan in the first quarter and a $59,000,000 mortgage loan in the fourth quarter. These increases were offset by regularly scheduled principal payments of $16,434,000 and mortgage loan premium amortization of $120,000.

Notes payable to banks decreased $25,558,000 during 2008 as a result of repayments of $357,202,000 exceeding advances of $331,644,000. The Company's credit facilities are described in greater detail under Liquidity and Capital Resources.

See Note 8 in the Notes to Consolidated Financial Statements for a summary of Accounts Payable and Accrued Expenses. See Note 9 in the Notes to Consolidated Financial Statements for a summary of Other Liabilities.

STOCKHOLDERS' EQUITY

During the second quarter, the Company sold 1,198,700 shares of its common stock to Merrill Lynch, Pierce, Fenner & Smith Incorporated. The net proceeds were $57.2 million. The Company used the proceeds to repay indebtedness outstanding under its revolving credit facility and for other general corporate purposes.

On July 2, 2008, EastGroup redeemed all 1,320,000 shares of its 7.95% Series D Cumulative Redeemable Preferred Stock at a redemption price of $25.00 per share plus accrued and unpaid dividends of $.011 per share for the period from July 1, 2008, through and including the redemption date, for an aggregated redemption price of $25.011 per Series D Preferred Share. Original issuance costs of $674,000 and additional redemption costs of $8,000 were charged against net income available to common stockholders in conjunction with the redemption of these shares.

Distributions in excess of earnings increased $19,633,000 as a result of dividends on common and preferred stock of $53,093,000 and costs on the redemption of Series D Preferred Shares of $682,000 exceeding net income for financial reporting purposes of $34,142,000. See Note 11 in the Notes to Consolidated Financial Statements for information related to the changes in additional paid-in capital resulting from stock-based compensation.

RESULTS OF OPERATIONS

2008 Compared to 2007

Net income available to common stockholders for 2008 was $32,134,000 ($1.31 per basic share and $1.30 per diluted share) compared to $27,110,000 ($1.15 per basic share and $1.14 per diluted share) for 2007. Diluted earnings per share

(EPS) for 2008 included a $.10 per share gain on sales of real estate properties compared to $.15 per share in 2007.

PNOI increased by $11,796,000, or 10.8%, for 2008 compared to 2007, primarily due to additional PNOI of $7,966,000 from newly developed properties, $3,660,000 from 2007 and 2008 acquisitions and $282,000 from same property growth. Expense to revenue ratios were 28.1% in 2008 compared to 27.3% in 2007. The Company's percentage of leased square footage was 94.8% at December 31, 2008, compared to 96.0% at December 31, 2007. Occupancy at the end of 2008 was 93.8% compared to 95.4% at the end of 2007.

During 2008, EastGroup purchased a 128,000 square foot warehouse in Tampa as part of the Orlando build-to-suit transaction with United Stationers. The Company acquired and then re-sold the building through its taxable REIT subsidiary and recognized a gain of $294,000. For the year, EastGroup recognized gain on sales of non-operating real estate of $321,000 in 2008 compared to $2,602,000 in 2007.

The following table presents the components of interest expense for 2008 and 2007:

	Years Ended Dec
	2008
	(In thousands, e
Average bank borrowings	$ 125,647
Weighted average variable interest rates (excluding loan cost amortization)	3.94%
VARIABLE RATE INTEREST EXPENSE	
Variable rate interest (excluding loan cost amortization)	4,944
Amortization of bank loan costs	295
Total variable rate interest expense	5,239
FIXED RATE INTEREST EXPENSE	
Fixed rate interest (excluding loan cost amortization)	31,219
Amortization of mortgage loan costs	680
Total fixed rate interest expense	31,899
Total interest	37,138
Less capitalized interest	(6,946)
TOTAL INTEREST EXPENSE	$ 30,192

Interest costs incurred during the period of construction of real estate properties are capitalized and offset against interest expense. The Company's weighted average variable interest rates in 2008 were lower than in 2007. A summary of the Company's weighted average interest rates on mortgage debt at year-end for the past several years is presented below:

MORTGAGE DEBT AS OF:	WEIGHTED AVERAGE INTEREST RATE
December 31, 2004............................	6.74%
December 31, 2005............................	6.31%
December 31, 2006............................	6.21%
December 31, 2007............................	6.06%
December 31, 2008............................	5.96%

The increase in mortgage interest expense in 2008 was primarily due to the new mortgages detailed in the table below.

NEW MORTGAGES IN 2007 AND 2008	INTEREST RATE	DATE
Broadway VI, World Houston 1 & 2, 21 & 23, Arion 16, Ethan Allen, Northpark I-IV, South 55th Avenue, East University I & II and Santan 10 II........................	5.570%	08/08/07
Beltway II, III & IV, Eastlake, Fairgrounds I-IV, Nations Ford I-IV, Techway Southwest III, Westinghouse, Wetmore I-IV and World Houston 15 & 22..	5.500%	03/19/08
Southridge XII, Airport Commerce Center I & II, Interchange Park, Ridge Creek III, World Houston 24, 25 & 27 and Waterford Distribution Center.................	5.750%	12/09/08
Weighted Average/Total Amount............................	5.594%	

Mortgage principal payments were $16,434,000 in 2008 and $26,963,000 in 2007. EastGroup had no mortgage maturities in 2008. In 2007, the Company repaid two mortgages totaling $14,220,000. These repayments were included in the mortgage principal payments for 2007. The details of these two mortgages are shown in the following table:

MORTGAGE LOANS REPAID IN 2007	INTEREST RATE	DATE REPAID	P A
World Houston 1 & 2................................	7.770%	04/12/07	$ 4
E. University I & II, Broadway VI, 55th Avenue and Ethan Allen................................	8.060%	05/25/07	10
Weighted Average/Total Amount...................	7.978%		$ 14

Depreciation and amortization for continuing operations increased $3,483,000 for 2008 as compared to 2007. This increase was primarily due to properties acquired and transferred from development during 2007 and 2008. Operating property acquisitions and transferred developments were $125 million in 2008 and $127 million in 2007.

NAREIT has recommended supplemental disclosures concerning straight-line rent, capital expenditures and leasing costs. Straight-lining of rent for continuing operations increased income by $933,000 in 2008 as compared to $824,000 in 2007.

Capital Expenditures

Capital expenditures for operating properties for the years ended December 31, 2008 and 2007 were as follows:

	Estimated Useful Life	Years Ended December 31, 2008	2007
		(In thousands)	
Upgrade on Acquisitions.................	40 yrs	$ 63	141
Tenant Improvements:			
New Tenants..........................	Lease Life	7,554	7,326
New Tenants (first generation) (1)....	Lease Life	244	495
Renewal Tenants......................	Lease Life	1,504	1,963
Other:			
Building Improvements................	5-40 yrs	2,685	1,719
Roofs................................	5-15 yrs	1,874	3,273
Parking Lots.........................	3-5 yrs	907	765
Other................................	5 yrs	379	199
Total capital expenditures.........		$ 15,210	15,881

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

Capitalized Leasing Costs

The Company's leasing costs (principally commissions) are capitalized and included in Other Assets. The costs are amortized over the terms of the associated leases and are included in depreciation and amortization expense. Capitalized leasing costs for the years ended December 31, 2008 and 2007 were as follows:

	Estimated Useful Life	Years Ended December 31, 2008	2007
		(In thousands)	
Development............................	Lease Life	$ 3,115	3,108
New Tenants............................	Lease Life	2,370	2,805
New Tenants (first generation) (1).......	Lease Life	58	212
Renewal Tenants........................	Lease Life	2,626	2,124
Total capitalized leasing costs....		$ 8,169	8,249
Amortization of leasing costs (2)........		$ 5,882	5,339

(1) First generation refers to space that has never been occupied under

EastGroup's ownership.
(2) Includes discontinued operations.

Discontinued Operations

The results of operations, including interest expense (if applicable), for the operating properties sold or held for sale during the periods reported are shown under Discontinued Operations on the Consolidated Statements of Income. During 2008, the Company disposed of two operating properties (North Stemmons I and Delp Distribution Center III) and recognized gain on sales of real estate investments of $2,032,000.

During 2007, the Company sold one operating property and recognized a gain of $603,000. In addition, the Company recognized a deferred gain of $357,000 from a previous sale. See Notes 1(f) and 2 in the Notes to Consolidated Financial Statements for more information related to discontinued operations and gain on the sales of these properties. The following table presents the components of revenue and expense for the operating properties sold or held for sale during 2008 and 2007.

Discontinued Operations	Years Ended December 31 2008	2007
	(In thousands)	
Income from real estate operations	$ 276	887
Expenses from real estate operations	(75)	(279)
Property net operating income from discontinued operations	201	608
Depreciation and amortization	(71)	(320)
Income from real estate operations	130	288
Gain on sales of real estate investments	2,032	960
Income from discontinued operations	$ 2,162	1,248

2007 Compared to 2006

Net income available to common stockholders for 2007 was $27,110,000 ($1.15 per basic share and $1.14 per diluted share) compared to $26,610,000 ($1.19 per basic share and $1.17 per diluted share) for 2006. EPS for 2007 included a $.15 per share gain on sales of real estate properties compared to $.26 per share in 2006.

PNOI increased by $13,754,000, or 14.4%, for 2007 compared to 2006, primarily due to additional PNOI of $5,671,000 from newly developed properties, $4,813,000 from 2006 and 2007 acquisitions and $3,345,000 from same property growth. Included in same property growth was $1,149,000 in lease termination fees for 2007 compared to $410,000 for 2006. Expense to revenue ratios were 27.3% in 2007 compared to 28.0% in 2006. The Company's percentage of leased square footage was 96.0% at December 31, 2007, compared to 96.6% at December 31, 2006. Occupancy at the end of 2007 was 95.4% compared to 95.9% at the end of 2006.

During the fourth quarter of 2007, EastGroup recorded a gain on the sale of land in lieu of condemnation at Arion Business Park of $2,572,000. For the year, the Company recognized gain on sales of non-operating real estate of $2,602,000 in 2007 compared to $123,000 in 2006.

The following table presents the components of interest expense for 2007 and 2006:

	Years Ended Dec
	2007
	(In thousands, e
Average bank borrowings.....................................	$ 96,513
Weighted average variable interest rates (excluding loan cost amortization)	6.36%
VARIABLE RATE INTEREST EXPENSE	
Variable rate interest (excluding loan cost amortization).....	6,139
Amortization of bank loan costs.............................	353
Total variable rate interest expense........................	6,492
FIXED RATE INTEREST EXPENSE	
Fixed rate interest (excluding loan cost amortization)........	26,350
Amortization of mortgage loan costs..........................	558
Total fixed rate interest expense............................	26,908
Total interest...	33,400
Less capitalized interest....................................	(6,086)
TOTAL INTEREST EXPENSE.......................................	$ 27,314

Interest costs incurred during the period of construction of real estate properties are capitalized and offset against interest expense. The Company's weighted average variable interest rates in 2007 were higher than in 2006. A summary of the Company's weighted average interest rates on mortgage debt at year-end for the past several years is presented below:

MORTGAGE DEBT AS OF:	WEIGHTED AVERAGE INTEREST RATE
December 31, 2003............................	6.92%
December 31, 2004............................	6.74%
December 31, 2005............................	6.31%
December 31, 2006............................	6.21%
December 31, 2007............................	6.06%

The increase in mortgage interest expense in 2007 was primarily due to the new mortgages detailed in the table below.

NEW MORTGAGES IN 2006 AND 2007	INTEREST RATE	DATE
Huntwood and Wiegman Distribution Centers.................	5.680%	08/08/06
Alamo Downs, Arion 1-15 & 17, Rampart I, II & III, Santan 10 and World Houston 16..........................	5.970%	10/17/06
Broadway VI, World Houston 1 & 2, 21 & 23, Arion 16, Ethan Allen, Northpark I-IV, South 55th Avenue, East University I & II and Santan 10 II......................	5.570%	08/08/07
Weighted Average/Total Amount...........................	5.755%	

Mortgage principal payments were $26,963,000 in 2007 and $45,071,000 in 2006. Included in these principal payments are repayments of two mortgages totaling $14,220,000 in 2007 and three mortgages totaling $35,929,000 in 2006. The details of these mortgages are shown in the following table:

MORTGAGE LOANS REPAID IN 2006 AND 2007	INTEREST RATE	DATE REPAID	P A
Huntwood Distribution Center.......................	7.990%	08/08/06	$ 10
Wiegman Distribution Center........................	7.990%	08/08/06	4
Arion Business Park................................	4.450%	10/16/06	20
World Houston 1 & 2................................	7.770%	04/12/07	4
E. University I & II, Broadway VI, 55th Avenue and Ethan Allen.................................	8.060%	05/25/07	10
Weighted Average/Total Amount...................	6.539%		$ 50

Depreciation and amortization for continuing operations increased $6,540,000 for 2007 compared to 2006. This increase was primarily due to properties acquired and transferred from development during 2006 and 2007. Property acquisitions and transferred developments were $127 million in 2007 and $58 million in 2006.

NAREIT has recommended supplemental disclosures concerning straight-line rent, capital expenditures and leasing costs. Straight-lining of rent for continuing operations increased income by $824,000 in 2007 as compared to $994,000 in 2006.

Capital Expenditures

Capital expenditures for operating properties for the years ended December 31, 2007 and 2006 were as follows:

	Estimated Useful Life	Years Ended December 31, 2007	2006
		(In thousands)	
Upgrade on Acquisitions.................	40 yrs	$ 141	351
Tenant Improvements:			

New Tenants	Lease Life	7,326	7,240
New Tenants (first generation) (1)	Lease Life	495	688
Renewal Tenants	Lease Life	1,963	731
Other:			
Building Improvements	5-40 yrs	1,719	1,818
Roofs	5-15 yrs	3,273	1,803
Parking Lots	3-5 yrs	765	686
Other	5 yrs	199	153
Total capital expenditures		$ 15,881	13,470

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

Capitalized Leasing Costs

The Company's leasing costs (principally commissions) are capitalized and included in Other Assets. The costs are amortized over the terms of the associated leases and are included in depreciation and amortization expense. Capitalized leasing costs for the years ended December 31, 2007 and 2006 were as follows:

	Estimated Useful Life	Years Ended December 31, 2007	2006
		(In thousands)	
Development	Lease Life	$ 3,108	2,110
New Tenants	Lease Life	2,805	2,557
New Tenants (first generation) (1)	Lease Life	212	112
Renewal Tenants	Lease Life	2,124	1,987
Total capitalized leasing costs		$ 8,249	6,766
Amortization of leasing costs (2)		$ 5,339	4,304

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

Discontinued Operations

The results of operations, including interest expense (if applicable), for the properties sold or held for sale during the periods reported are shown under Discontinued Operations on the Consolidated Statements of Income. During 2007, the Company sold one operating property and recognized a gain of $603,000. In addition, the Company recognized deferred gains of $357,000 from previous sales.

During 2006, the Company sold certain real estate investments and recognized total gains from discontinued operations of $5,727,000. See Notes 1(f) and 2 in the Notes to Consolidated Financial Statements for more information related to discontinued operations and gain on the sales of these properties. The following table presents the components of revenue and expense for the years 2007 and 2006 for the real estate investments sold during 2008, 2007 and 2006.

Discontinued Operations	Years Ended December 31, 2007	2006
	(In thousands)	
Income from real estate operations............................	$ 887	3,180
Expenses from real estate operations..........................	(279)	(976)
Property net operating income from discontinued operations....	608	2,204
Depreciation and amortization.................................	(320)	(1,019)
Income from real estate operations............................	288	1,185
Gain on sales of real estate investments.....................	960	5,727
Income from discontinued operations...........................	$ 1,248	6,912

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, which provides guidance for using fair value to measure assets and liabilities. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. As required under SFAS No. 133, the Company accounts for its interest rate swap cash flow hedge on the Tower Automotive mortgage at fair value. The provisions of Statement 157, with the exception of nonfinancial assets and liabilities, were effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The application of Statement 157 to the Company in 2008 had an immaterial impact on the Company's overall financial position and results of operations.

The FASB deferred for one year Statement 157's fair value measurement requirements for nonfinancial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. These provisions are included in FASB Staff Position (FSP) FAS 157-2 and are effective for fiscal years beginning after November 15, 2008. The Company has determined that the adoption of these provisions in 2009 had an immaterial impact on the Company's overall financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations, which retains the fundamental requirements in SFAS No. 141 and requires the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree be measured at fair value as of the acquisition date. In addition, Statement 141R requires that any goodwill acquired in the business combination be measured as a residual, and it provides guidance in determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Statement also requires that acquisition-related costs be recognized as expenses in the periods in which the costs are incurred and the services are received. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and may not be applied before that date. The adoption of Statement 141R in 2009 had an immaterial impact on the Company's overall financial position and results of operations.

Also in December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, which is an amendment of Accounting Research Bulletin (ARB) No. 51. Statement 160 provides guidance for entities that prepare consolidated financial

statements that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, and may not be applied before that date. The adoption of Statement 160 in 2009 had an immaterial impact on the Company's overall financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, which is an amendment of FASB Statement No. 133. SFAS No. 161 requires all entities with derivative instruments to disclose information regarding how and why the entity uses derivative instruments and how derivative instruments and related hedged items affect the entity's financial position, financial performance, and cash flows. The Statement is effective prospectively for periods beginning on or after November 15, 2008.

During 2008, the FASB issued FSP FAS 142-3, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. FSP FAS 142-3 requires an entity to disclose information that enables financial statement users to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. The intent of this Staff Position is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under Statement 141R and other U.S. generally accepted accounting principles. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of FSP FAS 142-3 in 2009 had an immaterial impact on the Company's overall financial position and results of operations.

Also in 2008, the Emerging Issues Task Force (EITF) issued EITF 08-6, Equity Method Investment Accounting Considerations, which applies to all investments accounted for under the equity method and clarifies the accounting for certain transactions and impairment considerations involving those investments. EITF 08-6 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The adoption of EITF 08-6 in 2009 had an immaterial impact on the Company's overall financial position and results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $83,610,000 for the year ended December 31, 2008. The primary other sources of cash were from bank borrowings, proceeds from mortgage notes, proceeds from common stock offerings, proceeds from sales of land and real estate investments, and proceeds from sales of securities. The Company distributed $52,192,000 in common and $1,982,000 in preferred stock dividends during 2008. Other primary uses of cash were for bank debt repayments, construction and development of properties, purchases of real estate, the redemption of the Company's Series D Preferred Stock, principal payments on mortgage notes payable, capital improvements at various properties, purchases of securities, and advances on mortgage loans receivable.

Total debt at December 31, 2008 and 2007 is detailed below. The Company's bank credit facilities have certain restrictive covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage, and the Company was in compliance with all of its debt covenants at December 31, 2008 and 2007.

	December 31,	
	2008	2007
	(In thousands)	
Mortgage notes payable - fixed rate.........	$ 585,806	465,360
Bank notes payable - floating rate..........	109,886	135,444
Total debt.............................	$ 695,692	600,804

EastGroup has a four-year, $200 million unsecured revolving credit facility with a group of seven banks that matures in January 2012. 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 total liability to total asset value ratios (as defined in the credit agreement), with an annual facility fee of 15 to 20 basis points. The interest rate on each tranche is usually reset on a monthly basis and is currently LIBOR plus 70 basis points with an annual facility fee of 20 basis points. The line of credit has an option for a one-year extension at the Company's request. Additionally, there is a provision under which the line may be expanded by $100 million contingent upon obtaining increased commitments from existing lenders or commitments from additional lenders. At December 31, 2008, the weighted average interest rate was 1.23% on a balance of $107,000,000. At February 25, 2009, the Company's weighted average interest rate was 1.12% on a balance of $146,000,000. The Company had an additional $54,000,000 remaining on this line of credit on February 25, 2009.

The Company also has a four-year, $25 million unsecured revolving credit facility with PNC Bank, N.A. that matures in January 2012. This credit facility is customarily used for working capital needs. The interest rate on this working cash line is based on the LIBOR index and varies according to total liability to total asset value ratios (as defined in the credit agreement). Under this facility, the Company's current interest rate is LIBOR plus 75 basis points with no annual facility fee. At December 31, 2008, the interest rate was 1.19% on a balance of $2,886,000. At February 25, 2009, the Company's interest rate was 1.23% on a balance of $5,529,000. The Company had an additional $19,471,000 remaining on this line of credit on February 25, 2009.

The current economic situation is impacting lenders, and it is more difficult to obtain financing. Loan proceeds as a percentage of property value is decreasing, and long-term interest rates are increasing. The Company believes that its current lines of credit provide the capacity to fund debt maturities and the operations of the Company for 2009 and 2010. The Company also believes that it can still obtain mortgage financing from insurance companies and financial institutions.

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

During the first quarter of 2008, the Company closed on a $78 million, non-recourse first mortgage loan secured by properties containing 1.6 million square feet. The loan has a fixed interest rate of 5.50%, a 7-year term and an amortization schedule of 20 years. The proceeds of this note were used to reduce variable rate bank borrowings.

During the second quarter, EastGroup sold 1,198,700 shares of its common stock to Merrill Lynch, Pierce, Fenner & Smith Incorporated. The net proceeds were $57.2 million after deducting the underwriting discount and other offering expenses. The Company used the proceeds to repay indebtedness outstanding under its revolving credit facility and for other general corporate purposes.

During the third quarter, the Company redeemed all 1,320,000 shares of its 7.95% Series D Cumulative Redeemable Preferred Stock. The redemption took place on July 2, 2008, at a redemption price of $25.00 per share ($33,000,000) plus accrued and unpaid dividends of $.011 per share for the period from July 1, 2008, through and including the redemption date, for an aggregated redemption price of $25.011 per Series D Preferred Share. Original issuance costs of $674,000 and additional redemption costs of $8,000 were charged against net income available to common stockholders in conjunction with the redemption of these shares.

During the fourth quarter, EastGroup closed on a $59 million, limited recourse first mortgage loan secured by properties containing 1.3 million square feet. The loan has a fixed interest rate of 5.75%, a 5-year term and a 20-year amortization schedule. The loan has a recourse liability of $5 million which will be released based on the secured properties generating certain base rent amounts subsequent to January 1, 2011. The proceeds of this mortgage loan were used to reduce variable rate bank borrowings.

Contractual Obligations

EastGroup's fixed, non-cancelable obligations as of December 31, 2008 were as follows:

	Payments Due by		
	Total	Less Than 1 Year	1-3 Years
	(In thousand		
Fixed Rate Debt Obligations (1).......	$ 585,806	49,168	102,971
Interest on Fixed Rate Debt...........	120,503	17,811	35,813
Variable Rate Debt Obligations (2)....	109,886	-	-
Operating Lease Obligations:			
Office Leases.....................	1,670	303	714
Ground Leases.....................	19,432	720	1,440
Development Obligations (3)...........	11,125	11,125	-
Tenant Improvements (4)...............	8,169	8,169	-
Purchase Obligations (5)..............	4,344	4,344	-
Total.............................	$ 860,935	91,640	140,938

(1) These amounts are included on the Consolidated Balance Sheets. A portion of this debt is backed by a letter of credit totaling $9,473,000 at December 31, 2008. The letter of credit expired in January 2009 in connection with the repayment of the variable rate demand note on the Tower Automotive Center. A portion of this debt also has a recourse liability of $5 million which will be released based on the secured properties generating certain base rent amounts subsequent to January 1, 2011.

(2) The Company's variable rate debt changes depending on the Company's cash needs and, as such, both the principal amounts and the interest rates are subject to variability. At December 31, 2008, the weighted average interest rate was 1.23% on the variable rate debt due in January 2012.

(3) Represents commitments on properties under development, except for tenant

improvement obligations.

(4) Represents tenant improvement allowance obligations.

(5) At December 31, 2008, EastGroup was under contract to purchase 36 acres of developable land in Orlando, Florida, as a second phase of the 2008 Sand Lake land acquisition. This transaction is expected to close in the fourth quarter of 2009.

The Company anticipates that its current cash balance, operating cash flows, borrowings under its lines of credit, proceeds from new mortgage debt and/or proceeds from the issuance of equity instruments will be adequate for (i) operating and administrative expenses, (ii) normal repair and maintenance expenses at its properties, (iii) debt service obligations, (iv) 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 AND OTHER ECONOMIC CONSIDERATIONS

Most of the Company's leases include scheduled rent increases. Additionally, most of the Company's leases require the tenants to pay their pro rata share of operating expenses, including real estate taxes, insurance and common area maintenance, thereby reducing the Company's exposure to increases in operating expenses resulting from inflation.

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

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to interest rate changes primarily as a result of its lines of credit and long-term debt maturities. This debt is used to maintain liquidity and fund capital expenditures and expansion of the Company's real estate investment portfolio and operations. The Company's objective for interest rate risk management is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company borrows at fixed rates but also has 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.

	2009	2010	2011	2012	2013
Fixed rate debt (1) (in thousands)....	$ 49,168	18,185	84,786	62,117	53,232
Weighted average interest rate........	6.50%	5.89%	7.00%	6.61%	5.06%
Variable rate debt (in thousands).....	$ -	-	-	109,886	-
Weighted average interest rate........	-	-	-	1.23%	-

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

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

As the table above incorporates only those exposures that existed as of December 31, 2008, it does not consider those exposures or positions that could arise after that date. If the weighted average interest rate on the variable rate bank debt as shown above changes by 10% or approximately 12 basis points, interest expense and cash flows would increase or decrease by approximately $135,000 annually.

The Company has an interest rate swap agreement to hedge its exposure to the variable interest rate on the Company's $9,365,000 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 loss. The Company does not hold or issue this type of derivative contract for trading or speculative purposes.

Type of Hedge	Current Notional Amount	Maturity Date	Reference Rate	Fixed Rate	Fair Val at 12/31/
	(In thousands)				(
Swap	$9,365	12/31/10	1 month LIBOR	4.03%	($522)

On January 2, 2009, the mortgage note payable of $9,365,000 on the Tower Automotive Center was repaid and replaced with another mortgage note payable for the same amount. The previous recourse mortgage was a variable rate demand note, and EastGroup had entered into a swap agreement to fix the LIBOR rate. In the fourth quarter of 2008, the bond spread over LIBOR required to re-market the notes increased from a historical range of 3 to 25 basis points to a range of 100 to 500 basis points. Due to the volatility of the bond spread costs, EastGroup redeemed the note and replaced it with a recourse mortgage with a bank on the same payment terms except for the interest rate. The effective interest rate on the previous note was 5.30% until the fourth quarter of 2008 when the weighted average rate was 8.02%. The effective rate on the new note, including the swap, is 6.03%.

FORWARD-LOOKING STATEMENTS

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

publicly update or revise any forward-looking statements. See also the Company's reports to be filed from time to time with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Registrant's Consolidated Balance Sheets as of December 31, 2008 and 2007, and its Consolidated Statements of Income, Changes in Stockholders' Equity and Cash Flows and Notes to Consolidated Financial Statements for the years ended December 31, 2008, 2007 and 2006 and the Report of the Independent Registered Public Accounting Firm thereon are included under Item 15 of this report and are incorporated herein by reference. Unaudited quarterly results of operations included in the Notes to Consolidated Financial Statements are also incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

(i) Disclosure Controls and Procedures.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2008, the Company's disclosure controls and procedures were effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

(ii) Internal Control Over Financial Reporting.

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). EastGroup's Management Report on Internal Control Over Financial Reporting is set forth in Part IV, Item 15 of this Form 10-K on page 31 and is incorporated herein by reference.

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

The report of KPMG LLP, the Company's independent registered public accounting firm, on the Company's internal control over financial reporting is set forth in Part IV, Item 15 of this Form 10-K on page 31 and is incorporated herein by reference.

(c) Changes in internal control over financial reporting.

There was no change in the Company's internal control over financial reporting during the Company's fourth fiscal quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information regarding directors is incorporated herein by reference from the section entitled "Proposal One: Election of Directors" in the Company's definitive Proxy Statement ("2009 Proxy Statement") to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for EastGroup's Annual Meeting of Stockholders to be held on May 27, 2009. The 2009 Proxy Statement will be filed within 120 days after the end of the Company's fiscal year ended December 31, 2008.

The information regarding executive officers is incorporated herein by reference from the section entitled "Executive Officers" in the Company's 2009 Proxy Statement.

The information regarding compliance with Section 16(a) of the Exchange Act is incorporated herein by reference from the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's 2009 Proxy Statement.

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

The information regarding the Company's audit committee, its members and the audit committee financial experts is incorporated herein by reference from the subsection entitled "Audit Committee" in the section entitled "Board Committees and Meetings" in the Company's 2009 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION.

The information included under the following captions in the Company's 2009 Proxy Statement is incorporated herein by reference: "Compensation Discussion and Analysis," "Summary Compensation Table," "Grants of Plan-Based Awards in 2008," "Outstanding Equity Awards at 2008 Fiscal Year-End," "Option Exercises and Stock Vested in 2008," "Potential Payments upon Termination or Change in Control," "Director Compensation" and "Compensation Committee Interlocks and Insider Participation." The information included under the heading "Compensation Committee Report" in the Company's 2009 Proxy Statement is incorporated herein by reference; however, this information shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

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

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference from the sections entitled "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management and Directors" in the Company's 2009 Proxy Statement.

The following table summarizes the Company's equity compensation plan information as of December 31, 2008.

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of available under equ (excludin column (a
Equity compensation plans approved by security holders	93,686	$21.65	
Equity compensation plans not approved by security holders	-	-	
Total	93,686	$21.65	

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

The information regarding transactions with related parties and director independence is incorporated herein by reference from the sections entitled "Independent Directors" and "Certain Transactions and Relationships" in the Company's 2009 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information regarding principal auditor fees and services is incorporated herein by reference from the section entitled "Independent Registered Public Accounting Firm" in the Company's 2009 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Index to Financial Statements:

Consolidated Statements of Changes in Stockholders' Equity - Years ended December 31, 200
Consolidated Statements of Cash Flows - Years ended December 31, 2008, 2007 and 2006
Notes to Consolidated Financial Statements

(2) Consolidated Financial Statement Schedules:
Schedule III - Real Estate Properties and Accumulated Depreciation
Schedule IV - Mortgage Loans on Real Estate

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

(3) Exhibits required by Item 601 of Regulation S-K:

(3) Articles of Incorporation and Bylaws

(a) Articles of Incorporation (incorporated by reference to Appendix B to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 5, 1997).
(b) Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed December 10, 2008).
(c) Articles Supplementary of the Company relating to the reclassification of the Series C Preferred Stock and the 7.95% Series D Cumulative Redeemable Preferred Stock to the Company's common stock (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed December 10, 2008).

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

(a) EastGroup Properties, Inc. 1991 Directors Stock Option Plan, as Amended (incorporated by reference to Exhibit B to the Company's Proxy Statement for its Annual Meeting of Stockholders held on December 8, 1994).*
(b) EastGroup Properties, Inc. 1994 Management Incentive Plan, as Amended and Restated (incorporated by reference to Appendix A to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 2, 1999).*
(c) Amendment No. 1 to the Amended and Restated 1994 Management Incentive Plan (incorporated by reference to Exhibit 10(c) to the Company's Form 8-K filed January 8, 2007).*
(d) EastGroup Properties, Inc. 2000 Directors Stock Option Plan (incorporated by reference to Appendix A to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 1, 2000).*
(e) EastGroup Properties, Inc. 2004 Equity Incentive Plan (incorporated by reference to Appendix D to the Company's Proxy Statement for its Annual Meeting of Stockholders held on May 27, 2004).*
(f) Amendment No. 1 to the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10(f) to the Company's Form 10-K for the year ended December 31, 2006). *

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

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

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

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

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

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

(m) Compensation Program for Non-Employee Directors (a written description thereof is set forth in Item 5.02 of the Company's Form 8-K filed June 3, 2008).*

(n) Annual Cash Bonus and 2008 Annual Long-Term Incentive Performance Goals (a written description thereof is set forth in Item 5.02 of the Company's Form 8-K filed June 3, 2008).*

(o) Multi-Year Long-Term Incentive Performance Goals (a written description thereof is set forth in Item 1.01 of the Company's Form 8-K filed June 6, 2006).*

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

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

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

(24) Powers of attorney (filed herewith).

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

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

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND STOCKHOLDERS
EASTGROUP PROPERTIES, INC.:

We have audited the accompanying consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EastGroup Properties, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2009, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Jackson, Mississippi
February 26, 2009

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

EastGroup's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, EastGroup conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on EastGroup's evaluation under the framework in Internal Control - Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2008.

/s/ EASTGROUP PROPERTIES, INC.

Jackson, Mississippi

February 26, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND STOCKHOLDERS
EASTGROUP PROPERTIES, INC.:

We have audited EastGroup Properties, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, EastGroup Properties, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2008, and our report dated February 26, 2009, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Jackson, Mississippi
February 26, 2009

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CONSOLIDATED BALANCE SHEETS

	2008
	(In thousands, ex
ASSETS	
Real estate properties	$ 1,252,282
Development	150,354
	1,402,636
Less accumulated depreciation	(310,351)
	1,092,285
Unconsolidated investment	2,666
Cash	293
Other assets	60,961
TOTAL ASSETS	$ 1,156,205
LIABILITIES AND STOCKHOLDERS' EQUITY	
LIABILITIES	
Mortgage notes payable	$ 585,806
Notes payable to banks	109,886
Accounts payable & accrued expenses	32,838
Other liabilities	14,299
	742,829
Minority interest in joint ventures	2,536
STOCKHOLDERS' EQUITY	
Series C Preferred Shares; $.0001 par value; no shares authorized at December 31, 2008 and 600,000 shares authorized at December 31, 2007; 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 at December 31, 2007; stated liquidation preference of $33,000 at December 31, 2007; redeemed July 2, 2008	-
Common shares; $.0001 par value; 70,000,000 shares authorized at December 31, 2008 and 68,080,000 at December 31, 2007; 25,070,401 shares issued and outstanding at December 31, 2008 and 23,808,768 at December 31, 2007	3

Excess shares; $.0001 par value; 30,000,000 shares authorized; no shares issued		-
Additional paid-in capital on common shares		528,452
Distributions in excess of earnings		(117,093)
Accumulated other comprehensive loss		(522)
		410,840
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	1,156,205

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

	Yea
	2008
	(In thousa
REVENUES	
Income from real estate operations	$ 168,327
Other income	248
	168,575
EXPENSES	
Expenses from real estate operations	47,374
Depreciation and amortization	51,221
General and administrative	8,547
	107,142
OPERATING INCOME	61,433
OTHER INCOME (EXPENSE)	
Equity in earnings of unconsolidated investment	316
Gain on sales of non-operating real estate	321
Gain on sales of securities	435
Interest income	293
Interest expense	(30,192)
Minority interest in joint ventures	(626)
INCOME FROM CONTINUING OPERATIONS	31,980
DISCONTINUED OPERATIONS	
Income from real estate operations	130
Gain on sales of real estate investments	2,032
INCOME FROM DISCONTINUED OPERATIONS	2,162

NET INCOME	34,142
Preferred dividends-Series D	1,326
Costs on redemption of Series D preferred shares	682
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$ 32,134
BASIC PER COMMON SHARE DATA	
Income from continuing operations	$ 1.22
Income from discontinued operations	.09
Net income available to common stockholders	$ 1.31
Weighted average shares outstanding	24,503
DILUTED PER COMMON SHARE DATA	
Income from continuing operations	$ 1.21
Income from discontinued operations	.09
Net income available to common stockholders	$ 1.30
Weighted average shares outstanding	24,653
Dividends declared per common share	$ 2.08

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock	Additional Paid-In Capital	Distribut In Exce Of Earni
	(In thousands, except for share			
BALANCE, DECEMBER 31, 2005	$ 32,326	2	390,155	(57,930
Comprehensive income				
Net income	-	-	-	29,234
Net unrealized change in fair value of interest rate swap	-	-	-	-
Total comprehensive income				
Common dividends declared - $1.96 per share	-	-	-	(45,695
Preferred dividends declared - $1.9876 per share	-	-	-	(2,624
Issuance of 1,437,500 shares of common stock,				

common stock offering, net of expenses	-	-	68,112	-
Stock-based compensation, net of forfeitures......	-	-	2,943	-
Issuance of 118,269 shares of common stock, options exercised.............................	-	-	2,154	-
Issuance of 6,236 shares of common stock, dividend reinvestment plan.....................	-	-	305	-
9,392 shares withheld to satisfy tax withholding obligations in connection with the vesting of restricted stock..............................	-	-	(499)	-
BALANCE, DECEMBER 31, 2006.......................	32,326	2	463,170	(77,015
Comprehensive income				
Net income....................................	-	-	-	29,734
Net unrealized change in fair value of interest rate swap..........................	-	-	-	-
Total comprehensive income...................				
Common dividends declared - $2.00 per share.......	-	-	-	(47,555
Preferred dividends declared - $1.9876 per share..	-	-	-	(2,624
Stock-based compensation, net of forfeitures......	-	-	3,198	-
Issuance of 67,150 shares of common stock, options exercised.............................	-	-	1,475	-
Issuance of 6,281 shares of common stock, dividend reinvestment plan.....................	-	-	279	-
11,382 shares withheld to satisfy tax withholding obligations in connection with the vesting of restricted stock..............................	-	-	(549)	-
BALANCE, DECEMBER 31, 2007.......................	32,326	2	467,573	(97,460
Comprehensive income				
Net income....................................	-	-	-	34,142
Net unrealized change in fair value of interest rate swap..........................	-	-	-	-
Total comprehensive income...................				
Common dividends declared - $2.08 per share.......	-	-	-	(51,767
Preferred dividends declared - $1.0048 per share..	-	-	-	(1,326
Redemption of 1,320,000 shares of Series D preferred stock..............................	(32,326)	-	-	(682
Stock-based compensation, net of forfeitures......	-	-	3,176	-
Issuance of 1,198,700 shares of common stock, common stock offering, net of expenses..........	-	1	57,178	-
Issuance of 25,720 shares of common stock, options exercised.............................	-	-	526	-
Issuance of 6,627 shares of common stock, dividend reinvestment plan.....................	-	-	281	-
7,150 shares withheld to satisfy tax withholding obligations in connection with the vesting of restricted stock	-	-	(282)	-
BALANCE, DECEMBER 31, 2008.......................	$ -	3	528,452	(117,093

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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OPERATING ACTIVITIES	
Net income	$ 34
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization from continuing operations	51
Depreciation and amortization from discontinued operations	
Minority interest depreciation and amortization	
Amortization of mortgage loan premiums	
Gain on sales of land and real estate investments	(2
Gain on sales of securities	
Amortization of discount on mortgage loan receivable	
Stock-based compensation expense	2
Equity in earnings of unconsolidated investment, net of distributions	
Changes in operating assets and liabilities:	
Accrued income and other assets	
Accounts payable, accrued expenses and prepaid rent	
NET CASH PROVIDED BY OPERATING ACTIVITIES	83
INVESTING ACTIVITIES	
Real estate development	(85
Purchases of real estate	(46
Real estate improvements	(15
Proceeds from sales of land and real estate investments	11
Advances on mortgage loans receivable	(4
Repayments on mortgage loans receivable	
Purchases of securities	(7
Proceeds from sales of securities	7
Changes in other assets and other liabilities	(13
NET CASH USED IN INVESTING ACTIVITIES	(152
FINANCING ACTIVITIES	
Proceeds from bank borrowings	331
Repayments on bank borrowings	(357
Proceeds from mortgage notes payable	137
Principal payments on mortgage notes payable	(16
Debt issuance costs	(2
Distributions paid to stockholders	(54
Redemption of Series D preferred shares	(33
Proceeds from common stock offerings	57
Proceeds from exercise of stock options	
Proceeds from dividend reinvestment plan	
Other	4
NET CASH PROVIDED BY FINANCING ACTIVITIES	68
DECREASE IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	

CASH AND CASH EQUIVALENTS AT END OF YEAR...	$	
	======	

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest, net of amount capitalized of $6,946, $6,086 and $4,336 for 2008, 2007 and 2006, respectively...	$	29
Fair value of common stock awards issued to employees and directors, net of forfeitures..		1

See accompanying Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006

(1) SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of EastGroup Properties, Inc., its wholly-owned subsidiaries and its investment in any joint ventures in which the Company has a controlling interest. At December 31, 2008, 2007 and 2006, the Company had a controlling interest in two joint ventures: the 80% owned University Business Center and the 80% owned Castilian Research Center. The Company records 100% of the joint ventures' assets, liabilities, revenues and expenses with minority interests provided for in accordance with the joint venture agreements. The equity method of accounting is used for the Company's 50% undivided tenant-in-common interest in Industry Distribution Center II. All significant intercompany transactions and accounts have been eliminated in consolidation.

(b) Income Taxes

EastGroup, a Maryland corporation, has qualified as a real estate investment trust (REIT) under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the Company is required to distribute 90% of its ordinary taxable income to its stockholders. The Company has the option of (i) 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 2008, 2007 and 2006 taxable income to its stockholders. Accordingly, no provision for income taxes was necessary. The following table summarizes the federal income tax treatment for all distributions by the Company for the years ended 2008, 2007 and 2006.

Federal Income Tax Treatment of Share Distributions

	Years End
	2008
Common Share Distributions:	
Ordinary income.....................................	$ 2.0758
Return of capital...................................	-
Unrecaptured Section 1250 long-term capital gain......	.0042

Other long-term capital gain..........................	-
Total Common Distributions............................	$ 2.0800
Series D Preferred Share Distributions:	
Ordinary income......................................	$ 1.0024
Unrecaptured Section 1250 long-term capital gain......	.0024
Other long-term capital gain..........................	-
Total Preferred D Distributions........................	$ 1.0048

EastGroup adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, on January 1, 2007. With few exceptions, the Company's 2004 and earlier tax years are closed for examination by U.S. federal, state and local tax authorities. In accordance with the provisions of FIN 48, the Company had no significant uncertain tax positions as of December 31, 2008 and 2007.

The Company's income may differ for tax and financial reporting purposes principally because of (1) the timing of the deduction for the provision for possible losses and losses on investments, (2) the timing of the recognition of gains or losses from the sale of investments, (3) different depreciation methods and lives, (4) real estate properties having a different basis for tax and financial reporting purposes, (5) mortgage loans having a different basis for tax and financial reporting purposes, thereby producing different gains upon collection of these loans, and (6) differences in book and tax allowances and timing for stock-based compensation expense.

(c) Income Recognition

Minimum rental income from real estate operations is recognized on a straight-line basis. The straight-line rent calculation on leases includes the effects of rent concessions and scheduled rent increases, and the calculated straight-line rent income is recognized over the lives of the individual leases. The Company maintains allowances for doubtful accounts receivable, including straight-line rent receivable, based upon estimates determined by management. 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.

Revenue is recognized on payments received from tenants for early terminations after all criteria have been met in accordance with Statement of Financial Accounting Standards (SFAS) No. 13, Accounting for Leases.

The Company recognizes gains on sales of real estate in accordance with the principles set forth in SFAS No. 66, Accounting for Sales of Real Estate. Upon closing of real estate transactions, the provisions of SFAS No. 66 require consideration for the transfer of rights of ownership to the purchaser, receipt of an adequate cash down payment from the purchaser, adequate continuing investment by the purchaser

and no substantial continuing involvement by the Company. If the requirements for recognizing gains have not been met, the sale and related costs are recorded, but the gain is deferred and recognized by a method other than the full accrual method.

The Company recognizes interest income on mortgage loans on the accrual method unless a significant uncertainty of collection exists. If a significant uncertainty exists, interest income is recognized as collected. Discounts on mortgage loans receivable are amortized over the lives of the loans using a method that does not differ materially from the interest method. The Company evaluates the collectability of both interest and principal on each of its loans to determine whether the loans are impaired. A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan's effective interest rate or to the fair value of the underlying collateral (if the loan is collateralized) less costs to sell. As of December 31, 2008 and 2007, there was no significant uncertainty of collection; therefore, interest income was recognized, and the discount on mortgage loans receivable was amortized. In addition, the Company determined that no allowance for collectability of the mortgage notes receivable was necessary.

(d) Real Estate Properties

EastGroup has one reportable segment-industrial properties. These properties are concentrated in major Sunbelt markets of the United States, primarily in the states of Florida, Texas, Arizona and California, have similar economic characteristics and also meet the other criteria that permit the properties to be aggregated into one reportable segment. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows (including estimated future expenditures necessary to substantially complete the asset) expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Real estate properties held for investment are reported at the lower of the carrying amount or fair value. As of December 31, 2008 and 2007, the Company determined that no impairment charges on the Company's real estate properties were necessary. Depreciation of buildings and other improvements, including personal property, is computed using the straight-line method over estimated useful lives of generally 40 years for buildings and 3 to 15 years for improvements and personal property. Building improvements are capitalized, while maintenance and repair expenses are charged to expense as incurred. Significant renovations and improvements that extend the useful life of or improve the assets are capitalized. Depreciation expense for continuing and discontinued operations was $42,166,000, $39,688,000 and $35,428,000 for 2008, 2007 and 2006, respectively.

(e) Development

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

(f) Real Estate Held for Sale

The Company considers a real estate property to be held for sale when it meets the criteria established under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, including when it is probable that the property will be sold within a year. A key indicator of probability of sale is whether the buyer has a significant amount of earnest money at risk. Real estate properties that are held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale. In accordance with the guidelines established under SFAS No. 144, the results of operations for the operating properties sold or held for sale during the reported periods are shown under Discontinued Operations on the Consolidated Statements of Income. Interest expense is not generally allocated to the properties that are held for sale or whose operations are included under Discontinued Operations unless the mortgage is required to be paid in full upon the sale of the property.

(g) Derivative Instruments and Hedging Activities

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

(h) Cash Equivalents

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

(i) Amortization

Debt origination costs are deferred and amortized over the term of each loan using the effective interest method. Amortization of loan costs for continuing operations was $975,000, $911,000 and $819,000 for 2008, 2007 and 2006, respectively.

Leasing costs are deferred and amortized using the straight-line method over the term of the lease. Leasing costs amortization expense for continuing and discontinued operations was $5,882,000, $5,339,000 and $4,304,000 for 2008, 2007 and 2006, respectively. Amortization expense for in-place lease intangibles is disclosed in Business Combinations and Acquired Intangibles.

(j) 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 Company determines whether any financing assumed is above or below market based upon comparison to similar financing terms for similar properties. The cost of the properties acquired may be adjusted based on indebtedness assumed from the seller that is determined to be above or below market rates. Factors considered by management in allocating the cost of the properties acquired include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The allocation to tangible assets (land, building and improvements) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models.

The 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 $3,244,000, $3,031,000 and $2,485,000 for 2008, 2007 and 2006, respectively. Amortization of above and below market leases was immaterial for all periods presented. Projected amortization of in-place lease intangibles for the next five years as of December 31, 2008 is as follows:

Years Ending December 31,	(In thousands)
2009....................................	$ 1,990
2010....................................	1,157
2011....................................	614
2012....................................	313
2013....................................	150

During 2008, EastGroup purchased five operating properties, one property for re-development, and 125 acres of developable land. The Company purchased these real estate investments for a total cost of $58,202,000, of which $39,018,000 was allocated to real estate properties and $17,144,000 to development. In accordance with SFAS No. 141, intangibles associated with the purchase of real estate were allocated as follows: $2,143,000 to in-place lease intangibles, $252,000 to above market leases (both included in Other Assets on the Consolidated Balance Sheets) and $355,000 to below market leases (included in Other Liabilities on the Consolidated Balance Sheets). These costs are amortized over the remaining lives of the associated leases in place at the time of acquisition.

Also in 2008, EastGroup acquired one non-operating property as part of the Orlando build-to-suit transaction with United Stationers. The Company purchased and then sold this building through its taxable REIT subsidiary and recognized a gain of $294,000.

The total cost of the seven operating properties acquired in 2007 was $57,246,000, of which $53,952,000 was allocated to real estate properties. In accordance with SFAS No. 141, intangibles associated with the purchases of real estate were allocated as follows: $3,661,000 to in-place lease intangibles, $246,000 to above market leases and $613,000 to below market leases. Also in 2007, EastGroup acquired one property for re-development and 140.6 acres of developable land for $16,405,000.

The Company periodically reviews the recoverability of goodwill (at least annually) and the recoverability of other intangibles (on a quarterly basis) for possible impairment. In management's opinion, no material impairment of goodwill and other intangibles existed at December 31, 2008 and 2007.

(k) Stock-Based Compensation

The Company has a management incentive plan that was approved by shareholders and adopted in 2004, which authorizes the issuance of common stock to employees in the form of options, stock appreciation rights, restricted stock, deferred stock units, performance shares, stock bonuses, and stock.

Typically, the Company issues new shares to fulfill stock grants or upon the exercise of stock options.

Under the modified prospective application method, the Company continues to recognize compensation cost on a straight-line basis over the service period for awards that precede the adoption of SFAS No. 123 (Revised 2004), Share-Based Payment, on January 1, 2006. (Prior to the adoption of SFAS No. 123R, the Company had 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 cost for performance-based awards after January 1, 2006 is determined using the graded vesting attribution method which recognizes each separate vesting portion of the award as a separate award on a straight-line basis

over the requisite service period. This method accelerates the expensing of the award compared to the straight-line method. The cost for market-based awards after January 1, 2006 and awards that only require service are expensed on a straight-line basis over the requisite service periods.

The total compensation cost for service and performance based awards is based upon the fair market value of the shares on the grant date, adjusted for estimated forfeitures. The grant date fair value for awards that are subject to a market condition are determined using a simulation pricing model developed to specifically accommodate the unique features of the awards.

During the restricted period for awards not subject to contingencies, the Company accrues dividends and holds the certificates for the shares; however, the employee can vote the shares. For shares subject to contingencies, dividends are accrued based upon the number of shares expected to vest. Share certificates and dividends are delivered to the employee as they vest.

(l) Earnings Per Share

Basic earnings per share (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.

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (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.

(n) Risks and Uncertainties

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

(o) New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which provides guidance for using fair value to measure assets and liabilities. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. As required under SFAS No. 133, the Company accounts for its interest rate swap cash flow hedge on the Tower Automotive mortgage at fair value. The provisions of Statement 157, with the exception of nonfinancial assets and liabilities, were effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The application of Statement 157 to the Company in 2008 had an immaterial impact on the Company's overall financial position and results of operations.

The FASB deferred for one year Statement 157's fair value measurement requirements for nonfinancial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. These provisions are included in FASB Staff Position (FSP) FAS 157-2 and are effective for fiscal years beginning after November 15, 2008. The Company has determined that the adoption of these provisions in 2009 had an immaterial impact on the Company's overall financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations, which retains the fundamental requirements in SFAS No. 141 and requires the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree be measured at fair value as of the acquisition date. In addition, Statement 141R requires that any goodwill acquired in the business combination be measured as a residual, and it provides guidance in determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Statement also requires that acquisition-related costs be recognized as expenses in the periods in which the costs are incurred and the services are received. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and may not be applied before that date. The adoption of Statement 141R in 2009 had an immaterial impact on the Company's overall financial position and results of operations.

Also in December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, which is an amendment of Accounting Research Bulletin (ARB) No. 51. Statement 160 provides guidance for entities that prepare consolidated financial statements that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, and may not be applied before that date. The adoption of Statement 160 in 2009 had an immaterial impact on the Company's overall financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, which is an amendment of FASB Statement No. 133. SFAS No. 161 requires all entities with derivative instruments to disclose information regarding how and why the entity uses derivative instruments and how derivative instruments and related hedged items affect the entity's financial position, financial performance, and cash flows. The Statement is effective prospectively for periods beginning on or after November 15, 2008.

During 2008, the FASB issued FSP FAS 142-3, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement

No. 142, Goodwill

and Other Intangible Assets. FSP FAS 142-3 requires an entity to disclose information that enables financial statement users to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. The intent of this Staff Position is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under Statement 141R and other U.S. generally accepted accounting principles. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of FSP FAS 142-3 in 2009 had an immaterial impact on the Company's overall financial position and results of operations.

Also in 2008, the Emerging Issues Task Force (EITF) issued EITF 08-6, Equity Method Investment Accounting Considerations, which applies to all investments accounted for under the equity method and clarifies the accounting for certain transactions and impairment considerations involving those investments. EITF 08-6 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The adoption of EITF 08-6 in 2009 had an immaterial impact on the Company's overall financial position and results of operations.

(p) Reclassifications

Certain reclassifications have been made in the 2007 and 2006 consolidated financial statements to conform to the 2008 presentation.

(2) REAL ESTATE OWNED

The Company's real estate properties at December 31, 2008 and 2007 were as follows:

	December 31,	
	2008	2007
	(In thousands)	
Real estate properties:		
Land	$ 187,617	175,496
Buildings and building improvements	867,506	763,980
Tenant and other improvements	197,159	175,490
Development	150,354	152,963
	1,402,636	1,267,929
Less accumulated depreciation	(310,351)	(269,132
	$ 1,092,285	998,797

The Company is currently developing the properties detailed below. Costs incurred include capitalization of interest costs during the period of construction. The interest costs capitalized on real estate properties for 2008 were $6,946,000 compared to $6,086,000 for 2007 and $4,336,000 for 2006.

Total capital investment for development during 2008 was $85,441,000, which primarily consisted of costs of $81,642,000 as detailed in the development activity table and costs of $4,116,000 for improvements on developments transferred to Real Estate Properties during the 12-month period following transfer.

		Costs Incu	
	Size	Costs Transferred in 2008 (1)	For th Year En 12/31/
DEVELOPMENT	(Unaudited)		
	(Square feet)		(In t
LEASE-UP			
40th Avenue Distribution Center, Phoenix, AZ.........	89,000	$ -	1,3
Wetmore II, Building B, San Antonio, TX.............	55,000	-	7
Beltway Crossing VI, Houston, TX....................	128,000	-	2,0
Oak Creek VI, Tampa, FL.............................	89,000	-	1,6
Southridge VIII, Orlando, FL........................	91,000	-	1,9
Techway SW IV, Houston, TX..........................	94,000	-	2,8
SunCoast III, Fort Myers, FL........................	93,000	-	2,5
Sky Harbor, Phoenix, AZ.............................	264,000	-	8,8
World Houston 26, Houston, TX.......................	59,000	1,110	1,7
12th Street Distribution Center, Jacksonville, FL....	150,000	-	4,8
Total Lease-up.......................................	1,112,000	1,110	28,6

		Costs Incu	
	Size	Costs Transferred in 2008 (1)	For th Year En 12/31/
DEVELOPMENT	(Unaudited)		
	(Square feet)		(In t
UNDER CONSTRUCTION			
Beltway Crossing VII, Houston, TX...................	95,000	2,123	2,0
Country Club III & IV, Tucson, AZ...................	138,000	2,552	5,4
Oak Creek IX, Tampa, FL.............................	86,000	1,369	2,8
Blue Heron III, West Palm Beach, FL.................	20,000	863	1,0
World Houston 28, Houston, TX.......................	59,000	733	1,6
World Houston 29, Houston, TX.......................	70,000	849	1,0
World Houston 30, Houston, TX.......................	88,000	1,591	
Total Under Construction.............................	556,000	10,080	14,1
PROSPECTIVE DEVELOPMENT (PRIMARILY LAND)			
Tucson, AZ..	70,000	(2,552)	9
Tampa, FL...	249,000	(1,369)	6

Orlando, FL	1,254,000	-	10,6
West Palm Beach, FL	-	(863)	
Fort Myers, FL	659,000	-	2,1
Dallas, TX	70,000	-	5
El Paso, TX	251,000	-	
Houston, TX	1,064,000	(6,406)	4,6
San Antonio, TX	595,000	-	2,8
Charlotte, NC	95,000	-	9
Jackson, MS	28,000	-	
Total Prospective Development	4,335,000	(11,190)	23,6
	6,003,000	$ -	66,4
DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL ESTATE PROPERTIES DURING 2008			
Beltway Crossing IV, Houston, TX	55,000	$ -	
Beltway Crossing III, Houston, TX	55,000	-	
Southridge XII, Orlando, FL	404,000	-	3,4
Arion 18, San Antonio, TX	20,000	-	6
Southridge VII, Orlando, FL	92,000	-	4
Wetmore II, Building C, San Antonio, TX	69,000	-	1
Interstate Commons III, Phoenix, AZ	38,000	-	
SunCoast I, Fort Myers, FL	63,000	-	1
World Houston 27, Houston, TX	92,000	-	1,7
Wetmore II, Building D, San Antonio, TX	124,000	-	4,9
World Houston 24, Houston, TX	93,000	-	7
Centennial Park, Denver, CO	68,000	-	6
World Houston 25, Houston, TX	66,000	-	5
Beltway Crossing V, Houston, TX	83,000	-	9
Wetmore II, Building A, San Antonio, TX	34,000	-	5
Oak Creek A & B, Tampa, FL	35,000	-	
Total Transferred to Real Estate Properties	1,391,000	$ -	15,2

(1) Represents costs transferred from Prospective Development (primarily land) to Under Construction (or subsequently to Lease-up) during the period.
(2) Included in these costs are development obligations of $11.1 million and tenant improvement obligations of $2.0 million on properties under development.
(3) Represents cumulative costs at the date of transfer.

In 2008, two operating properties, North Stemmons I in Dallas and Delp Distribution Center III in Memphis, were transferred to real estate held for sale and were then disposed of.

Also during 2008, EastGroup acquired one non-operating property (128,000 square feet) as part of the Orlando build-to-suit transaction with United Stationers. The Company purchased and then sold the building through its taxable REIT subsidiary and recognized a gain of $294,000. In addition, EastGroup sold 41 acres of residential land in San Antonio, Texas, for $841,000 with no gain or loss. This property was acquired as part of the Company's Alamo Ridge industrial land acquisition in September 2007.

In 2007, one Memphis property, Delp Distribution Center I, was transferred to real estate held for sale and was subsequently sold. Also during 2007, the Company received proceeds of $3,050,000 for the sale of land in lieu of condemnation at Arion Business Park in San Antonio.

Real estate properties that are held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale. In accordance with the guidelines established under SFAS No. 144, the results of operations for the properties sold or held for sale during the reported periods are shown under Discontinued Operations on the Consolidated Statements of Income. No interest expense was allocated to the properties that are held for sale or whose operations are included under Discontinued Operations. A summary of gain on sales of real estate for the years ended December 31, 2008, 2007 and 2006 follows:

Gain on Sales of Real Estate

Real Estate Properties	Location	Size	Date Sold	Net Sales Price	Basis
2008					
North Stemmons I..................	Dallas, TX	123,000 SF	05/12/08	$ 4,633	2,684
United Stationers Tampa Building...	Tampa, FL	128,000 SF	08/08/08	5,717	5,225
Delp Distribution Center III.......	Memphis, TN	20,000 SF	08/20/08	589	506
Alamo Ridge residential land.......	San Antonio, TX	41.0 Acres	09/08/08	762	762
Deferred gain recognized from previous sales................					
				$11,701	9,177
2007					
Delp Distribution Center I.........	Memphis, TN	152,000 SF	10/11/07	$ 3,080	2,477
Arion Business Park land...........	San Antonio, TX	13.1 Acres	10/11/07	2,890	318
Deferred gain recognized from previous sales................					
				$ 5,970	2,795
2006					
Madisonville land.................	Madisonville, KY	1.2 Acres	01/05/06	$ 804	27
Senator I & II/Southeast Crossing..	Memphis, TN	534,000 SF	03/09/06	14,870	14,466
Dallas land.......................	Dallas, TX	0.1 Acre	03/16/06	66	13
Lamar Distribution Center I........	Memphis, TN	125,000 SF	06/30/06	2,980	2,951
Crowfarn Distribution Center.......	Memphis, TN	106,000 SF	12/14/06	2,650	2,263
Auburn Facility....................	Auburn Hills, MI	114,000 SF	12/28/06	17,251	12,698
Fort Myers land....................	Fort Myers, FL	0.8 Acre	12/29/06	267	144
Deferred gain recognized from previous sale.................					
				$38,888	32,562

The following schedule indicates approximate future minimum rental receipts under non-cancelable leases for real estate properties by year as of December 31, 2008:

Future Minimum Rental Receipts Under Non-cancelable Leases

Years Ending December 31,	(In thousands)

2009	$ 127,090
2010	102,816
2011	77,383
2012	56,227
2013	37,855
Thereafter	67,833
Total minimum receipts	$ 469,204

Ground Leases

As of December 31, 2008, the Company owned two properties in Florida, two properties in Texas and one property in Arizona that are subject to ground leases. These leases have terms of 40 to 50 years, expiration dates of August 2031 to November 2037, and renewal options of 15 to 35 years, except for the one lease in Arizona which is automatically and perpetually renewed annually. Total lease expenditures for the years ended December 31, 2008, 2007 and 2006 were $717,000, $708,000 and $707,000, respectively. Payments are subject to increases at 3 to 10 year intervals based upon the agreed or appraised fair market value of the leased premises on the adjustment

date or the Consumer Price Index percentage increase since the base rent date. The following schedule indicates approximate future minimum lease payments for these properties by year as of December 31, 2008:

Future Minimum Ground Lease Payments

Years Ending December 31,	(In thousands)
2009	$ 720
2010	720
2011	720
2012	720
2013	720
Thereafter	15,832
Total minimum payments	$ 19,432

(3) 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 through December 2014 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 $2,666,000 at December 31, 2008. At the end of May 2005, EastGroup and the property co-owner closed a non-recourse first mortgage loan secured by Industry Distribution Center II. The $13.3 million loan has a 25-year term and an interest rate of 5.31% through June 30, 2015, when the rate will adjust on an annual basis according to the "A" Moody's Daily Long-Term Corporate Bond Yield Average. The lender has the option to call the note on June 30, 2015. EastGroup's share of this mortgage was $6,159,000 at December 31, 2008 and

$6,309,000 at December 31, 2007.

(4) MORTGAGE LOANS RECEIVABLE

In connection with the sale of a property in 2008, EastGroup advanced the buyer $4,994,000 in a first mortgage recourse loan. In September, EastGroup received a principal payment of $844,000. The mortgage loan has a five-year term and calls for monthly interest payments (interest accruals and payments begin January 1, 2009) through the maturity date of August 8, 2013, when a balloon payment for the remaining principal balance of $4,150,000 is due. At the inception of the loan, EastGroup recognized a discount on the loan of $198,000 and recognized amortization of the discount of $117,000 during 2008. Mortgage loans receivable, net of discount, are included in Other Assets on the Consolidated Balance Sheets.

(5) OTHER ASSETS

A summary of the Company's Other Assets follows:

	Dece
	2008
	(In t
Leasing costs (principally commissions), net of accumulated amortization....	$ 20,866
Straight-line rent receivable, net of allowance for doubtful accounts.......	14,914
Accounts receivable, net of allowance for doubtful accounts................	4,094
Acquired in-place lease intangibles, net of accumulated amortization of $5,626 and $5,308 for 2008 and 2007, respectively.....................	4,369
Mortgage loans receivable, net of discount of $81 and $0 for 2008 and 2007, respectively..	4,174
Loan costs, net of accumulated amortization................................	4,246
Goodwill...	990
Prepaid expenses and other assets..	7,308
	$ 60,961

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(6) NOTES PAYABLE TO BANKS

The Company has a four-year, $200 million unsecured revolving credit facility with a group of seven banks that matures in January 2012. The Company customarily uses this line of credit for acquisitions and developments. The interest rate on this facility is based on the LIBOR index and varies according to total liability to total asset value ratios (as defined in the credit agreement), with an annual facility fee of 15 to 20 basis points. The interest rate on each tranche is usually reset on a monthly basis and is currently LIBOR plus 70 basis points with an annual facility fee of 20 basis points. The line of credit has an option for a one-year extention at the Company's request. Additionally, there is a provision under which the line may be expanded by $100 million contingent upon obtaining increased commitments from existing lenders or commitments from additional lenders. At December 31, 2008, the weighted average interest rate was 1.23% on a balance of $107,000,000. The Company had an additional $93,000,000 remaining on this line of credit at that date.

The Company also has a four-year, $25 million unsecured revolving credit facility with PNC Bank, N.A. that matures in January 2012. This facility is customarily used for working capital needs. The interest rate on this working cash line is based on LIBOR and varies according to total liability to total asset value ratios (as defined in the credit agreement). Under this facility, the Company's current interest rate is LIBOR plus 75 basis points with no annual facility fee. At December 31, 2008, the interest rate was 1.19% on a balance of $2,886,000. The Company had an additional $22,114,000 remaining on this line of credit at that date.

Average bank borrowings were $125,647,000 in 2008 compared to $96,513,000 in 2007 with weighted average interest rates of 3.94% in 2008 compared to 6.36% in 2007. Weighted average interest rates including amortization of loan costs were 4.17% for 2008 and 6.73% for 2007. Amortization of bank loan costs was $295,000, $353,000 and $355,000 for 2008, 2007 and 2006, respectively.

The Company's bank credit facilities have certain restrictive covenants, such as maintaining debt service coverage and leverage ratios, and the Company was in compliance with all of its debt covenants at December 31, 2008.

The Company has an interest rate swap agreement to hedge its exposure to the variable interest rate on the Company's $9,365,000 Tower Automotive Center recourse mortgage (See Notes 7 and 19). 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 (loss). The Company does not hold or issue this type of derivative contract for trading or speculative purposes. The interest rate swap agreement is summarized as follows:

Type of Hedge	Current Notional Amount	Maturity Date	Reference Rate	Fixed Rate	Fai at
	(In thousands)				
Swap	$9,365 (1)	12/31/10	1 month LIBOR	4.03%	(

(1) This mortgage is backed by a letter of credit totaling $9,473,000 at December 31, 2008. The letter of credit expired in January 2009 in connection with the repayment of the variable rate demand note on the Tower Automotive Center (See Note 19).

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(7) MORTGAGE NOTES PAYABLE

A summary of Mortgage Notes Payable follows:

Property	Rate	Monthly P&I Payment	Maturity Date	Ca R Dec
Dominguez, Kingsview, Walnut, Washington, Industry Distribution Center I and Shaw...............	6.800%	358,770	03/01/09 (1)	
Oak Creek Distribution Center I.........................	8.875%	52,109	09/01/09	
Tower Automotive Center (recourse) (2)..................	6.030%	Semiannual	01/15/11	
Interstate I, II & III, Venture, Stemmons Circle,				

Glenmont I & II, West Loop I & II, Butterfield Trail and Rojas	7.250%	325,263	05/01/11
America Plaza, Central Green and World Houston 3-9	7.920%	191,519	05/10/11
University Business Center (120 & 130 Cremona)	6.430%	81,856	05/15/12
University Business Center (125 & 175 Cremona)	7.980%	88,607	06/01/12
Oak Creek Distribution Center IV	5.680%	31,253	06/01/12
Airport Distribution, Southpointe, Broadway I, III & IV, Southpark, 51st Avenue, Chestnut, Main Street, Interchange Business Park, North Stemmons I land and World Houston 12 & 13	6.860%	279,149	09/01/12
Interstate Distribution Center - Jacksonville	5.640%	31,645	01/01/13
Broadway V, 35th Avenue, Sunbelt, Beltway I, Lockwood, Northwest Point, Techway Southwest I and World Houston 10, 11 & 14	4.750%	259,403	09/05/13
Southridge XII, Airport Commerce Center I & II, Interchange Park, Ridge Creek III, World Houston 24, 25 & 27 and Waterford Distribution Center (3)	5.750%	414,229	01/05/14
Kyrene Distribution Center I	9.000%	11,246	07/01/14
World Houston 17, Kirby, Americas Ten I, Shady Trail, Palm River North I, II & III and Westlake I & II (4)	5.680%	175,479	10/10/14
Beltway II, III & IV, Eastlake, Fairgrounds I-IV, Nations Ford I-IV, Techway Southwest III, Westinghouse, Wetmore I-IV and World Houston 15 & 22	5.500%	536,552	04/05/15
Country Club I, Lake Pointe, Techway Southwest II and World Houston 19 & 20	4.980%	256,952	12/05/15
Huntwood and Wiegman Distribution Centers	5.680%	265,275	09/05/16
Alamo Downs, Arion 1-15 & 17, Rampart I, II & III, Santan 10 and World Houston 16	5.970%	557,467	11/05/16
Broadway VI, World Houston 1 & 2, 21 & 23, Arion 16, Ethan Allen, Northpark I-IV, South 55th Avenue, East University I & II and Santan 10 II	5.570%	518,885	09/05/17
Blue Heron Distribution Center II	5.390%	16,176	02/29/20

(1) This mortgage was repaid on February 13, 2009.

(2) The Tower Automotive mortgage 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 resulted in an effective interest rate of 5.30% until the fourth quarter of 2008 when the weighted average rate was 8.02% (See Note 19). Semiannual principal payments are made on this note; interest is paid monthly (See Note 6). The principal amounts of these payments increase incrementally as the loan approaches maturity.

(3) This mortgage has a recourse liability of $5 million which will be released based on the secured properties generating certain base rent amounts subsequent to January 1, 2011.

(4) Interest only was paid on this note until November 2006.

The Company's mortgage notes payable have certain restrictive covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage, and the Company was in compliance with all of its debt covenants at December 31, 2008.

The Company currently intends to repay its debt obligations, both in the short- and long-term, through its operating cash flows, borrowings under its lines of credit, proceeds from new mortgage debt and/or proceeds from the issuance of equity instruments. Principal payments due during the next five years as of December 31, 2008 are as follows:

Years Ending December 31,	(In thousands)
2009	$ 49,168
2010	18,185
2011	84,786
2012	62,117
2013	53,232

(8) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	December 31,	
	2008	2007
	(In thousands)	
Property taxes payable	$ 11,136	9,744
Development costs payable	7,127	13,022
Interest payable	2,453	2,689
Dividends payable	1,257	2,337
Other payables and accrued expenses	10,865	6,387
	$ 32,838	34,179

(9) OTHER LIABILITIES

A summary of the Company's Other Liabilities follows:

	December 31,	
	2008	2007
	(In thousands)	
Security deposits	$ 7,560	7,529
Prepaid rent and other deferred income	5,430	6,911
Other liabilities	1,309	1,713
	$ 14,299	16,153

(10) COMMON STOCK ACTIVITY

The following table presents the common stock activity for the three years ended December 31, 2008:

	Years Ended December 3	
	2008	2007

	Common Shares	
Shares outstanding at beginning of year...........	23,808,768	23,701,275
Common stock offerings...........................	1,198,700	-
Stock options exercised..........................	25,720	67,150
Dividend reinvestment plan.......................	6,627	6,281
Incentive restricted stock granted................	35,222	44,646
Incentive restricted stock forfeited..............	(2,520)	(2,250)
Director common stock awarded.....................	5,034	3,048
Restricted stock withheld for tax obligations.....	(7,150)	(11,382)
Shares outstanding at end of year.................	25,070,401	23,808,768

Common Stock Issuances

During the second quarter of 2008, EastGroup sold 1,198,700 shares of its common stock to Merrill Lynch, Pierce, Fenner & Smith Incorporated. The net proceeds were $57.2 million after deducting the underwriting discount and other offering expenses. The Company used the proceeds to repay indebtedness outstanding under its revolving credit facility and for other general corporate purposes.

During the third quarter of 2006, EastGroup closed on the sale of 1,437,500 shares of its common stock. The net proceeds from the offering of the shares were $68.1 million after deducting the underwriting discount and other offering expenses.

Dividend Reinvestment Plan

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

Common Stock Repurchase Plan

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

Shareholder Rights Plan

In December 1998, EastGroup adopted a Shareholder Rights Plan. The Plan expired on December 3, 2008.

(11) STOCK-BASED COMPENSATION

The Company adopted SFAS No. 123R on January 1, 2006. The rule requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements and that the cost be measured on the fair value of the equity or liability instruments issued. The Company's adoption of SFAS No. 123R had no material impact on its overall financial position or results of operations. Prior to the adoption of SFAS No. 123R, 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.

Management Incentive Plan

The Company has a management incentive plan which was approved by the shareholders and adopted in 2004. This plan authorizes the issuance of up to 1,900,000 shares of common stock to employees in the form of options, stock appreciation rights, restricted stock (limited to 570,000 shares), deferred stock units, performance shares, stock bonuses and stock. Total shares available for grant were 1,686,723; 1,715,523; and 1,751,796 at December 31, 2008, 2007 and 2006, respectively. Typically, the Company issues new shares to fulfill stock grants or upon the exercise of stock options.

Stock-based compensation was $2,931,000, $3,043,000 and $2,788,000 for 2008, 2007 and 2006, respectively, of which $866,000, $978,000 and $768,000 were capitalized as part of the Company's development costs for the respective years.

Restricted Stock

The purpose of the restricted stock plan is to act as a retention device since it allows participants to benefit from dividends on shares as well as potential stock appreciation. Vesting generally occurs from 2 1/2 years to nine years from the date of grant for awards subject to service only. Restricted stock is granted to executive officers subject to the satisfaction of certain annual performance goals and multi-year market conditions as determined by the Compensation Committee. Restricted stock is granted to non-executive officers and other employees subject only to continued service. Under the modified prospective application method, the Company continues to recognize compensation cost on a straight-line basis over the service period for awards that precede the adoption of SFAS No. 123R. The cost for performance-based awards after January 1, 2006 is amortized using the graded vesting attribution method which recognizes each separate vesting portion of the award as a separate award on a straight-line basis over the requisite service period. This method accelerates the expensing of the award compared to the straight-line method. The cost for market-based awards after January 1, 2006 and awards that only require service is amortized on a straight-line basis over the requisite service periods.

The total compensation expense for service and performance based awards is based upon the fair market value of the shares on the grant date, adjusted for estimated forfeitures. The grant date fair value for awards that are subject to a market condition (total shareholder return) was determined using a simulation pricing model developed to specifically accommodate the unique features of the awards.

In the second quarter of 2008, the Company granted shares to executive officers contingent upon the attainment of certain annual performance goals. These goals are for the period ended December 31, 2008, and any shares to be issued upon attainment of these goals will be determined by the Compensation Committee in the first quarter of 2009. The number of shares to be issued could range from zero to 44,802. These shares will vest 20% on the date shares are determined and awarded and 20% per year on each January 1 for the subsequent four years. The weighted average grant date fair value for these shares is $47.65.

In March 2008, 34,668 shares were awarded based on the attainment of the 2007 annual performance goals at a weighted average grant date fair value of $49.14 per share. These shares vested 20% on March 6, 2008, and will vest 20% per year on January 1, 2009, 2010, 2011 and 2012. Also during 2008, an additional 554 shares were awarded to non-executive officers at a weighted average grant date fair value of $29.73. These shares are subject only to continued service as of the vesting date and vest 50% per year on January 1, 2009 and 2010.

In the second quarter of 2006, the Company granted shares to executive officers contingent upon the attainment of certain annual performance goals and multi-year market conditions. The weighted average grant date fair value for shares to be awarded under the multi-year market conditions was $26.34 per share with a total cost of approximately $2.1 million. The number of shares to be issued could range from zero to 40,314. These shares will vest over four years following evaluation of the three-year performance measurement period ended December 31, 2008.

During 2008, the Compensation Committee approved the full vesting of the restricted shares of the Company's President and CEO, David H. Hoster II, upon his retirement on or after January 1, 2012, to the extent the performance period has been completed as of such retirement date.

During the restricted period for awards no longer subject to contingencies, the Company accrues dividends and holds the certificates for the shares; however, the employee can vote the shares. For shares subject to contingencies, dividends are accrued based upon the number of shares expected to be awarded. Share certificates and dividends are delivered to the employee as they vest. As of December 31, 2008, there was $3,462,000 of unrecognized compensation cost related to nonvested restricted stock compensation that is expected to be recognized over a weighted average period of 3.06 years.

Following is a summary of the total restricted shares granted, forfeited and delivered (vested) to employees with the related weighted average grant date fair value share prices for 2008, 2007 and 2006. The table does not include the shares granted in 2008 or 2006 that are contingent on performance goals or market conditions. Of the shares that vested in 2008, 2007 and 2006, 7,150 shares, 11,382 shares and 9,392 shares, respectively, were withheld by the Company to satisfy the tax obligations for those employees who elected this option as permitted under the applicable equity plan. As shown in the table below, the fair value of shares that were granted during 2008, 2007 and 2006 was $1,720,000, $1,961,000 and $4,511,000 respectively. As of the vesting date, the fair value of shares that vested during 2008, 2007 and 2006 was $3,343,000, $4,350,000, and $4,849,000, respectively.

Restricted Stock Activity:	Years Ended December 31,				
	2008		2007		
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Sha
Nonvested at beginning of year....	144,089	$ 31.65	196,671	$ 28.66	17
Granted (1)......................	35,222	48.83	44,646	43.93	11
Forfeited........................	(2,520)	26.51	(2,250)	23.52	(
Vested...........................	(89,106)	33.37	(94,978)	31.42	(9
Nonvested at end of year..........	87,685	36.95	144,089	31.65	19

(1) Includes shares granted in prior years for which performance conditions have been satisfied and the number of shares have been determined.

Following is a vesting schedule of the total nonvested shares as of December 31, 2008:

Nonvested Shares Vesting Schedule	Number of Shares
2009....................................	49,629
2010....................................	16,957

2011	14,169
2012	6,930
Total Nonvested Shares	87,685

Employee Stock Options

The Company has not granted stock options to employees since 2002. Outstanding employee stock options vested equally over a two-year period; accordingly, all options are now vested. The intrinsic value realized by employees from the exercise of options during 2008, 2007 and 2006 was $585,000, $1,492,000 and $3,641,000, respectively. There were no employee stock options granted or forfeited during the years presented. Following is a summary of the total employee stock options exercised and expired with related weighted average exercise share prices for 2008, 2007 and 2006.

Stock Option Activity:	Years Ended December 31,			
	2008		2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Pr
Outstanding at beginning of year	76,656	$ 20.49	135,056	$ 21.10
Exercised	(21,220)	20.43	(58,400)	21.89
Outstanding at end of year	55,436	20.51	76,656	20.49
Exercisable at end of year	55,436	$ 20.51	76,656	$ 20.49

Employee outstanding stock options at December 31, 2008, all exercisable:

Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Intrinsic Value
$ 18.50-25.30	55,436	0.7 years	$ 20.51	$835,000

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Directors Equity Plan

The Company has a directors equity plan that was approved by shareholders and adopted in 2005 (the 2005 Plan), which authorizes the issuance of up to 50,000 shares of common stock through awards of shares and restricted shares granted to nonemployee directors of the Company. The 2005 Plan replaced prior plans under which directors were granted stock option awards. Outstanding grants under prior plans will be fulfilled under those plans.

Directors were issued 5,034 shares, 3,048 shares and 3,402 shares of common stock for 2008, 2007 and 2006, respectively. In addition, in 2005, 481 shares of restricted stock at $41.57 were granted, of which 360 shares were vested as of December 31, 2008. The restricted stock vests 25% per year for four years. As of

December 31, 2008, there was $2,500 of unrecognized compensation cost related to nonvested restricted stock compensation that is expected to be recognized over a weighted average period of 0.50 years. There were 36,835 shares available for grant under the 2005 Plan at December 31, 2008.

Stock-based compensation expense for directors was $200,000, $155,000 and $105,000 for 2008, 2007 and 2006, respectively. The intrinsic value realized by directors from the exercise of options was $120,000, $218,000 and $70,000 for 2008, 2007 and 2006, respectively.

There were no director stock options granted or expired during the years presented below. Following is a summary of the total director stock options exercised with related weighted average exercise share prices for 2008, 2007 and 2006.

Stock Option Activity: Years Ended December 31,

	2008		2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Pr
Outstanding at beginning of year....	42,750	$ 23.01	51,500	$ 22.93
Exercised..........................	(4,500)	20.63	(8,750)	22.49
Outstanding at end of year..........	38,250	23.29	42,750	23.01
Exercisable at end of year..........	38,250	$ 23.29	42,750	$ 23.01

Director outstanding stock options at December 31, 2008, all exercisable:

Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Intrinsic Value
$ 20.25-26.60	38,250	2.7 years	$ 23.29	$470,000

(12) REDEMPTION OF SERIES D PREFERRED SHARES

On July 2, 2008, EastGroup redeemed all 1,320,000 shares of its 7.95% Series D Cumulative Redeemable Preferred Stock at a redemption price of $25.00 per share ($33,000,000) plus accrued and unpaid dividends of $.011 per share for the period from July 1, 2008, through and including the redemption date, for an aggregated redemption price of $25.011 per Series D Preferred Share. Original issuance costs of $674,000 and additional redemption costs of $8,000 were charged against net income available to common stockholders in conjunction with the redemption of these shares.

The Company declared dividends of $1.0048 per Series D Preferred share for 2008 and $1.9876 per share for the years 2007 and 2006.

(13) COMPREHENSIVE INCOME

Comprehensive income is comprised of net income plus all other changes in equity from non-owner sources. The components of accumulated other comprehensive income (loss) for 2008, 2007 and 2006 are presented in the Company's

Consolidated Statements of Changes in Stockholders' Equity and are summarized below.

	2008	2007
	(In thousan	
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):		
Balance at beginning of year....................................	$ (56)	314
Change in fair value of interest rate swap..................	(466)	(370)
Balance at end of year..	$ (522)	(56)

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(14) EARNINGS PER SHARE

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

Reconciliation of Numerators and Denominators

	2008	2007
	(In thousan	
BASIC EPS COMPUTATION		
Numerator-net income available to common stockholders..........	$ 32,134	27,11
Denominator-weighted average shares outstanding................	24,503	23,56
DILUTED EPS COMPUTATION		
Numerator-net income available to common stockholders..........	$ 32,134	27,11
Denominator:		
Weighted average shares outstanding.........................	24,503	23,56
Common stock options..	54	8
Nonvested restricted stock..................................	96	13
Total Shares...	24,653	23,78

(15) QUARTERLY RESULTS OF OPERATIONS - UNAUDITED

	2008 Quarter Ended (1)				
	Mar 31	Jun 30	Sep 30	Dec 31	Mar
	(In thousands, except per				
Revenues..............................	$ 40,833	41,564	43,426	44,117	35
Expenses..............................	(32,824)	(33,808)	(35,644)	(35,684)	(29
Income from continuing operations......	8,009	7,756	7,782	8,433	6

Income from discontinued operations....	82	1,990	90	-	
Net income............................	8,091	9,746	7,872	8,433	6
Preferred dividends - Series D.........	(656)	(656)	(14)	-	
Costs on redemption of Series D Preferred shares...................	-	-	(682)	-	
Net income available to common stockholders......................	$ 7,435	9,090	7,176	8,433	5
BASIC PER SHARE DATA(2)					
Net income available to common stockholders......................	$ .31	.37	.29	.34	
Weighted average shares outstanding....	23,684	24,488	24,908	24,923	23
DILUTED PER SHARE DATA(2)					
Net income available to common stockholders......................	$ .31	.37	.29	.34	
Weighted average shares outstanding....	23,829	24,647	25,069	25,059	23

(1) Certain reclassifications have been made to the quarterly data previously disclosed due to the disposal of properties in 2008 and 2007 whose results of operations were reclassified to discontinued operations in the consolidated financial statements.

(2) The above quarterly earnings per share calculations are based on the weighted average number of common shares outstanding during each quarter for basic earnings per share and the weighted average number of outstanding common shares and common share equivalents during each quarter for diluted earnings per share. The annual earnings per share calculations in the Consolidated Statements of Income are based on the weighted average number of common shares outstanding during each year for basic earnings per share and the weighted average number of outstanding common shares and common share equivalents during each year for diluted earnings per share. The sum of quarterly financial data may vary from the annual data due to rounding.

(16) DEFINED CONTRIBUTION PLAN

EastGroup maintains a 401(k) plan for its employees. The Company makes matching contributions of 50% of the employee's contribution (limited to 10% of compensation as defined by the plan) and may also make annual discretionary contributions. The Company's total expense for this plan was $467,000, $429,000 and $378,000 for 2008, 2007 and 2006, respectively.

(17) LEGAL MATTERS

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

(18) FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 157, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also provides guidance for using fair value to measure financial assets and liabilities. The Statement requires disclosure of the level within the fair value hierarchy in which the fair value measurements fall, including measurements using quoted prices in active markets for identical assets or liabilities (Level 1), quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active (Level 2), and significant valuation assumptions that are not readily observable in the market (Level 3). The Company's interest rate swap is reported at fair value and is shown on the Consolidated Balance Sheets under Other Liabilities. The fair value of the interest rate swap is determined by estimating the expected cash flows over the life of the swap using the mid-market rate and price environment as of the last trading day of the year. This market information is considered a Level 2 input as defined by SFAS No. 157.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments in accordance with SFAS No. 107, Disclosures About Fair Value of Financial Instruments, at December 31, 2008 and 2007.

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial Assets				
Cash and cash equivalents......	$ 293	293	724	724
Mortgage loans receivable, net of discount..............	4,174	4,189	132	133
Financial Liabilities				
Mortgage notes payable.........	585,806	555,096	465,360	470,335
Notes payable to banks.........	109,886	101,484	135,444	135,444

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

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

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of those instruments.
Mortgage loans receivable, net of discount: The fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.
Mortgage notes payable: The fair value of the Company's mortgage notes payable is estimated based on the quoted market prices for similar issues or by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company's bankers.
Notes payable to banks: For 2008, the fair value of the Company's notes payable to banks is estimated by discounting expected cash flows at current market rates. For 2007, the carrying amounts approximate fair value because the associated credit spread approximates market.

(19) SUBSEQUENT EVENTS

On January 2, 2009, the mortgage note payable of $9,365,000 on the Tower Automotive Center was repaid and replaced with another mortgage note payable for the same amount. The previous recourse mortgage was a variable rate demand note, and EastGroup had entered into a swap agreement to fix the LIBOR rate. In the fourth quarter of 2008, the bond spread over LIBOR required to re-market the notes increased from a historical range of 3 to 25 basis points to a range of 100 to 500 basis points. Due to the volatility of the bond spread costs, EastGroup redeemed the note and replaced it with a recourse mortgage with a bank on the same payment terms except for the interest rate. The effective interest rate on the previous note was 5.30% until the fourth quarter of 2008 when the weighted average rate was 8.02%. The effective rate on the new note, including the swap, is 6.03%.

During the fourth quarter of 2008, EastGroup acquired 94.3 acres of developable land in Orlando for $9.1 million. The Company is currently under contract to purchase an additional 36.0 acres in a second phase of this acquisition for $5 million. This transaction is expected to close during the fourth quarter of 2009.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULES

THE BOARD OF DIRECTORS AND STOCKHOLDERS
EASTGROUP PROPERTIES, INC.:

Under date of February 26, 2009, we reported on the consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2008, which are included in the 2008 Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules as listed in Item 15(a)(2) of Form 10-K. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

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

/s/ KPMG LLP

Jackson, Mississippi
February 26, 2009

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008 (In thousands)

Initial Cost to the Company	Costs	Gross Amount at which Carried at Close of Period

Description	Encumbrances	Land	Buildings and Improvements	Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Total	D
Real Estate Properties (c):								
Industrial:								
FLORIDA								
Jacksonville								
Deerwood	$ –	1,147	1,799	1,417	1,147	3,216	4,363	
Phillips	–	1,375	2,961	3,471	1,375	6,432	7,807	
Lake Pointe (l)	15,946	3,442	6,450	4,629	3,442	11,079	14,521	
Ellis	–	540	7,513	901	540	8,414	8,954	
Westside	–	1,170	12,400	3,933	1,170	16,333	17,503	
Beach	–	476	1,899	559	476	2,458	2,934	
Interstate Dist.	4,612	1,879	5,700	298	1,879	5,998	7,877	
Orlando								
Chancellor	–	291	1,711	97	291	1,808	2,099	
Exchange I	–	603	2,414	1,563	603	3,977	4,580	
Exchange II	–	300	945	73	300	1,018	1,318	
Exchange III	–	320	997	17	320	1,014	1,334	
Sunbelt Center (j)	7,525	1,474	5,745	4,502	1,474	10,247	11,721	
John Young I	–	497	2,444	622	497	3,066	3,563	
John Young II	–	512	3,613	138	512	3,751	4,263	
Altamonte I	–	1,518	2,661	1,195	1,518	3,856	5,374	
Altamonte II	–	745	2,618	550	745	3,168	3,913	
Sunport I	–	555	1,977	595	555	2,572	3,127	
Sunport II	–	597	3,271	1,115	597	4,386	4,983	
Sunport III	–	642	3,121	451	642	3,572	4,214	
Sunport IV	–	642	2,917	593	642	3,510	4,152	
Sunport V	–	750	2,509	1,854	750	4,363	5,113	
Sunport VI	–	672	–	3,306	672	3,306	3,978	
Southridge I	–	373	–	4,445	373	4,445	4,818	
Southridge II	–	342	–	4,147	342	4,147	4,489	
Southridge III	–	547	–	4,899	547	4,899	5,446	
Southridge IV	–	506	–	4,327	506	4,327	4,833	
Southridge V	–	382	–	4,152	382	4,152	4,534	
Southridge VI	–	571	–	4,753	571	4,753	5,324	
Southridge VII	–	520	–	5,995	520	5,995	6,515	
Southridge XII (p)	15,115	2,025	–	16,825	2,025	16,825	18,850	
Tampa								
56th Street	–	843	3,567	2,451	843	6,018	6,861	
Jetport	–	1,575	6,591	3,007	1,575	9,598	11,173	
Westport	–	980	3,800	2,108	980	5,908	6,888	
Benjamin I & II	–	843	3,963	597	883	4,520	5,403	
Benjamin III	–	407	1,503	298	407	1,801	2,208	
Palm River Center	–	1,190	4,625	1,227	1,190	5,852	7,042	
Palm River North I & III (k)	5,486	1,005	4,688	1,644	1,005	6,332	7,337	
Palm River North II (k)	5,035	634	4,418	339	634	4,757	5,391	
Palm River South I	–	655	3,187	348	655	3,535	4,190	
Palm River South II	–	655	–	4,264	655	4,264	4,919	
Walden I	–	337	3,318	307	337	3,625	3,962	
Walden II	–	465	3,738	541	465	4,279	4,744	
Oak Creek I	452	1,109	6,126	229	1,109	6,355	7,464	

Oak Creek II	-	647	3,603	451	647	4,054	4,701
Oak Creek III	-	439	-	3,150	556	3,033	3,589
Oak Creek IV	3,990	805	6,472	(2)	805	6,470	7,275
Oak Creek V	-	724	-	5,610	916	5,418	6,334
Oak Creek A	-	185	-	1,230	185	1,230	1,415
Oak Creek B	-	227	-	1,388	227	1,388	1,615
Airport Commerce	-	1,257	4,012	698	1,257	4,710	5,967
Westlake (k)	6,990	1,333	6,998	1,001	1,333	7,999	9,332
Expressway II	-	1,013	3,247	175	1,013	3,422	4,435
Expressway I	-	915	5,346	343	915	5,689	6,604
Fort Myers							
SunCoast I	-	911	-	4,422	928	4,405	5,333
SunCoast II	-	911	-	4,729	928	4,712	5,640
Fort Lauderdale/ Pompano Beach area							
Linpro	-	613	2,243	1,157	616	3,397	4,013
Cypress Creek	-	-	2,465	1,303	-	3,768	3,768
Lockhart	-	-	3,489	1,936	-	5,425	5,425
Interstate Commerce	-	485	2,652	439	485	3,091	3,576
Sample 95	-	2,202	8,785	2,107	2,202	10,892	13,094
Blue Heron	-	975	3,626	1,619	975	5,245	6,220
Blue Heron II	1,632	1,385	4,222	756	1,385	4,978	6,363
Executive Airport	-	1,991	4,857	4,758	1,991	9,615	11,606
NORTH CAROLINA							
Charlotte							
NorthPark (f)	18,241	2,758	15,932	148	2,758	16,080	18,838
Westinghouse (o)	4,674	765	4,303	290	765	4,593	5,358
Lindbergh	-	470	3,401	118	470	3,519	3,989
Nations Ford (o)	17,670	3,924	16,171	163	3,924	16,334	20,258
Airport Commerce (p)	9,315	1,454	10,136	26	1,454	10,162	11,616
Interchange Park (p)	7,169	986	7,949	5	986	7,954	8,940
Ridge Creek (p)	11,605	1,284	13,163	25	1,284	13,188	14,472
Waterford (p)	3,247	654	3,392	3	654	3,395	4,049
CALIFORNIA							
San Francisco area							
Wiegman (m)	13,356	2,197	8,788	1,042	2,308	9,719	12,027
Huntwood (m)	22,190	3,842	15,368	771	3,842	16,139	19,981
San Clemente	-	893	2,004	92	893	2,096	2,989
Yosemite	-	259	7,058	827	259	7,885	8,144
Los Angeles area							
Kingsview (e)	1,460	643	2,573	30	643	2,603	3,246
Dominguez (e)	5,023	2,006	8,025	1,135	2,006	9,160	11,166
Main Street (i)	3,938	1,606	4,103	537	1,606	4,640	6,246
Walnut (e)	3,808	2,885	5,274	306	2,885	5,580	8,465
Washington (e)	3,172	1,636	4,900	515	1,636	5,415	7,051
Ethan Allen (f)	12,408	2,544	10,175	95	2,544	10,270	12,814
Industry I (e)	10,622	10,230	12,373	1,008	10,230	13,381	23,611
Industry III	-	-	3,012	(214)	-	2,798	2,798
Chestnut (i)	3,325	1,674	3,465	134	1,674	3,599	5,273
Los Angeles Corporate Center	-	1,363	5,453	1,951	1,363	7,404	8,767
Santa Barbara							
University Bus. Center	14,221	5,517	22,067	3,316	5,520	25,380	30,900
Castilian	-	2,719	1,410	4,825	2,719	6,235	8,954
Fresno							
Shaw (e)	7,631	2,465	11,627	2,872	2,465	14,499	16,964
San Diego							
Eastlake (o)	9,771	3,046	6,888	1,267	3,046	8,155	11,201

TEXAS							
Dallas							
Interstate I & II (h)	4,651	1,746	4,941	1,781	1,746	6,722	8,468
Interstate III (h)	1,761	519	2,008	680	519	2,688	3,207
Interstate IV	-	416	2,481	126	416	2,607	3,023
Venture (h)	3,760	1,452	3,762	1,633	1,452	5,395	6,847
Stemmons Circle (h)	1,484	363	2,014	323	363	2,337	2,700
Ambassador Row	-	1,156	4,625	1,587	1,156	6,212	7,368
North Stemmons II	-	150	583	183	150	766	916
North Stemmons III	-	380	2,066	2	380	2,068	2,448
Shady Trail (k)	3,116	635	3,621	469	635	4,090	4,725
Houston							
Northwest Point (j)	6,243	1,243	5,640	2,841	1,243	8,481	9,724
Lockwood (j)	5,146	749	5,444	1,822	749	7,266	8,015
West Loop (h)	3,776	905	4,383	1,587	905	5,970	6,875
World Houston 1 & 2 (f)	7,339	660	5,893	1,026	660	6,919	7,579
World Houston 3, 4 & 5 (g)	4,811	1,025	6,413	328	1,025	6,741	7,766
World Houston 6 (g)	2,179	425	2,423	62	425	2,485	2,910
World Houston 7 & 8 (g)	5,537	680	4,584	3,305	680	7,889	8,569
World Houston 9 (g)	4,811	800	4,355	1,460	800	5,815	6,615
World Houston 10 (j)	3,852	933	4,779	287	933	5,066	5,999
World Houston 11 (j)	3,323	638	3,764	773	638	4,537	5,175
World Houston 12 (i)	1,864	340	2,419	198	340	2,617	2,957
World Houston 13 (i)	1,926	282	2,569	203	282	2,772	3,054
World Houston 14 (j)	2,406	722	2,629	397	722	3,026	3,748
World Houston 15 (o)	5,560	731	-	5,643	731	5,643	6,374
World Houston 16 (n)	4,654	519	4,248	159	519	4,407	4,926
World Houston 17 (k)	2,723	373	1,945	758	373	2,703	3,076
World Houston 18	-	323	1,512	27	323	1,539	1,862
World Houston 19 (l)	3,710	373	2,256	750	373	3,006	3,379
World Houston 20 (l)	4,493	1,008	1,948	1,136	1,008	3,084	4,092
World Houston 21 (f)	3,786	436	-	3,474	436	3,474	3,910
World Houston 22 (o)	4,052	436	-	4,209	436	4,209	4,645
World Houston 23 (f)	7,684	910	-	7,026	910	7,026	7,936
World Houston 24 (p)	4,864	837	-	5,229	837	5,229	6,066
World							

Houston 25 (p)	3,303	508	-	3,611	508	3,611	4,119
World Houston 27 (p)	4,382	837	-	4,627	837	4,627	5,464
America Plaza (g)	3,449	662	4,660	463	662	5,123	5,785
Central Green (g)	3,086	566	4,031	97	566	4,128	4,694
Glenmont (h)	4,685	936	6,161	1,434	937	7,594	8,531
Techway I (j)	3,804	729	3,765	1,431	729	5,196	5,925
Techway II (l)	4,999	550	3,689	314	550	4,003	4,553
Techway III (o)	5,038	597	-	5,178	751	5,024	5,775
Beltway I (j)	4,646	458	5,712	1,066	458	6,778	7,236
Beltway II (o)	2,761	415	-	2,750	415	2,750	3,165
Beltway III (o)	2,990	460	-	2,968	460	2,968	3,428
Beltway IV (o)	3,004	460	-	2,984	460	2,984	3,444
Beltway V	-	701	-	4,106	701	4,106	4,807
Kirby (k)	3,058	530	3,153	297	530	3,450	3,980
Clay Campbell	-	742	2,998	304	742	3,302	4,044
El Paso							
Butterfield Trail (h)	14,798	-	22,144	4,800	-	26,944	26,944
Rojas (h)	3,634	900	3,659	2,058	900	5,717	6,617
Americas Ten I (k)	3,007	526	2,778	1,052	526	3,830	4,356
San Antonio							
Alamo Downs (n)	7,768	1,342	6,338	541	1,342	6,879	8,221
Arion (n)	35,171	4,143	31,432	1,649	4,143	33,081	37,224
Arion 14 (n)	3,486	423	-	3,266	423	3,266	3,689
Arion 16 (f)	3,775	427	-	3,472	427	3,472	3,899
Arion 17 (n)	3,671	616	-	3,269	616	3,269	3,885
Arion 18	-	418	-	2,205	418	2,205	2,623
Wetmore (o)	11,956	1,494	10,804	1,409	1,494	12,213	13,707
Wetmore Phase II, Building A	-	412	-	2,965	412	2,965	3,377
Wetmore Phase II, Building C	-	546	-	3,158	546	3,158	3,704
Wetmore Phase II, Building D	-	1,056	-	7,019	1,056	7,019	8,075
Fairgrounds (o)	9,068	1,644	8,209	542	1,644	8,751	10,395
ARIZONA							
Phoenix area							
Broadway I (i)	3,016	837	3,349	597	837	3,946	4,783
Broadway II	-	455	482	125	455	607	1,062
Broadway III (i)	1,635	775	1,742	76	775	1,818	2,593
Broadway IV (i)	1,424	380	1,652	226	380	1,878	2,258
Broadway V (j)	972	353	1,090	71	353	1,161	1,514
Broadway VI (f)	2,755	599	1,855	391	599	2,246	2,845
Kyrene	591	850	2,044	378	850	2,422	3,272
Kyrene II	-	640	2,409	577	640	2,986	3,626
Metro	-	1,927	7,708	4,385	1,927	12,093	14,020
35th Avenue (j)	1,922	418	2,381	194	418	2,575	2,993
Estrella	-	628	4,694	820	628	5,514	6,142
51st Avenue (i)	1,763	300	2,029	467	300	2,496	2,796
East University I and II (f)	5,818	1,120	4,482	407	1,120	4,889	6,009
55th Avenue (f)	5,177	912	3,717	717	917	4,429	5,346
Interstate Commons I	-	798	3,632	434	798	4,066	4,864
Interstate Commons II	-	320	2,448	268	320	2,716	3,036
Interstate Commons III	-	242	-	2,866	242	2,866	3,108
Southpark (i)	2,664	918	2,738	570	918	3,308	4,226
Airport Commons	-	1,000	1,510	393	1,000	1,903	2,903

Santan 10 I (n)	3,526	846	2,647	239	846	2,886	3,732
Santan 10 II (f)	5,371	1,088	-	4,459	1,088	4,459	5,547
Tucson							
Country Club I (l)	6,168	506	3,564	1,547	506	5,111	5,617
Country Club II	-	442	3,381	3	442	3,384	3,826
Airport Dist. (i)	4,471	1,103	4,672	1,317	1,103	5,989	7,092
Southpointe (i)	4,371	-	3,982	2,950	-	6,932	6,932
Benan	-	707	1,842	394	707	2,236	2,943
TENNESSEE							
Memphis							
Air Park I	-	250	1,916	718	250	2,634	2,884
LOUISIANA							
New Orleans							
Elmwood	-	2,861	6,337	2,773	2,861	9,110	11,971
Riverbend	-	2,592	17,623	2,037	2,592	19,660	22,252
COLORADO							
Denver							
Rampart I (n)	5,437	1,023	3,861	870	1,023	4,731	5,754
Rampart II (n)	3,869	230	2,977	888	230	3,865	4,095
Rampart III (n)	5,920	1,098	3,884	1,283	1,098	5,167	6,265
Concord	-	1,050	4,774	17	1,050	4,791	5,841
Centennial	-	750	3,319	1,597	750	4,916	5,666
OKLAHOMA							
Oklahoma City							
Northpointe	-	777	3,113	670	998	3,562	4,560
Tulsa							
Braniff	-	1,066	4,641	2,045	1,066	6,686	7,752
MISSISSIPPI							
Interchange (i)	4,533	343	5,007	1,840	343	6,847	7,190
Tower	9,365	-	9,958	1,189	17	11,130	11,147
Metro Airport I	-	303	1,479	914	303	2,393	2,696
	585,447	186,719	747,993	317,570	187,617	1,064,665	1,252,282
Industrial Development (d):							
FLORIDA							
12th Street (redevelopment)	-	841	2,974	1,035	841	4,009	4,850
Oak Creek VI	-	642	-	4,945	812	4,775	5,587
Oak Creek IX	-	618	-	3,582	781	3,419	4,200
Oak Creek land	-	1,946	-	1,944	2,374	1,516	3,890
Southridge VIII	-	531	-	5,470	531	5,470	6,001
Southridge land	-	1,395	-	3,530	1,395	3,530	4,925
Sand Lake Phase I land	-	9,111	-	417	9,111	417	9,528
Blue Heron III	-	450	-	1,448	450	1,448	1,898
SunCoast III	-	1,720	-	4,998	1,767	4,951	6,718
SunCoast land	-	10,926	-	4,088	11,180	3,834	15,014
NORTH CAROLINA							
Airport Comm. Center	-	855	-	140	855	140	995
TEXAS							
North Stemmons land (i)	359	537	-	33	537	33	570
Techway IV	-	535	-	4,308	674	4,169	4,843
World Houston 26	-	445	-	2,373	445	2,373	2,818
World Houston 28	-	550	-	1,830	550	1,830	2,380
World Houston 29	-	782	-	1,104	782	1,104	1,886

World Houston 30	-	981	-	610	981	610	1,591
Beltway VI	-	618	-	4,989	618	4,989	5,607
Beltway VII	-	765	-	3,448	765	3,448	4,213
World Houston land	-	3,636	-	1,041	3,636	1,041	4,677
Beltway land	-	721	-	246	721	246	967
Beltway Phase II land	-	1,841	-	468	1,841	468	2,309
Lee Road land	-	4,214	-	619	4,214	619	4,833
Americas Ten II & III	-	1,365	-	1,079	1,365	1,079	2,444
Wetmore Phase II, Building B	-	505	-	3,128	505	3,128	3,633
Alamo Ridge land	-	2,288	-	881	2,288	881	3,169
Thousand Oaks land	-	2,173	-	97	2,173	97	2,270
ARIZONA							
40th Street	-	703	-	5,836	703	5,836	6,539
Sky Harbor land	-	5,840	-	16,989	5,840	16,989	22,829
Airport Dist. II	-	300	-	117	300	117	417
Country Club III & IV	-	1,407	-	6,640	1,407	6,640	8,047
MISSISSIPPI							
Metro Airport II	-	307	-	399	307	399	706
	359	59,548	2,974	87,832	60,749	89,605	150,354
Total real estate owned (a)(b)	$585,806	246,267	750,967	405,402	248,366	1,154,270	1,402,636

(a) Changes in Real Estate Properties follow:

	Years Ended December 31,		
	2008	2007	
	(In thousands)		
Balance at beginning of year..........................	$ 1,267,929	1,088,896	1,
Purchase of real estate properties....................	44,030	54,543	
Development of real estate properties.................	85,441	112,960	
Improvements to real estate properties................	15,210	15,881	
Carrying amount of investments sold...................	(10,385)	(3,791)	
Write-off of improvements.............................	411	(560)	
Other...	-	-	
Balance at end of year (1)	$ 1,402,636	1,267,929	1,

(1) Includes 20% minority interests in Castilian Research Center of $1,791,000 at December 31, 2008 and $1,784,000 at December 31, 2007 and in University Business Center of $6,180,000 and $6,031,000, respectively.

Changes in the accumulated depreciation on real estate properties follow:

Years Ended December 31,

		2008	2007
		(In thousands)	
Balance at beginning of year.........................	$	269,132	231,106
Depreciation expense.................................		42,166	39,688
Accumulated depreciation on assets sold..............		(1,358)	(1,102)
Other..		411	(560)
Balance at end of year	$	310,351	269,132

(b) The estimated aggregate cost of real estate properties at December 31, 2008 for federal income tax purposes was approximately $1,347,885,000 before estimated accumulated tax depreciation of $197,050,000. The federal income tax return for the year ended December 31, 2008 has not been filed and, accordingly, this estimate is based on preliminary data.

(c) The Company computes depreciation using the straight-line method over the estimated useful lives of the buildings (generally 40 years) and improvements (generally 3 to 15 years).

(d) The Company transfers development properties to real estate properties the earlier of 80% occupancy or one year after completion of the shell construction.

(e) EastGroup has a $31,716,000 non-recourse first mortgage loan with Metropolitan Life secured by Dominguez, Kingsview, Walnut, Washington, Industry Distribution Center I and Shaw.

(f) EastGroup has a $72,354,000 non-recourse first mortgage loan with Prudential Life secured by Broadway VI, World Houston 1 & 2, 21 & 23, Arion 16, Ethan Allen, Northpark I-IV, South 55th Avenue, East University I & II and Santan 10 II.

(g) EastGroup has a $23,873,000 non-recourse first mortgage loan with New York Life secured by America Plaza, Central Green and World Houston 3-9.

(h) EastGroup has a $38,549,000 non-recourse first mortgage loan with Metropolitan Life secured by Interstate I, II & III, Venture, Stemmons Circle, Glenmont I & II, West Loop I & II, Butterfield Trail and Rojas.

(i) EastGroup has a $35,289,000 non-recourse first mortgage loan with Metropolitan Life secured by Airport Distribution, Southpointe, Broadway I, III & IV, Southpark, 51st Avenue, Chestnut, Main Street, Interchange Business Park, North Stemmons I land and World Houston 12 & 13.

(j) EastGroup has a $39,839,000 non-recourse first mortgage loan with Prudential Life secured by Broadway V, 35th Avenue, Sunbelt, Freeport (aka Beltway Crossing I), Lockwood, Northwest Point, Techway Southwest I and World Houston 10, 11 & 14.

(k) EastGroup has a $29,415,000 non-recourse first mortgage loan with New York Life secured by World Houston 17, Kirby, Americas Ten I, Shady Trail, Palm River North I, II & III and Westlake I & II.

(l) EastGroup has a $35,316,000 non-recourse first mortgage loan with Prudential Life secured by Country Club Commerce Center I, Lake Pointe, Techway Southwest II and World Houston 19 & 20.

(m) EastGroup has a $35,546,000 non-recourse first mortgage loan with Prudential Life secured by Huntwood and Wiegman.

(n) EastGroup has a $73,502,000 non-recourse first mortgage loan with Prudential Life secured by Alamo Downs, Arion 1-15 & 17, Rampart I, II & III, Santan 10 and World Houston 16.

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(o) EastGroup has a $76,544,000 non-recourse first mortgage loan with Prudential Life secured by Beltway II, III & IV, Eastlake, Fairgrounds I-IV, Nations Ford I-IV, Techway Southwest III, Westinghouse, Wetmore I-IV and World Houston 15 & 22.

(p) EastGroup has a $59,000,000 limited recourse first mortgage loan with Prudential Life secured by Southridge XII, Airport Commerce Center I & II, Interchange Park, Ridge Creek III, World Houston 24, 25 & 27 and Waterford Distribution Center. The loan has a recourse liability of $5 million which will be released based on the secured properties generating certain base rent amounts subsequent to January 1, 2011.

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SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
DECEMBER 31, 2008

	Number of Loans	Interest Rate	Maturity Date	
First mortgage loan:				Interest a
United Stationers Tampa Building,				(beginning 0
Florida	1	6.0% (e)	08/2013	of $4,15
Second mortgage loan:				
Madisonville land, Kentucky	1	7.0%	01/2012	Principal
Total mortgage loans (c)	2			

	Face Amount of Mortgages Dec. 31, 2008	Carrying Amount of Mortgages	Pri Amount Subject t Principal o
	(In thousands)		
First mortgage loan:			
United Stationers Tampa Building,			
Florida	$ 4,150	4,069	
Second mortgage loan:			
Madisonville land, Kentucky	105	105	
Total mortgage loans	$ 4,255	4,174 (a)(b)	

(a) Changes in mortgage loans follow:

	Years Ended December 31,		
	2008	2007	20
	(In thousands)		
Balance at beginning of year............................	$ 132	162	
Advances on mortgage notes receivable.....................	4,994	-	
Payments on mortgage notes receivable.....................	(871)	(30)	
Discount on mortgage note receivable......................	(198)	-	
Amortization of discount on mortgage note receivable.......	117	-	
Balance at end of year..................................	$ 4,174	132	

(b) The aggregate cost for federal income tax purposes is approximately $4,150,000. The federal income tax return for the year ended December 31, 2008, has not been filed and, accordingly, the income tax basis of mortgage loans as of December 31, 2008, is based on preliminary data.

(c) Reference is made to allowance for possible losses on mortgage loans receivable in the Notes to Consolidated Financial Statements.

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

(e) This mortgage loan has a stated interest rate of 6.0% and an effective interest rate of 6.5%. A discount on mortgage note receivable of $198,000 was recognized at the inception of the loan and is shown in the table in footnote (a) above.

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SIGNATURES

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

EASTGROUP PROPERTIES, INC.

By: /s/ DAVID H. HOSTER II

David H. Hoster II
Chief Executive Officer, President & Director
February 26, 2009

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

*　　　　　　　　　　　　　*

D. Pike Aloian, Director
February 26, 2009

H. C. Bailey, Jr., Director
February 26, 2009

*

Hayden C. Eaves III, Director
February 26, 2009

*

Fredric H. Gould, Director
February 26, 2009

*

Mary Elizabeth McCormick, Director
February 26, 2009

*

David M. Osnos, Director
February 26, 2009

*

Leland R. Speed, Chairman of the Board
(Principal Executive Officer)
February 26, 2009

/s/ N. KEITH MCKEY
----
* By N. Keith McKey
Attorney-in-fact
February 26, 2009

/s/ BRUCE CORKERN

Bruce Corkern, Sr. Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)
February 26, 2009

/s/ N. KEITH MCKEY

N. Keith McKey, Executive Vice-President, Chief Financial
Officer, Treasurer and Secretary
(Principal Financial Officer)
February 26, 2009

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EXHIBIT INDEX

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

(3) Exhibits required by Item 601 of Regulation S-K:

(3) Articles of Incorporation and Bylaws

(a) Articles of Incorporation (incorporated by reference to Appendix B to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 5, 1997).
(b) Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed December 10, 2008).
(c) Articles Supplementary of the Company relating to the reclassification of the Series C Preferred Stock and the 7.95% Series D Cumulative Redeemable Preferred Stock to the Company's common stock (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed December 10, 2008).

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

(a) EastGroup Properties, Inc. 1991 Directors Stock Option Plan, as Amended (incorporated by reference to Exhibit B to the Company's Proxy Statement for its Annual Meeting of Stockholders held on December 8, 1994).*

(b) EastGroup Properties, Inc. 1994 Management Incentive Plan, as Amended and Restated (incorporated by reference to Appendix A to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 2, 1999).*

(c) Amendment No. 1 to the Amended and Restated 1994 Management Incentive Plan (incorporated by reference to Exhibit 10(c) to the Company's Form 8-K filed January 8, 2007).*

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

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

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

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

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

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

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

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

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

(m) Compensation Program for Non-Employee Directors (a written description thereof is set forth in Item 5.02 of the Company's Form 8-K filed June 3, 2008).*

(n) Annual Cash Bonus and 2008 Annual Long-Term Incentive Performance Goals (a written description thereof is set forth in Item 5.02 of the Company's Form 8-K filed June 3, 2008).*

(o) Multi-Year Long-Term Incentive Performance Goals (a written description thereof is set forth in Item 1.01 of the Company's Form 8-K filed June 6, 2006).*

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

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

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

(24) Powers of attorney (filed herewith).

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

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

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

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