EASTGROUP PROPERTIES INC
Form 10-K
February 19, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES (x) NO ( )
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (x)
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer (x) Accelerated Filer ( ) Non-accelerated Filer ( ) Smaller Reporting Company ( )
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ( ) NO (x)

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2012, the last business day of the Registrant's most recently completed second fiscal quarter: $1,494,036,000.

The number of shares of common stock, $.0001 par value, outstanding as of February 15, 2013 was 29,925,693.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s Proxy Statement for the 2013 Annual Meeting of Stockholders are incorporated by reference into Part III.

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

Administration

EastGroup maintains its principal executive office and headquarters in Jackson, Mississippi. The Company also has regional offices in Orlando, Houston and Phoenix and asset management offices in Charlotte and Dallas. EastGroup has property management offices in Jacksonville, Tampa, Fort Lauderdale and San Antonio. Offices at these locations allow the Company to provide property management services to all of its Florida (except Fort Myers), Texas (except El Paso), Arizona, Mississippi and North Carolina properties, which together account for 77% of the Company’s total portfolio on a square foot basis. In addition, the Company currently provides property administration (accounting of operations) for its entire portfolio. The regional offices in Florida, Texas and Arizona provide oversight of the Company's development program. As of February 15, 2013, EastGroup had 65 full-time employees and 3 part-time employees.

Operations

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

During 2012, EastGroup increased its holdings in real estate properties through its acquisition and development programs. The Company purchased three warehouse distribution complexes (878,000 square feet) and 109.8 acres of development land for a total of $64.7 million. Also during 2012, the Company began construction of nine development projects containing 757,000 square feet in Houston and Orlando and transferred four properties (273,000 square feet) in Houston from its development program to real estate properties with costs of $18.0 million at the date

of transfer.

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 and/or fixed-rate term loans. In prior years, EastGroup primarily obtained secured debt. In January 2013, Fitch affirmed the Company's credit rating of BBB, and Moody's assigned the Company a credit rating of Baa2. The Company intends to obtain primarily unsecured fixed rate debt in the future. The Company may also access the public debt market in the future as a means to raise capital. EastGroup also may, in appropriate circumstances, acquire one or more properties in exchange for EastGroup securities.

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

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

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

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

Environmental Matters
Under various federal, state and local laws, ordinances and regulations, an owner of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Many such laws impose liability without regard to whether the owner knows of, or was responsible for, the presence of such hazardous or toxic substances. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property or to use such property as collateral in its borrowings. EastGroup's properties have been subjected to Phase I Environmental Site Assessments (ESAs) by independent environmental consultants and as necessary, have been subjected to Phase II ESAs. 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", "us" or "our" in the following risk factors.

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

- population and demographic trends;
- employment and personal income trends;
- income tax laws;
- changes in interest rates and availability and costs of financing;
-

increased operating costs, including insurance premiums, utilities and real estate taxes, due to inflation and other factors which may not necessarily be offset by increased rents; and
- construction costs.

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

We are subject to significant regulation that constrains our activities. Local zoning and land use laws, environmental statutes and other governmental requirements restrict our expansion, rehabilitation and reconstruction activities. These regulations may prevent us from taking advantage of economic opportunities. Legislation such as the Americans with Disabilities Act may require us to modify our properties, and noncompliance could result in the imposition of fines or an award of damages to private litigants. Future

legislation may impose additional requirements. We cannot predict what requirements may be enacted or what changes may be implemented to existing legislation.

Risks Associated with Our Properties

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

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

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

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

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

- when we are able to locate a desired property, competition from other real estate investors may significantly increase the purchase price;

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

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

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

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

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

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

Financing Risks

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

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

and cash distributions; and (iv) the market price of our capital stock. Additional debt financing may substantially increase our debt-to-total market capitalization ratio. Additional equity financing may dilute the holdings of our current stockholders.

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

Adverse changes in our credit ratings could impair our ability to obtain additional debt and equity financing on favorable terms, if at all. Our credit ratings are based on our operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the credit rating agencies in their rating analysis of us. Our credit ratings can affect the amount and type of capital we can access, as well as the terms of any financings we may obtain. There can be no assurance that we will be able to maintain our current credit ratings. In the event our current credit ratings deteriorate, it may be more difficult or expensive to obtain additional financing or refinance existing obligations and commitments. Also, a downgrade in our credit ratings would trigger additional costs or other potentially negative consequences under our current and future credit facilities and debt instruments.

Fluctuations in interest rates may adversely affect our operations and value of our stock. As of December 31, 2012, we had approximately $76.2 million of variable interest rate debt. As of December 31, 2012, the weighted average interest rate on our variable rate debt was 1.12%. We may incur additional indebtedness in the future that bears interest at a variable rate or we may be required to refinance our existing debt at higher rates. Accordingly, increases in interest rates could adversely affect our financial condition, our ability to pay expected distributions to stockholders and the value of our stock.

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

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

The current economic situation may adversely affect our operating results and financial condition. Turmoil in the global financial markets may have an adverse impact on the availability of credit to businesses generally and could lead to a further weakening of the U.S. and global economies. Currently these conditions have not impaired our ability to access credit markets and finance our operations. However, our ability to access the capital markets may be restricted at a time when we would like, or need, to raise financing, which could have an impact on our flexibility to

react to changing economic and business conditions. Furthermore, deteriorating economic conditions including business layoffs, downsizing, industry slowdowns and other similar factors that affect our customers could continue to negatively impact commercial real estate fundamentals and result in lower occupancy, lower rental rates and declining values in our real estate portfolio and in the collateral securing any loan investments we may make. Additionally, the economic situation could have an impact on our lenders or customers, causing them to fail to meet their obligations to us. No assurances can be given that the effects of the current economic situation will not have a material adverse effect on our business, financial condition and results of operations.

We may fail to qualify as a REIT. If we fail to qualify as a REIT, we will not be allowed to deduct distributions to stockholders in computing our taxable income and will be subject to federal income tax, including any applicable alternative minimum tax, at regular corporate rates. In addition, we may be barred from qualification as a REIT for the four years following disqualification. The additional tax incurred at regular corporate rates would significantly reduce the cash flow available for distribution to stockholders and for debt service. Furthermore, we would no longer be required by the Internal Revenue Code to make any distributions to our stockholders as a condition of REIT qualification. Any distributions to stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits. Corporate distributees, however, may be eligible for the dividends received deduction on the distributions, subject to limitations under the Internal Revenue Code. To

qualify as a REIT, we must comply with certain highly technical and complex requirements. We cannot be certain we have complied with these requirements because there are few judicial and administrative interpretations of these provisions. In addition, facts and circumstances that may be beyond our control may affect our ability to qualify as a REIT. We cannot assure you that new legislation, regulations, administrative interpretations or court decisions will not change the tax laws significantly with respect to our qualification as a REIT or with respect to the federal income tax consequences of qualification. We cannot assure you that we will remain qualified as a REIT.

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

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

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

EastGroup owned 275 industrial properties and one office building at December 31, 2012. These properties are located primarily in the Sunbelt states of Florida, Texas, Arizona, California and North Carolina, and the majority are clustered around major transportation features in supply constrained submarkets. As of February 15, 2013, EastGroup's portfolio was 93.9% leased and 93.2% 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 (78% of the total portfolio) with the remainder in bulk distribution space (17%) 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, 2012, EastGroup did not own any single property with a book value that was 10% or more of total book value or with gross revenues that were 10% or more of total gross revenues.

The Company's lease expirations, excluding month-to-month leases of 245,000 square feet, for the next ten years are detailed below:

Years Ending December 31,	Number of Leases Expiring	Total Area of Leases Expiring (in Square Feet)	Annualized Current Base Rent of Leases Expiring [1]	% of Total Base Rent of Leases Expiring
2013	304	5,252,000	$30,387,000	20.6%
2014	251	4,046,000	$21,493,000	14.5%
2015	282	6,165,000	$31,151,000	21.1%
2016	183	4,183,000	$18,687,000	12.6%

2017	126	3,910,000	$20,928,000	14.2%
2018	69	2,228,000	$9,636,000	6.5%
2019	20	761,000	$3,898,000	2.6%
2020	17	969,000	$5,348,000	3.6%
2021	6	404,000	$1,623,000	1.1%
2022 and beyond	21	990,000	$3,672,000	2.5%

(1) Represents the monthly cash rental rates, excluding tenant expense reimbursements, as of December 31, 2012, multiplied by twelve months.

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. MINE SAFETY DISCLOSURES.

Not applicable.

PART II. OTHER INFORMATION

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

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

Shares of Common Stock Market Prices and Dividends

Quarter	Calendar Year 2012			Calendar Year 2011		
	High	Low	Distributions	High	Low	Distributions
First	$50.56	43.83	$0.52	$45.53	40.79	$0.52
Second	53.30	47.20	0.52	46.91	41.36	0.52
Third	55.55	51.60	0.53	46.32	34.76	0.52
Fourth	54.03	50.23	0.53	44.71	36.01	0.52
			$2.10			$2.08

As of February 15, 2013, there were 621 holders of record of the Company's 29,925,693 outstanding shares of common stock. The Company distributed all of its 2012 and 2011 taxable income to its stockholders. Accordingly, no significant provisions for income taxes were necessary. The following table summarizes the federal income tax treatment for all distributions by the Company for the years 2012 and 2011.

Federal Income Tax Treatment of Share Distributions

	Years Ended December 31,	
	2012	2011
Common Share Distributions:		
Ordinary income	$1.64506	1.68516
Return of capital	0.29240	0.39484
Unrecaptured Section 1250 capital gain	0.14942	—
Other capital gain	0.01312	—
Total Common Distributions	$2.10000	2.08000

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.

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (2)
10/01/12 thru 10/31/12	—	$—	—	—
11/01/12 thru 11/30/12	—	—	—	—
12/01/12 thru 12/31/12	18,268	53.24	—	—
Total	18,268	$53.24	—	

(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) During the first quarter of 2012, EastGroup's Board of Directors terminated its previous plan which authorized the repurchase of up to 1,500,000 shares of its outstanding common stock. Under the common stock repurchase plan, the Company purchased a total of 827,700 shares for $14,170,000 (an average of $17.12 per share). The Company has not repurchased any shares under this plan since 2000.

Performance Graph

The following graph compares, over the five years ended December 31, 2012, the cumulative total shareholder return on EastGroup's common stock with the cumulative total return of the Standard & Poor's 500 Total Return Index (S&P 500 Total Return) and the FTSE Equity REIT index prepared by the National Association of Real Estate Investment Trusts (FTSE NAREIT Equity REITs).

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

	Fiscal years ended December 31,					
	2007	2008	2009	2010	2011	2012
EastGroup	$100.00	89.22	101.20	118.11	127.50	164.18
FTSE NAREIT Equity REITs	100.00	62.27	79.70	101.98	110.43	130.37
S&P 500 Total Return	100.00	63.00	79.67	91.67	93.60	108.58

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, 2007, and that all dividends were reinvested.

ITEM 6. SELECTED FINANCIAL DATA.

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

	Years Ended December 31,				
	2012	2011	2010	2009	2008
OPERATING DATA	(In thousands, except per share data)				
REVENUES					
Income from real estate operations	$186,117	173,021	171,887	170,956	166,652
Other income	61	142	82	81	248
	186,178	173,163	171,969	171,037	166,900
Expenses					
Expenses from real estate operations	52,993	48,913	50,679	49,762	46,773
Depreciation and amortization	61,696	56,757	57,806	53,392	50,594
General and administrative	10,488	10,691	10,260	8,894	8,547
Acquisition costs	188	252	72	177	—
	125,365	116,613	118,817	112,225	105,914
Operating income	60,813	56,550	53,152	58,812	60,986
Other income (expense)					
Interest expense	(35,371)	(34,709)	(35,171)	(32,520)	(30,192)
Other	456	717	624	653	1,365
Income from continuing operations	25,898	22,558	18,605	26,945	32,159
Discontinued operations					
Income from real estate operations	479	276	150	120	577
Gain on sales of nondepreciable real estate investments, net of tax	167	—	—	—	—
Gain on sales of real estate investments	6,343	—	—	29	2,032
Income from discontinued operations	6,989	276	150	149	2,609
Net income	32,887	22,834	18,755	27,094	34,768
Net income attributable to noncontrolling interest in joint ventures	(503)	(475)	(430)	(435)	(626)
Net income attributable to EastGroup Properties, Inc.	32,384	22,359	18,325	26,659	34,142
Dividends on Series D preferred shares	—	—	—	—	1,326
Costs on redemption of Series D preferred shares	—	—	—	—	682
Net income attributable to EastGroup Properties, Inc. common stockholders	32,384	22,359	18,325	26,659	32,134
Other comprehensive income (loss) - Cash flow hedges	(392)	—	318	204	(466)
TOTAL COMPREHENSIVE INCOME	$31,992	22,359	18,643	26,863	31,668
BASIC PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS					
Income from continuing operations	$0.89	0.82	0.67	1.03	1.20
Income from discontinued operations	0.24	0.01	0.01	0.01	0.11
Net income attributable to common stockholders	$1.13	0.83	0.68	1.04	1.31
Weighted average shares outstanding	28,577	26,897	26,752	25,590	24,503
DILUTED PER COMMON SHARE DATA FOR NET INCOMEATTRIBUTABLE TO EASTGROUP PROPERTIES,					

INC. COMMON STOCKHOLDERS					
Income from continuing operations	$0.89	0.82	0.67	1.03	1.20
Income from discontinued operations	0.24	0.01	0.01	0.01	0.10
Net income attributable to common stockholders	$1.13	0.83	0.68	1.04	1.30
Weighted average shares outstanding	28,677	26,971	26,824	25,690	24,653
AMOUNTS ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS					
Income from continuing operations	$25,395	22,083	18,175	26,510	29,525
Income from discontinued operations	6,989	276	150	149	2,609
Net income attributable to common stockholders	$32,384	22,359	18,325	26,659	32,134
OTHER PER SHARE DATA					
Book value, at end of year	$16.25	14.56	15.16	16.57	16.39
Common distributions declared	2.10	2.08	2.08	2.08	2.08
Common distributions paid	2.10	2.08	2.08	2.08	2.08
BALANCE SHEET DATA (AT END OF YEAR)					
Real estate investments, at cost [(1)]	$1,780,098	1,669,460	1,528,048	1,475,062	1,409,476
Real estate investments, net of accumulated depreciation [(1)]	1,283,851	1,217,655	1,124,861	1,120,317	1,099,125
Total assets	1,354,102	1,286,516	1,183,276	1,178,518	1,156,205
Mortgage, term and bank loans payable	813,926	832,686	735,718	692,105	695,692
Total liabilities	862,926	880,907	771,770	731,422	742,829
Noncontrolling interest in joint ventures	4,864	2,780	2,650	2,577	2,536
Total stockholders' equity	486,312	402,829	408,856	444,519	410,840

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

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

OVERVIEW

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

The operations of the Company improved during 2012 compared to 2011. The Company believes its current operating cash flow and lines of credit provide the capacity to fund the operations of the Company for 2013. The Company also believes it can issue common and/or preferred equity and obtain mortgage and term loan financing from insurance companies and financial institutions as evidenced by the closing of a $54 million, non-recourse first mortgage loan in January 2012, the closing of an $80 million unsecured term loan in August 2012, and the continuous common equity offering programs, which provided net proceeds to the Company of $109.6 million during 2012, as described in Liquidity and Capital Resources. In addition, the Company's $225 million lines of credit were repaid and replaced in January 2013 with new credit facilities totaling $250 million, also as described in Liquidity and Capital Resources.

The Company's primary revenue is rental income; as such, EastGroup's greatest challenge is leasing space. During 2012, leases expired on 5,451,000 square feet (17.8%) of EastGroup's total square footage of 30,651,000, and the Company was successful in renewing or re-leasing 81% of the expiring square feet. In addition, EastGroup leased 2,048,000 square feet of other vacant space during the year. During 2012, average rental rates on new and renewal leases increased by 0.7%. Property net operating income (PNOI) from same properties, defined as operating properties owned during the entire current period and prior year reporting period, increased 0.8% for 2012 compared to 2011.

EastGroup's total leased percentage was 95.1% at December 31, 2012 compared to 94.7% at December 31, 2011. Leases scheduled to expire in 2013 were 17.1% of the portfolio on a square foot basis at December 31, 2012. As of February 15, 2013, leases scheduled to expire during the remainder of 2013 were 13.7% of the portfolio on a square foot basis.

The Company generates new sources of leasing revenue through its acquisition and development programs. During 2012, EastGroup purchased three warehouse distribution complexes (878,000 square feet) and 109.8 acres of development land for a total of $64.7 million. The operating properties are located in Dallas (722,000 square feet), Hayward, California (84,000 square feet), and Tampa (72,000 square feet). The development land is located in Houston (71.4 acres), Tampa (18.0 acres), Chandler (Phoenix) (10.5 acres), Denver (5.8 acres) and Dallas (4.1 acres).

EastGroup continues to see targeted development as a contributor to the Company's long-term growth. The Company mitigates risks associated with development through a Board-approved maximum level of land held for development and by adjusting development start dates according to leasing activity. During 2012, the Company began construction of nine development projects containing 757,000 square feet in Houston and Orlando. Also in 2012, EastGroup transferred four properties (273,000 square feet) in Houston from its development program to real estate properties with costs of $18.0 million at the date of transfer. As of December 31, 2012, EastGroup's development program consisted of 14 buildings (1,055,000 square feet) located in Houston, San Antonio and Orlando. The projected total cost for the development projects, which were collectively 61% leased as of February 15, 2013, is $80.4 million, of which $29.0 million remained to be invested as of December 31, 2012.

Typically, the Company initially funds its acquisition and development programs through its $250 million lines of credit (as discussed in Liquidity and Capital Resources). As market conditions permit, EastGroup issues equity and/or employs fixed-rate debt to replace short-term bank borrowings. In prior years, EastGroup primarily obtained secured debt. In January 2013, Fitch affirmed the Company's credit rating of BBB, and Moody's assigned the Company a credit rating of Baa2. The Company intends to obtain primarily unsecured fixed rate debt in the future. The Company may also access the public debt market in the future as a means to raise capital.

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 permitting the properties to be aggregated into one reportable segment. The Company's chief decision makers use two primary measures of operating results in making decisions: (1) property net operating income (PNOI), defined as income from real estate operations less property operating expenses (excluding interest expense, depreciation expense on buildings and improvements, and amortization expense on capitalized leasing costs and in-place lease intangibles), and (2) funds from operations attributable to common stockholders (FFO), defined as net income (loss) attributable to common stockholders computed in accordance with U.S. generally accepted accounting principles

(GAAP), excluding gains or losses from sales of depreciable real estate property and impairment losses, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The Company calculates FFO based on the National Association of Real Estate Investment Trusts' (NAREIT) definition.

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

PNOI is comprised of Income from real estate operations, less Expenses from real estate operations. PNOI was calculated as follows for the three fiscal years ended December 31, 2012, 2011 and 2010.

	Years Ended December 31,		
	2012	2011	2010
	(In thousands)		
Income from real estate operations	$186,117	173,021	171,887
Expenses from real estate operations	52,993	48,913	50,679
PROPERTY NET OPERATING INCOME	$133,124	124,108	121,208

Income from real estate operations is comprised of rental income, expense reimbursement pass-through income and other real estate income including lease termination fees. Expenses from real estate operations is comprised of property taxes, insurance, utilities, repair and maintenance expenses, management fees, other operating costs and bad debt expense. Generally, the Company's most significant operating expenses are property taxes and insurance. Tenant leases may be net leases in which the total operating expenses are recoverable, modified gross leases in which some of the operating expenses are recoverable, or gross leases in which no expenses are recoverable (gross leases represent only a small portion of the Company's total leases). Increases in property operating expenses are fully recoverable under net leases and recoverable to a high degree under modified gross leases. Modified gross leases often include base year amounts and expense increases over these amounts are recoverable. The Company's exposure to property operating expenses is primarily due to vacancies and leases for occupied space that limit the amount of expenses that can be recovered. The following table presents reconciliations of Net Income to PNOI for the three fiscal years ended December 31, 2012, 2011 and 2010.

	Years Ended December 31,		
	2012	2011	2010
		(In thousands)	
NET INCOME	$32,887	22,834	18,755
Equity in earnings of unconsolidated investment	(356)	(347)	(335)
Interest income	(369)	(334)	(336)
Other income	(61)	(142)	(82)
Gain on sales of land	—	(36)	(37)
	(6,989)	(276)	(150)

Income from discontinued operations			
Depreciation and amortization from continuing operations	61,696	56,757	57,806
Interest expense	35,371	34,709	35,171
General and administrative expense	10,488	10,691	10,260
Interest rate swap ineffectiveness	269	—	—
Acquisition costs	188	252	72
Other expense	—	—	84
PROPERTY NET OPERATING INCOME	$ 133,124	124,108	121,208

The Company believes FFO is a meaningful supplemental measure of operating performance for equity REITs. The Company believes excluding depreciation and amortization in the calculation of FFO is appropriate since real estate values have historically increased or decreased based on market conditions. FFO is not considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance, nor is it a measure of the Company's liquidity or indicative

of funds available to provide for the Company's cash needs, including its ability to make distributions. In addition, FFO, as reported by the Company, may not be comparable to FFO by other REITs that do not define the term in accordance with the current NAREIT definition. The Company's key drivers affecting FFO are changes in PNOI (as discussed above), interest rates, the amount of leverage the Company employs and general and administrative expense. The following table presents reconciliations of Net Income Attributable to EastGroup Properties, Inc. Common Stockholders to FFO Attributable to Common Stockholders for the three fiscal years ended December 31, 2012, 2011 and 2010.

	Years Ended December 31,		
	2012	2011	2010
	(In thousands, except per share data)		
NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS	$32,384	22,359	18,325
Depreciation and amortization from continuing operations	61,696	56,757	57,806
Depreciation and amortization from discontinued operations	578	694	544
Depreciation from unconsolidated investment	133	133	132
Depreciation and amortization from noncontrolling interest	(256)	(219)	(210)
Gain on sales of real estate investments	(6,343)	—	—
FUNDS FROM OPERATIONS (FFO) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$88,192	79,724	76,597
Net income attributable to common stockholders per diluted share	$1.13	0.83	0.68
Funds from operations attributable to common stockholders per diluted share	3.08	2.96	2.86
Diluted shares for earnings per share and funds from operations	28,677	26,971	26,824

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

- The FFO change per share represents the increase or decrease in FFO per share from the current year compared to the prior year. For the year 2012, FFO was $3.08 per share compared with $2.96 per share for 2011, an increase of 4.1% per share.

- For the year ended December 31, 2012, PNOI increased by $9,016,000, or 7.3%, compared to 2011. PNOI increased $6,206,000 from 2011 and 2012 acquisitions, $1,833,000 from newly developed properties, and $1,017,000 from same property operations.

- The same property net operating income change represents the PNOI increase or decrease for the same operating properties owned during the entire current period and prior year reporting period. PNOI from same properties increased 0.8% for the year ended December 31, 2012, compared to 2011.

Same property average occupancy represents the average month-end percentage of leased square footage for which the lease term has commenced as compared to the total leasable square footage for the same operating properties owned during the entire current period and prior year reporting period. Same property average occupancy for the year ended December 31, 2012, was 93.6% compared to 91.7% for 2011.

The same property average rental rate represents the average annual rental rates of leases in place for the same operating properties owned during the entire current period and prior year reporting period. The same property average rental rate was $5.26 per square foot for the year ended December 31, 2012, compared to $5.35 per square foot for 2011.

- Occupancy is the percentage of leased square footage for which the lease term has commenced compared to the total leasable square footage as of the close of the reporting period. Occupancy at December 31, 2012 was 94.6%. Quarter-end occupancy ranged from 93.1% to 94.6% over the period from December 31, 2011 to December 31, 2012.

- Rental rate change represents the rental rate increase or decrease on new and renewal leases compared to the prior leases on the same space. For the year 2012, rental rate increases on new and renewal leases (21.1% of total square footage) averaged 0.7%.

- For the year 2012, termination fee income was $389,000 compared to $565,000 for 2011. Bad debt expense was $640,000 for 2012 compared to $550,000 for 2011.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Real Estate Properties
The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values. Goodwill is recorded when the purchase price exceeds the fair value of the assets and liabilities acquired. Factors considered by management in allocating the cost of the properties acquired include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The allocation to tangible assets (land, building and improvements) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models. The purchase price is also allocated among the following categories of intangible assets: the above or below market component of in-place leases, the value of in-place leases, and the value of customer relationships. The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate reflecting the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above and below market leases are included in Other Assets and Other Liabilities, respectively, on the Consolidated Balance Sheets and are amortized to rental income over the remaining terms of the respective leases. The total amount of intangible assets is further allocated to in-place lease values and customer relationship values based upon management's assessment of their respective values. These intangible assets are included in Other Assets on the Consolidated Balance Sheets and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable.

During the period in which a property is under development, costs associated with development (i.e., land, construction costs, interest expense, property taxes, and other direct and indirect costs associated with development) are aggregated into the total capitalized costs of the property. Included in these costs are management's estimates for the portions of internal costs (primarily personnel costs) that are deemed directly or indirectly related to such development activities. The internal costs are allocated to specific development properties based on construction activity.

The Company reviews its real estate investments for impairment of value whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any real estate investment is considered permanently impaired, a loss is recorded to reduce the carrying value of the property to its estimated fair value. Real estate assets to be sold are reported at the lower of the carrying amount or fair value less selling costs. The evaluation of real estate investments involves many subjective assumptions dependent upon future economic events that affect the ultimate value of the property. Currently, the Company's management knows of no impairment issues nor has it experienced any impairment issues in recent years. EastGroup currently has the intent and ability to hold its real estate investments and to hold its land inventory for future development. In the event of impairment, the property's basis would be reduced, and the impairment would be recognized as a current period charge on the Consolidated Statements of Income and Comprehensive Income.

Valuation of Receivables
The Company is subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, the Company performs credit reviews and analyses on prospective tenants before significant leases are executed and on existing tenants before properties are acquired. On a quarterly basis, the Company evaluates outstanding receivables and estimates the allowance for doubtful

accounts. Management specifically analyzes aged receivables, customer credit-worthiness, historical bad debts and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. The Company believes its allowance for doubtful accounts is adequate for its outstanding receivables for the periods presented. In the event the allowance for doubtful accounts is insufficient for an account that is subsequently written off, additional bad debt expense would be recognized as a current period charge on the Consolidated Statements of Income and Comprehensive Income.

Tax Status

EastGroup, a Maryland corporation, has qualified as a real estate investment trust under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the Company is required to distribute at least 90% of its ordinary taxable income to its stockholders. If the Company has a capital gain, it has the option of (i) deferring recognition of the capital gain through a tax-deferred exchange, (ii) declaring and paying a capital gain dividend on any recognized net capital gain resulting in no corporate level tax, or (iii) retaining and paying corporate income tax on its net long-term capital gain, with shareholders reporting their proportional share of the undistributed long-term capital gain and receiving a credit or refund of their share of the tax paid by the Company. The Company distributed all of its 2012, 2011 and 2010 taxable income to its stockholders. Accordingly, no significant provisions for income taxes were necessary.

FINANCIAL CONDITION

EastGroup's assets were $1,354,102,000 at December 31, 2012, an increase of $67,586,000 from December 31, 2011. Liabilities decreased $17,981,000 to $862,926,000, and equity increased $85,567,000 to $491,176,000 during the same period. The following paragraphs explain these changes in detail.

Assets

Real Estate Properties

Real Estate Properties increased $69,333,000 during the year ended December 31, 2012, primarily due to the purchase of the operating properties detailed below, capital improvements at the Company's properties and the transfer of four properties from Development, as detailed under Development below. These increases were offset by the sale of four properties during the year. Two properties in Tampa, which were held in the Company's taxable REIT subsidiary, sold for $578,000; the Company recognized an after-tax gain of $167,000 in connection with the sale. The Company also sold a property in Phoenix for $7,019,000 and recognized a gain of $1,869,000. In addition, the Company sold a property in Tulsa for $10,300,000 and recognized a gain of $4,474,000.

REAL ESTATE PROPERTIES ACQUIRED IN 2012	Location	Size	Date Acquired	Cost [(1)]
		(Square feet)		(In thousands)
Madison Distribution Center	Tampa, FL	72,000	01/31/2012	$3,273
Wiegman Distribution Center II	Hayward, CA	84,000	08/20/2012	6,894
Valwood Distribution Center	Dallas, TX	722,000	12/21/2012	38,767
Total Acquisitions		878,000		$48,934

(1) Total cost of the properties acquired was $51,750,000, of which $48,934,000 was allocated to Real Estate Properties as indicated above. Intangibles associated with the purchases of real estate were allocated as follows: $3,305,000 to in-place lease intangibles, $244,000 to above market leases (both included in Other Assets on the Consolidated Balance Sheets) and $733,000 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 $18,164,000 on existing and acquired properties (included in the Capital Expenditures table under Results of Operations). Also, the Company incurred costs of $1,338,000 on development properties subsequent to transfer to Real Estate Properties; the Company records these expenditures as development costs on the Consolidated Statements of Cash Flows.

Development

EastGroup's investment in development at December 31, 2012 consisted of properties in lease-up and under construction of $51,422,000 and prospective development (primarily land) of $96,833,000. The Company's total investment in development at December 31, 2012 was $148,255,000 compared to $112,149,000 at December 31, 2011. Total capital invested for development during 2012 was $55,404,000, which consisted of costs of $52,499,000 and $1,567,000 as detailed in the development activity table below and costs of $1,338,000 on development properties subsequent to transfer to Real Estate Properties. The capitalized costs incurred on development properties subsequent to transfer to Real Estate Properties include capital improvements at the properties and do not include other capitalized costs associated with development (i.e., interest expense, property taxes and internal personnel costs).

EastGroup capitalized internal development costs of $2,810,000 during the year ended December 31, 2012, compared to $1,334,000 during 2011. The increase in capitalized internal development costs in 2012 as compared to 2011 resulted from increased activity in the Company's development program in 2012.

During 2012, EastGroup purchased 109.8 acres of development land in Dallas, Houston, Tampa, Denver and Chandler (Phoenix) for $12,998,000. Costs associated with these acquisitions are included in the development activity table. The Company transferred four development properties to Real Estate Properties during 2012 with a total investment of $17,960,000 as of the date of transfer.

DEVELOPMENT		Costs Incurred				
		Costs Transferred in 2012 [1]	For the Year Ended 12/31/12	Cumulative as of 12/31/12	Estimated Total Costs [2]	Building Completion Date
		(In thousands)				
LEASE-UP	Building Size (Square feet)					
Southridge IX, Orlando, FL	76,000	$—	938	6,300	7,100	03/12
World Houston 31B, Houston, TX	35,000	—	1,591	2,951	3,900	04/12
Thousand Oaks 1, San Antonio, TX	36,000	—	1,130	3,539	4,700	05/12
Thousand Oaks 2, San Antonio, TX	73,000	—	1,645	4,809	5,600	05/12
Beltway Crossing X, Houston, TX	78,000	—	1,810	3,816	4,300	06/12
Southridge XI, Orlando, FL	88,000	2,298	3,167	5,465	6,200	09/12
Total Lease-Up	386,000	2,298	10,281	26,880	31,800	
UNDER CONSTRUCTION						Anticipated Building Completion Date
Beltway Crossing XI, Houston, TX	87,000	1,184	2,416	3,600	4,900	02/13
World Houston 33, Houston, TX	160,000	1,338	7,746	9,084	10,900	02/13
World Houston 34, Houston, TX	57,000	1,039	1,636	2,675	3,600	03/13
World Houston 35, Houston, TX	45,000	806	1,307	2,113	2,800	03/13
Ten West Crossing 1, Houston, TX	30,000	423	1,319	1,742	3,800	05/13
World Houston 36, Houston, TX	60,000	986	451	1,437	6,100	08/13
World Houston 37, Houston, TX	101,000	1,233	441	1,674	7,100	08/13
World Houston 38, Houston, TX	129,000	1,523	694	2,217	9,400	09/13
Total Under Construction	669,000	8,532	16,010	24,542	48,600	
PROSPECTIVE DEVELOPMENT (PRIMARILY LAND)	Estimated Building Size (Square feet)					
Phoenix, AZ	528,000	—	2,236	5,697	40,100	
Tucson, AZ	70,000	—	—	417	4,900	
Denver, CO	84,000	—	711	711	7,700	
Fort Myers, FL	663,000	—	443	17,646	48,100	
Orlando, FL	1,426,000	(2,298)	4,301	26,600	93,100	
Tampa, FL	519,000	—	1,659	6,145	30,800	
Jackson, MS	28,000	—	—	706	2,000	
Charlotte, NC	95,000	—	89	1,335	6,800	
Dallas, TX	120,000	—	471	1,235	7,800	
El Paso, TX	251,000	—	—	2,444	11,300	
Houston, TX	2,341,000	(8,532)	15,850	28,433	157,400	
San Antonio, TX	478,000	—	448	5,464	31,800	
Total Prospective Development	6,603,000	(10,830)	26,208	96,833	441,800	
	7,658,000	$—	52,499	148,255	522,200	
DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL	Building Size (Square					Building Completion

ESTATE PROPERTIES DURING 2012	feet)					Date
Beltway Crossing VIII, Houston, TX	88,000	$—	43	5,242		09/11
World Houston 32, Houston, TX	96,000	—	66	6,276		01/12
World Houston 31A, Houston, TX	44,000	—	243	4,086		06/11
Beltway Crossing IX, Houston, TX	45,000	—	1,215	2,356		06/12
Total Transferred to Real Estate Properties	273,000	$—	1,567	17,960	(3)	

(1) Represents costs transferred from Prospective Development (primarily land) to Under Construction during the period.
(2) Included in these costs are development obligations of $20.4 million and tenant improvement obligations of $6.1 million on properties under development.
(3) Represents cumulative costs at the date of transfer.

Accumulated Depreciation

Accumulated depreciation on real estate and development properties increased $44,442,000 during 2012 due to depreciation expense, offset by accumulated depreciation on the properties sold during the year.

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Other Assets

Other Assets increased $5,519,000 during 2012. A summary of Other Assets follows:

	December 31, 2012	December 31, 2011
	(In thousands)	
Leasing costs (principally commissions)	$41,290	39,297
Accumulated amortization of leasing costs	(17,543)	(16,603)
Leasing costs (principally commissions), net of accumulated amortization	23,747	22,694
Straight-line rents receivable	22,153	20,959
Allowance for doubtful accounts on straight-line rents receivable	(409)	(351)
Straight-line rents receivable, net of allowance for doubtful accounts	21,744	20,608
Accounts receivable	3,477	3,949
Allowance for doubtful accounts on accounts receivable	(373)	(522)
Accounts receivable, net of allowance for doubtful accounts	3,104	3,427
Acquired in-place lease intangibles	11,848	12,157
Accumulated amortization of acquired in-place lease intangibles	(4,516)	(4,478)
Acquired in-place lease intangibles, net of accumulated amortization	7,332	7,679
Acquired above market lease intangibles	2,443	2,904
Accumulated amortization of acquired above market lease intangibles	(976)	(929)
Acquired above market lease intangibles, net of accumulated amortization	1,467	1,975
Mortgage loans receivable	9,357	4,154
Discount on mortgage loans receivable	(34)	(44)
Mortgage loans receivable, net of discount	9,323	4,110
Loan costs	8,476	7,662
Accumulated amortization of loan costs	(4,960)	(4,433)
Loan costs, net of accumulated amortization	3,516	3,229
Goodwill	990	990
Prepaid expenses and other assets	7,093	8,085
Total Other Assets	$78,316	72,797

Liabilities

Mortgage Notes Payable decreased $20,404,000 during the year ended December 31, 2012. The decrease resulted from the repayment of five mortgages totaling $49,900,000, regularly scheduled principal payments of $24,408,000 and mortgage loan premium amortization of $96,000, offset by a $54,000,000 mortgage loan executed by the Company in January 2012.

Unsecured Term Loans Payable increased $80,000,000 during 2012 as a result of the closing of a term loan in August 2012.

Notes Payable to Banks decreased $78,356,000 during 2012 as a result of repayments of $363,233,000 exceeding advances of $284,877,000. The Company’s credit facilities are described in greater detail under Liquidity and Capital Resources.

Accounts Payable and Accrued Expenses decreased $2,291,000 during 2012. A summary of the Company's Accounts Payable and Accrued Expenses follows:

	December 31,	
	2012	2011
	(In thousands)	
Property taxes payable	$12,107	9,840
Development costs payable	7,170	5,928
Interest payable	2,615	2,736
Dividends payable on unvested restricted stock	1,191	1,415
Other payables and accrued expenses	5,831	11,286
Total Accounts Payable and Accrued Expenses	$28,914	31,205

Other Liabilities increased $3,070,000 during 2012. A summary of the Company's Other Liabilities follows:

	December 31,	
	2012	2011
	(In thousands)	
Security deposits	$9,668	9,184
Prepaid rent and other deferred income	7,930	6,373
Acquired below market lease intangibles	1,541	1,684
Accumulated amortization of acquired below market lease intangibles	(391)	(924)
Acquired below market lease intangibles, net of accumulated amortization	1,150	760
Interest rate swap liability	645	—
Other liabilities	693	699
Total Other Liabilities	$20,086	17,016

Equity

Additional Paid-In Capital increased $112,564,000 during 2012. The increase primarily resulted from the issuance of 2,179,153 shares of common stock under the Company's continuous common equity program with net proceeds to the Company of $109,588,000. See Note 11 in the Notes to Consolidated Financial Statements for information related to the changes in Additional Paid-In Capital on common shares resulting from stock-based compensation.

During 2012, Distributions in Excess of Earnings increased $28,689,000 as a result of dividends on common stock of $61,073,000 exceeding Net Income Attributable to EastGroup Properties, Inc. Common Stockholders of $32,384,000.

Accumulated Other Comprehensive Loss increased $392,000 during 2012. The increase resulted from the change in fair value of the Company's interest rate swap which is further discussed in Notes 12 and 13 in the Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

2012 Compared to 2011

Net Income Attributable to EastGroup Properties, Inc. Common Stockholders for 2012 was $32,384,000 ($1.13 per basic and diluted share) compared to $22,359,000 ($0.83 per basic and diluted share) for 2011. EastGroup recognized

gains on sales of real estate investments of $6,510,000 during 2012. The Company did not recognize any gains on sales during 2011.

PNOI increased by $9,016,000, or 7.3%, for 2012 compared to 2011. PNOI increased $6,206,000 from 2011 and 2012 acquisitions, $1,833,000 from newly developed properties, and $1,017,000 from same property operations. Bad debt expense exceeded

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termination fee income by $251,000 during 2012. In 2011, termination fee income exceeded bad debt expense by $15,000. Straight-lining of rent increased income by $1,592,000 and $1,899,000 in 2012 and 2011, respectively.

The Company signed 147 leases with certain free rent concessions on 2,449,000 square feet during 2012 with total free rent concessions of $2,845,000, compared to 130 leases with free rent concessions on 3,321,000 square feet with total free rent concessions of $4,471,000 in 2011.

Property expense to revenue ratios, defined as Expenses from Real Estate Operations as a percentage of Income from Real Estate Operations, were 28.5% in 2012 compared to 28.3% in 2011. The Company's percentage of leased square footage was 95.1% at December 31, 2012, compared to 94.7% at December 31, 2011. Occupancy at the end of 2012 was 94.6% compared to 93.9% at the end of 2011.

Interest Expense increased $662,000 for 2012 compared to 2011. The following table presents the components of Interest Expense for 2012 and 2011:

	Years Ended December 31,		
	2012	2011	Increase (Decrease)
	(In thousands, except rates of interest)		
Average bank borrowings	$85,113	124,697	(39,584)
Weighted average variable interest rates (excluding loan cost amortization)	1.61%	1.41%	
VARIABLE RATE INTEREST EXPENSE			
Bank loan interest (excluding loan cost amortization)	1,371	1,762	(391)
Amortization of bank loan costs	342	300	42
Total variable rate interest expense	1,713	2,062	(349)
FIXED RATE INTEREST EXPENSE			
Mortgage loan interest (excluding loan cost amortization)	34,733	35,606	(873)
Unsecured term loan interest (excluding loan cost amortization)	2,724	59	2,665
Amortization of mortgage loan costs	780	752	28
Amortization of unsecured term loan costs	81	1	80
Total fixed rate interest expense	38,318	36,418	1,900
Total interest	40,031	38,480	1,551
Less capitalized interest	(4,660)	(3,771)	(889)
TOTAL INTEREST EXPENSE	$35,371	34,709	662

EastGroup's variable rate interest expense decreased by $349,000 for 2012 as compared to 2011 due to a decrease in the Company's average bank borrowings, partially offset by an increase in the Company's weighted average variable interest rate.

The Company's fixed rate interest expense increased by $1,900,000 for 2012 as compared to 2011. The increase in fixed rate interest expense was primarily due to two unsecured term loans obtained by the Company: one in December 2011 for $50,000,000 with a fixed interest rate of 3.91% and a seven-year term, and the other in August 2012 for

$80,000,000 with an effective interest rate of 2.92% (rate may vary based on EastGroup's leverage or credit ratings) and a six-year term. The Company expensed $2,724,000 for unsecured term loan expense during 2012 compared to $59,000 for 2011.

The increase in term loan interest expense was partially offset by a decrease in mortgage loan interest expense. The Company recognized mortgage loan interest expense of $34,733,000 in 2012 compared to $35,606,000 in 2011.

The decrease in fixed rate mortgage loan interest expense was primarily the result of lower weighted average interest rates, mortgage note repayments and regularly scheduled principal amortization. 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, 2008	5.96%
December 31, 2009	6.09%
December 31, 2010	5.90%
December 31, 2011	5.63%
December 31, 2012	5.40%

Mortgage principal payments made in the amortization period were $24,408,000 in 2012 and $22,231,000 in 2011. The details of the mortgage loans repaid in 2011 and 2012 are shown in the following table:

MORTGAGE LOANS REPAID IN 2011 AND 2012	Interest Rate	Date Repaid	Payoff Amount
Butterfield Trail, Glenmont I & II, Interstate I, II & III, Rojas, Stemmons Circle, Venture and West Loop I & II	7.25%	01/31/11	$36,065,000
America Plaza, Central Green and World Houston 3-9	7.92%	05/10/11	22,832,000
Weighted Average/Total Amount for 2011	7.51%		58,897,000
Oak Creek Distribution Center IV	5.68%	03/01/12	3,463,000
University Business Center (125 & 175 Cremona)	7.98%	04/02/12	8,679,000
University Business Center (120 & 130 Cremona)	6.43%	05/01/12	1,910,000
51st Avenue, Airport Distribution, Broadway I, III & IV, Chestnut, Interchange Business Park, Main Street, North Stemmons I land, Southpark, Southpointe and World Houston 12 & 13	6.86%	06/04/12	31,724,000
Interstate Distribution Center - Jacksonville	5.64%	09/04/12	4,123,000
Weighted Average/Total Amount for 2012	6.86%		49,899,000
Weighted Average/Total Amount for 2011 and 2012	7.21%		$108,796,000

During 2011 and 2012, EastGroup closed the new mortgages detailed in the following table:

NEW MORTGAGES IN 2011 AND 2012	Interest Rate	Date	Maturity Date	Amount
America Plaza, Central Green, Glenmont I & II, Interstate I, II & III, Rojas, Stemmons Circle, Venture, West Loop I & II and World Houston 3-9	4.75%	05/31/11	06/05/21	$65,000,000
Arion 18, Beltway VI & VII, Commerce Park II & III, Concord, Interstate V, VI & VII, Lakeview, Ridge Creek II, Southridge IV & V and World Houston 32	4.09%	01/04/12	01/05/22	54,000,000
Weighted Average/Total Amount for 2011 and 2012	4.45%			$119,000,000

Interest costs during the period of construction of real estate properties are capitalized and offset against interest expense. Capitalized interest increased $889,000 for 2012 as compared to 2011 due to increased activity in the Company's development program in 2012.

Depreciation and Amortization expense from continuing operations increased $4,939,000 for 2012 compared to 2011 primarily due to the operating properties acquired by the Company in December 2011 and during the year 2012.

Capital Expenditures

Capital expenditures for EastGroup's operating properties for the years ended December 31, 2012 and 2011 were as follows:

	Estimated	Years Ended December 31,	
	Useful Life	2012	2011
		(In thousands)	
Upgrade on Acquisitions	40 yrs	$1,208	315
Tenant Improvements:			
New Tenants	Lease Life	7,631	7,755
New Tenants (first generation) [1]	Lease Life	362	1,028
Renewal Tenants	Lease Life	2,592	2,588
Other:			
Building Improvements	5-40 yrs	3,480	3,676
Roofs	5-15 yrs	1,819	2,089
Parking Lots	3-5 yrs	790	823
Other	5 yrs	282	412
Total Capital Expenditures		$18,164	18,686

(1) First generation refers only 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, 2012 and 2011 were as follows:

	Estimated	Years Ended December 31,	
	Useful Life	2012	2011
		(In thousands)	
Development	Lease Life	$2,185	1,087
New Tenants	Lease Life	2,941	3,140
New Tenants (first generation) [1]	Lease Life	195	187
Renewal Tenants	Lease Life	3,108	2,494
Total Capitalized Leasing Costs		$8,429	6,908
Amortization of Leasing Costs [2]		$7,082	6,487

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

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Discontinued Operations
The results of operations for the properties sold or held for sale during the periods reported are shown under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income. During 2012, the Company sold four properties: Tampa East Distribution Center III and Tampa West Distribution Center VIII in Tampa, Estrella Distribution Center in Phoenix, and Braniff Distribution Center in Tulsa. During 2011, the Company did not sell any properties.

See Notes 1(f) and 2 in the Notes to Consolidated Financial Statements for more information related to discontinued operations and gain on sales of real estate investments. The following table presents the components of revenue and expense for the properties sold or held for sale during 2012 and 2011.

DISCONTINUED OPERATIONS	Years Ended December 31,	
	2012	2011
	(In thousands)	
Income from real estate operations	$1,403	1,463
Expenses from real estate operations	(346)	(498)
Property net operating income from discontinued operations	1,057	965
Other income	—	5
Depreciation and amortization	(578)	(694)
Income from real estate operations	479	276
Gain on sales of nondepreciable real estate investments, net of tax (1)	167	—
Gain on sales of real estate investments	6,343	—
Income from discontinued operations	$6,989	276

(1) Gains on sales of nondepreciable real estate investments are subject to federal and state taxes. The Company recognized taxes of $6,000 on the gains related to the sales of Tampa East Distribution Center III and Tampa West Distribution Center VIII during 2012.

2011 Compared to 2010
Net Income Attributable to EastGroup Properties, Inc. Common Stockholders for 2011 was $22,359,000 ($0.83 per basic and diluted share) compared to $18,325,000 ($0.68 per basic and diluted share) for 2010. PNOI increased by $2,900,000, or 2.4%, for 2011 compared to 2010. PNOI increased $1,138,000 from same property operations, $969,000 from newly developed properties, and $795,000 from 2010 and 2011 acquisitions. Termination fee income exceeded bad debt expense by $15,000 in 2011 and $1,818,000 in 2010. Straight-lining of rent increased income by $1,899,000 and $2,457,000 in 2011 and 2010, respectively.

The Company signed 130 leases with certain free rent concessions on 3,321,000 square feet during 2011 with total free rent concessions of $4,471,000, compared to 183 leases with free rent concessions on 3,360,000 square feet of $3,771,000 in 2010.

Property expense to revenue ratios, defined as Expenses from Real Estate Operations as a percentage of Income from Real Estate Operations, were 28.3% in 2011 compared to 29.5% in 2010. The Company's percentage of leased square footage was 94.7% at December 31, 2011, compared to 90.8% at December 31, 2010. Occupancy at the end of 2011 was 93.9% compared to 89.8% at the end of 2010.

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

	Years Ended December 31,		
	2011	2010	Increase (Decrease)
	(In thousands, except rates of interest)		
Average bank borrowings	$124,697	122,942	1,755
Weighted average variable interest rates (excluding loan cost amortization)	1.41 %	1.42 %	
VARIABLE RATE INTEREST EXPENSE			
Bank loan interest (excluding loan cost amortization)	1,762	1,750	12
Amortization of bank loan costs	300	314	(14)
Total variable rate interest expense	2,062	2,064	(2)
FIXED RATE INTEREST EXPENSE			
Mortgage loan interest (excluding loan cost amortization)	35,606	35,978	(372)
Unsecured term loan interest (excluding loan cost amortization)	59	—	59
Amortization of mortgage loan costs	752	742	10
Amortization of unsecured term loan costs	1	—	1
Total fixed rate interest expense	36,418	36,720	(302)
Total interest	38,480	38,784	(304)
Less capitalized interest	(3,771)	(3,613)	(158)
TOTAL INTEREST EXPENSE	$34,709	35,171	(462)

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

EastGroup’s fixed rate interest expense decreased by $302,000 in 2011 compared to 2010. The decrease in fixed rate interest expense primarily resulted from lower interest rates on the refinancing of two mortgage loans in 2011, partially offset by higher average mortgage loan balances in 2011 compared to 2010. A summary of the Company’s weighted average interest rates on mortgage debt at year-end for the past several years is presented below:

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

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

NEW MORTGAGES IN 2010 AND 2011	Interest Rate	Date	Maturity Date	Amount
40th Avenue, Centennial Park, Executive Airport, Beltway V, Techway Southwest IV, Wetmore V-VIII,	4.39%	12/28/10	01/05/21	$74,000,000

Ocean View and World Houston 26, 28, 29 & 30				
America Plaza, Central Green, Glenmont I & II, Interstate I, II & III, Rojas, Stemmons Circle, Venture, West Loop I & II and World Houston 3-9	4.75%	05/31/11	06/05/21	65,000,000
Weighted Average/Total Amount for 2010 and 2011	4.56%			$139,000,000

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

MORTGAGE LOANS REPAID IN 2010 AND 2011	Interest Rate	Date Repaid	Payoff Amount
Tower Automotive Center	6.03%	10/01/10	$8,770,000
Weighted Average/Total Amount for 2010	6.03%		8,770,000
Butterfield Trail, Glenmont I & II, Interstate I, II & III, Rojas, Stemmons Circle, Venture and West Loop I & II	7.25%	01/31/11	36,065,000
America Plaza, Central Green and World Houston 3-9	7.92%	05/10/11	22,832,000
Weighted Average/Total Amount for 2011	7.51%		58,897,000
Weighted Average/Total Amount for 2010 and 2011	7.32%		$67,667,000

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

Depreciation and Amortization expense from continuing operations decreased $1,049,000 for 2011 compared to 2010. In 2010, there was a rise in early vacates, resulting in the write-off of specific assets and therefore increased Depreciation and Amortization expense for 2010. In 2011, early vacates decreased significantly. Excluding the change resulting from early vacates, Depreciation and Amortization expense did not change significantly from 2010 to 2011.

Capital Expenditures

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

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

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

Capitalized Leasing Costs

The Company's leasing costs (principally commissions) are capitalized and included in Other Assets. The costs are amortized over the terms of the associated leases and are included in Depreciation and Amortization expense. Capitalized leasing costs for the years ended December 31, 2011 and 2010 were as follows:

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

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

Discontinued Operations

The results of operations for the operating properties sold or held for sale during the periods reported are shown under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income. During 2012, the Company sold four properties: Tampa East Distribution Center III and Tampa West Distribution Center VIII in Tampa, Estrella Distribution Center in Phoenix, and Braniff Distribution Center in Tulsa. During 2010 and 2011, the Company did not sell any properties.

See Notes 1(f) and 2 in the Notes to Consolidated Financial Statements for more information related to discontinued operations and gain on sales of real estate investments. The following table presents the components of revenue and expense for the operating properties sold or held for sale during 2012, 2011 and 2010.

DISCONTINUED OPERATIONS	Years Ended December 31,	
	2011	2010
	(In thousands)	
Income from real estate operations	$1,463	1,115
Expenses from real estate operations	(498)	(463)
Property net operating income from discontinued operations	965	652
Other income	5	42
Depreciation and amortization	(694)	(544)
Income from real estate operations	276	150
Gain on sales of real estate investments	—	—
Income from discontinued operations	$276	150

NEW ACCOUNTING PRONOUNCEMENTS

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

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which provides guidance about how fair value should be applied where it is already required or permitted under U.S. GAAP. The ASU does not extend the use of fair value or require

additional fair value measurements, but rather provides explanations about how to measure fair value. ASU 2011-04 requires prospective application and was effective for interim and annual reporting periods beginning after December 15, 2011. The Company has adopted the provisions and provided the necessary disclosures beginning with the interim period ended March 31, 2012.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, which eliminates the option to present components of other comprehensive income as part of the statement of changes in equity and requires that all nonowner changes in equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 requires retrospective application and was effective for interim and annual reporting periods beginning after December 15, 2011. The Company has adopted the provisions of ASU 2011-05 and provided the necessary disclosures beginning with the interim period ended March 31, 2012.

In December 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This ASU defers the effective date of the requirement in ASU 2011-05 to present separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income for all periods presented. A final ASU on presentation and disclosure of reclassification adjustments is expected in early 2013.

In September 2011, the FASB issued ASU 2011-08, Testing Goodwill for Impairment, which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. Under this ASU, an entity is not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. ASU 2011-08 was effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company has adopted the provisions and provided the necessary disclosures beginning with the interim period ended March 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $91,808,000 for the year ended December 31, 2012. The primary other sources of cash were from bank borrowings, proceeds from common stock offerings, proceeds from the unsecured term loan payable executed in August 2012, proceeds from the mortgage note payable executed in January 2012 and proceeds from sales of real estate investments. The Company distributed $61,297,000 in common stock dividends during 2012. Other primary uses of cash were for bank debt repayments, mortgage note repayments, the construction and development of properties, purchases of real estate and capital improvements at various properties.

Total debt at December 31, 2012 and 2011 is detailed below. The Company's bank credit facilities and unsecured term loans 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, 2012 and 2011.

	December 31,	
	2012	2011
	(In thousands)	
Mortgage notes payable – fixed rate	$607,766	628,170
Unsecured term loans payable – fixed rate	130,000	50,000
Notes payable to banks – variable rate	76,160	154,516
Total debt	$813,926	832,686

The Company had a $200 million unsecured revolving credit facility with a group of seven banks that matured in January 2013. The interest rate on the facility was based on the LIBOR index and varied 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 was usually reset on a monthly basis and as of December 31, 2012, was LIBOR plus 0.85% with an annual facility fee of 0.20%. At December 31, 2012, the weighted average interest rate was 1.065% on

a balance of $71,000,000. The Company had an additional $129,000,000 remaining on the line of credit at that date.

The aforementioned credit facility was repaid and replaced in January 2013 with a new four-year, $225 million unsecured credit facility with a group of nine banks with options for a one-year extension and a $100 million expansion. As of February 15, 2013, the interest rate was LIBOR plus 1.175% (1.385%) with an annual facility fee of 0.225%. The margin and facility fee are subject to changes in the Company's credit ratings.

The Company also had a $25 million unsecured revolving credit facility with PNC Bank, N.A. that matured in January 2013. This credit facility was customarily used for working capital needs. The interest rate on this working capital line was based on the

LIBOR index and varied according to total liability to total asset value ratios (as defined in the credit agreement), with no annual facility fee. The interest rate was reset on a daily basis and as of December 31, 2012, was LIBOR plus 1.65%. At December 31, 2012, the interest rate was 1.859% on a balance of $5,160,000. The Company had an additional $19,840,000 remaining on the line of credit at that date.

The $25 million credit facility was repaid and replaced in January 2013 with a new four-year, $25 million unsecured credit facility that automatically extends for one year if the extension option in the new $225 million revolving facility is exercised. As of February 15, 2013, the interest rate, which resets on a daily basis, was LIBOR plus 1.175% (1.377%) with an annual facility fee of 0.225%. The margin and facility fee are subject to changes in the Company's credit ratings.

As market conditions permit, EastGroup issues equity and/or employs fixed-rate debt to replace the short-term bank borrowings. The Company believes its current operating cash flow and lines of credit provide the capacity to fund the operations of the Company for 2013. The Company also believes it can obtain mortgage financing from insurance companies, unsecured debt from financial institutions, and issue common and/or preferred equity. In prior years, EastGroup primarily obtained secured debt. In January 2013, Fitch affirmed the Company's credit rating of BBB, and Moody's assigned the Company a credit rating of Baa2. The Company intends to obtain primarily unsecured fixed rate debt in the future. The Company may also access the public debt market in the future as a means to raise capital.

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

On March 1, 2012, the Company repaid a mortgage loan with a balance of $3.5 million, an interest rate of 5.68%, and a maturity date of June 1, 2012. On April 2, 2012, EastGroup repaid a mortgage loan with a balance of $8.7 million, an interest rate of 7.98%, and a maturity date of June 1, 2012. On May 1, 2012, the Company repaid a mortgage loan with a balance of $1.9 million, an interest rate of 6.43%, and a maturity date of May 15, 2012. On June 4, 2012, the Company repaid a mortgage loan with a balance of $31.7 million, an interest rate of 6.86%, and a maturity date of September 1, 2012. On September 4, 2012, the Company repaid a mortgage loan with a balance of $4.1 million, an interest rate of 5.64%, and a maturity date of January 1, 2013.

On August 31, 2012, EastGroup closed an $80 million unsecured term loan with a six-year term and interest-only payments. It bears interest at the annual rate of LIBOR plus 190 basis points subject to a pricing grid for changes in the Company’s leverage or credit ratings. The Company also entered into an interest rate swap to convert the loan’s LIBOR rate to a fixed interest rate, providing the Company an effective fixed rate on the term loan of 2.92% per annum as of December 31, 2012. The Company used the proceeds of this loan to reduce variable rate bank borrowings. See Notes 12 and 13 in the Notes to Consolidated Financial Statements for more information related to the Company's interest rate swap.

In March 2011, the Company entered into Sales Agency Financing Agreements with BNY Mellon Capital Markets, LLC and Raymond James & Associates, Inc. pursuant to which the Company could issue and sell up to two million shares of its common stock from time to time. The Company completed this continuous equity program during the second quarter of 2012. During the duration of the program from July 2011 through June 2012, the Company sold a total of 2,000,000 shares at an average price of $48.18 per share with net proceeds to the Company of $95 million.

In September 2012, EastGroup entered into Sales Agency Financing Agreements with BNY Mellon Capital Markets, LLC and Raymond James & Associates, Inc. pursuant to which the Company could issue and sell up to two million shares of its common stock from time to time.

During 2012, the Company issued and sold 2,179,153 shares of common stock under its continuous equity programs at an average price of $50.94 per share with gross proceeds to the Company of $110,999,000. The Company incurred offering-related costs of $1,411,000 during the year, resulting in net proceeds to the Company of $109,588,000. As of February 19, 2013, the Company has 1,233,870 shares of common stock remaining to sell under the program.

Contractual Obligations

EastGroup’s fixed, non-cancelable obligations as of December 31, 2012 were as follows:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(In thousands)				
Fixed Rate Mortgage Debt Obligations [1]	$607,766	57,915	201,207	150,861	197,783
Interest on Fixed Rate Mortgage Debt	136,061	31,837	48,183	30,301	25,740
Fixed Rate Unsecured Term Loan Debt [1]	130,000	—	—	—	130,000
Interest on Fixed Rate Unsecured Term Loan Debt	24,959	4,452	8,582	8,582	3,343
Variable Rate Debt Obligations [1] [2]	76,160	76,160	—	—	—
Interest on Variable Rate Debt [3]	4,362	1,185	2,108	1,069	—
Operating Lease Obligations:					
Office Leases	544	371	126	47	—
Ground Leases	16,664	731	1,462	1,462	13,009
Real Estate Property Obligations [4]	1,234	1,234	—	—	—
Development Obligations [5]	20,439	20,439	—	—	—
Tenant Improvements [6]	9,904	9,904	—	—	—
Purchase Obligations	23	23	—	—	—
Total	$1,028,116	204,251	261,668	192,322	369,875

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

(2) The Company’s variable rate debt changes depending on the Company’s cash needs and, as such, both the principal amounts and the interest rates are subject to variability. At December 31, 2012, the weighted average interest rate was 1.12% on the variable rate debt that matured in January 2013. The debt was replaced with a new four-year, $225 million unsecured credit facility with options for a one-year extension and a $100 million expansion and a new four-year, $25 million unsecured credit facility that automatically extends for one year if the extension option in the new $225 million revolving facility is exercised. As of February 15, 2013, the interest rate on the $225 million facility was LIBOR plus 1.175% (1.385%) with an annual facility fee of 0.225%, and the interest rate on the $25 million facility, which resets on a daily basis, was LIBOR plus 1.175% (1.377%) with an annual facility fee of 0.225%. The margin and facility fee are subject to changes in the Company's credit ratings.

(3) Represents an estimate of interest due on variable rate debt based on the outstanding variable rate debt as of December 31, 2012 and interest rates and maturity dates on the new facilities as of February 15, 2013 as discussed in note 2 above.

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

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

(6) Represents tenant improvement allowance obligations.

The Company anticipates that its current cash balance, operating cash flows, borrowings under its lines of credit, proceeds from new mortgage debt and unsecured term loans and/or proceeds from the issuance of equity instruments will be adequate for (i) operating and administrative expenses, (ii) normal repair and maintenance expenses at its properties, (iii) debt service obligations, (iv) maintaining compliance with its debt covenants, (v) distributions to stockholders, (vi) capital improvements, (vii) purchases of properties, (viii) development, and (ix) any other normal business activities of the Company, both in the short-term and long-term.

INFLATION AND OTHER ECONOMIC CONSIDERATIONS

Most of the Company's leases include scheduled rent increases. Additionally, most of the Company's leases require the tenants to pay their pro rata share of operating expenses, including real estate taxes, insurance and common area maintenance, thereby reducing the Company's exposure to increases in operating expenses resulting from inflation. In the event inflation causes increases in the Company’s general and administrative expenses or the level of interest rates, such increased costs would not be passed through to tenants and could adversely affect the Company’s results of operations.

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

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

The Company is exposed to interest rate changes primarily as a result of its lines of credit and long-term debt maturities. This debt is used to maintain liquidity and fund capital expenditures and expansion of the Company’s real estate investment portfolio and operations. The Company’s objective for interest rate risk management is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company borrows at fixed rates but also has two variable rate bank lines as discussed under Liquidity and Capital Resources. In addition, the Company uses interest rate swaps (also discussed under Liquidity and Capital Resources) as part of its interest rate risk management strategy. The table below presents the principal payments due and weighted average interest rates for both the fixed rate and variable rate debt as of December 31, 2012.

	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value
Fixed rate mortgage debt (in thousands)	$57,915	98,920	102,287	92,716	58,145	197,783	607,766	661,408 (1)
Weighted average interest rate	5.03 %	5.66 %	5.36 %	5.79 %	5.50 %	5.20 %	5.40 %	
Fixed rate unsecured term loans (in thousands)	$—	—	—	—	—	130,000	130,000	130,776 (1)
Weighted average interest rate	—	—	—	—	—	3.30 %	3.30 %	
Variable rate debt (in thousands)	$76,160 (2)	—	—	—	—	—	76,160	76,160 (3)
Weighted average interest rate	1.12 % (4)	—	—	—	—	—	1.12 %	

(1) The fair value of the Company’s fixed rate debt is estimated by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company’s bankers.

(2) The variable rate debt matured in January 2013 and was replaced with a new four-year, $225 million unsecured credit facility with options for a one-year extension and a $100 million expansion and a new four-year, $25 million unsecured credit facility that automatically extends for one year if the extension option in the new $225 million

revolving facility is exercised. As of February 15, 2013, the interest rate on the $225 million facility was LIBOR plus 1.175% (1.385%) with an annual facility fee of 0.225%, and the interest rate on the $25 million facility, which resets on a daily basis, was LIBOR plus 1.175% (1.377%) with an annual facility fee of 0.225%. The margin and facility fee are subject to changes in the Company's credit ratings.

(3) The fair value of the Company’s variable rate debt is estimated by discounting expected cash flows at current market rates. The fair value at December 31, 2012 approximated the book value since the debt matured in early January 2013.

(4) Represents the weighted average interest rate as of December 31, 2012.

As the table above incorporates only those exposures that existed as of December 31, 2012, 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 11 basis points, interest expense and cash flows would increase or decrease by approximately $85,000 annually.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report may be deemed “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “will,” “anticipates,” “expects,” “believes,” “intends,” “plans “seeks,” “estimates,” variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that the Company expects or anticipates will occur in the future, including statements relating to rent and occupancy growth, development activity, the acquisition or sale of properties, general conditions in the geographic areas where the Company operates and the availability of capital, are forward-looking statements. Forward-looking statements are inherently subject to known and unknown risks and uncertainties, many of which the Company cannot predict, including, without limitation: changes in general economic conditions; the extent of tenant defaults or of any early lease terminations; the Company's ability to lease or re-lease space at current or anticipated rents; the availability of financing; changes in the supply of and demand for industrial/warehouse properties; increases in interest rate levels; increases in operating costs; natural disasters, terrorism, riots and acts of war, and the Company's ability to obtain adequate insurance; changes in governmental regulation, tax rates and similar matters; and other risks associated with the development and acquisition of properties, including risks that development projects may not be completed on schedule, development or operating costs may be greater than anticipated or acquisitions may not close as scheduled, and those additional factors discussed under “Item 1A. Risk Factors” in Part I of this report. Although the Company believes the expectations reflected in the forward-looking statements are based upon reasonable assumptions at the time made, the Company can give no assurance that such expectations will be achieved. The Company assumes no obligation whatsoever to publicly update or revise any forward-looking statements. See also the information contained in the Company’s reports filed or to be filed from time to time with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Registrant's Consolidated Balance Sheets as of December 31, 2012 and 2011, and its Consolidated Statements of Income and Comprehensive Income, Changes in Equity and Cash Flows and Notes to Consolidated Financial Statements for the years ended December 31, 2012, 2011 and 2010 and the Report of Independent Registered Public Accounting Firm thereon are included under Item 15 of this report and are incorporated herein by reference. Unaudited quarterly results of operations included in the Notes to Consolidated Financial Statements are also incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

(i) Disclosure Controls and Procedures.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2012, 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 41 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 41 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, 2012 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.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth information regarding the Company's executive officers and directors as of December 31, 2012.

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

All other information required by Item 10 of Part III regarding the Company's executive officers and directors is incorporated herein by reference from the sections entitled "Corporate Governance and Board Matters" and "Executive Officers" in the Company's definitive Proxy Statement ("2013 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 29, 2013. The 2013 Proxy Statement will be filed within 120 days after the end of the Company's fiscal year ended December 31, 2012.

The information regarding compliance with Section 16(a) of the Exchange Act is incorporated herein by reference from the subsection entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's 2013 Proxy Statement.

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

The information regarding the Company's audit committee, its members and the audit committee financial experts is incorporated herein by reference from the subsection entitled "Committees and Meeting Data" in the Company's 2013 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION.

The information included under the following captions in the Company's 2013 Proxy Statement is incorporated herein by reference: "Compensation Discussion and Analysis," "Summary Compensation Table," "Grants of Plan-Based

Awards in 2012," "Outstanding Equity Awards at 2012 Fiscal Year-End," "Option Exercises and Stock Vested in 2012," "Potential Payments upon Termination or Change in Control," "Compensation of Directors" and "Compensation Committee Interlocks." The information included under the heading "Report of the Compensation Committee" in the Company's 2013 Proxy Statement is incorporated herein by reference; however, this information shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

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

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference from the subsections entitled “Security Ownership of Certain Beneficial Owners” and “Security Ownership of Management and Directors” in the Company’s 2013 Proxy Statement.

The following table summarizes the Company’s equity compensation plan information as of December 31, 2012.
Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	4,500	$ 26.60	1,339,746
Equity compensation plans not approved by security holders	–	–	–
Total	4,500	$ 26.60	1,339,746

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

The information regarding transactions with related parties and director independence is incorporated herein by reference from the subsection entitled "Independent Directors" and the section entitled “Certain Transactions and Relationships” in the Company's 2013 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information regarding principal auditor fees and services is incorporated herein by reference from the section entitled "Auditor Fees and Services" in the Company's 2013 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

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

		Page
(1)	Consolidated Financial Statements:	
	Report of Independent Registered Public Accounting Firm	39
	Management Report on Internal Control Over Financial Reporting	40
	Report of Independent Registered Public Accounting Firm	40
	Consolidated Balance Sheets – December 31, 2012 and 2011	41
	Consolidated Statements of Income and Comprehensive Income – Years ended December 31, 2012, 2011 and 2010	42
	Consolidated Statements of Changes in Equity – Years ended December 31, 2012, 2011 and 2010	43
	Consolidated Statements of Cash Flows – Years ended December 31, 2012, 2011 and 2010	44
	Notes to Consolidated Financial Statements	45
(2)	Consolidated Financial Statement Schedules:	
	Report of Independent Registered Public Accounting Firm on Financial Statement Schedules	66
	Schedule III – Real Estate Properties and Accumulated Depreciation	67
	Schedule IV – Mortgage Loans on Real Estate	79

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

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

Number	Description
(3)	Articles of Incorporation and Bylaws
(a)	Articles of Incorporation (incorporated by reference to Appendix B to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 5, 1997).
(b)	Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company’s Form 8-K filed December 10, 2008).
(10)	Material Contracts (*Indicates management or compensatory agreement):
(a)	EastGroup Properties, Inc. 2000 Directors Stock Option Plan (incorporated by reference to Appendix A to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 1, 2000).*
(b)	EastGroup Properties, Inc. 2004 Equity Incentive Plan (incorporated by reference to Appendix D to the Company's Proxy Statement for its Annual Meeting of Stockholders held on May 27, 2004).*
(c)	Amendment No. 1 to the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10(f) to the Company’s Form 10-K for the year ended December 31, 2006). *
(d)	Amendment No. 2 to the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10(d) to the Company’s Form 8-K filed January 8, 2007).*
(e)	EastGroup Properties, Inc. 2005 Directors Equity Incentive Plan (incorporated by reference to Appendix B to the Company’s Proxy Statement for its Annual Meeting of Stockholders held on June

	2, 2005).*
(f)	Amendment No. 1 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 6, 2006).*

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(g)	Amendment No. 2 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 3, 2008).*
(h)	Amendment No. 3 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 1, 2011).*
(i)	Amendment No. 4 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 1, 2012).*
(j)	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).*
(k)	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).*
(l)	Compensation Program for Non-Employee Directors (a written description thereof is set forth in Item 5.02 of the Company's Form 8-K filed June 1, 2012).*
(m)	Third Amended and Restated Credit Agreement Dated January 2, 2013 among EastGroup Properties, L.P.; EastGroup Properties, Inc.; PNC Bank, National Association, as Administrative Agent; Regions Bank and SunTrust Bank as Co-Syndication Agents; U.S. Bank National Association and Wells Fargo Bank, National Association as Co-Documentation Agents; 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 8, 2013).
(n)	2012 Term Loan Agreement dated as of August 31, 2012 by and among EastGroup Properties, Inc., EastGroup Properties, L.P., each of the financial institutions party thereto as lenders, PNC Bank, National Association, as administrative agent, U.S. Bank National Association, as syndication agent, and PNC Capital Markets LLC, as lead arranger and book runner (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed September 7, 2012).
(o)	First Amendment to 2012 Term Loan Agreement dated as of January 31, 2013 by and among EastGroup Properties, Inc., EastGroup Properties, L.P., PNC Bank, National Association, as administrative agent, and each of the financial institutions party thereto as lenders (filed herewith).
(p)	Sales Agency Financing Agreement dated as of September 20, 2012 between EastGroup Properties, Inc. and BNY Mellon Capital Markets, LLC (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed September 24, 2012).
(q)	Sales Agency Financing Agreement dated as of September 20, 2012 between EastGroup Properties, Inc. and Raymond James & Associates, Inc. (incorporated by reference to Exhibit 1.2 to the Company's Form 8-K filed September 24, 2012).
(21)	Subsidiaries of EastGroup Properties, Inc. (filed herewith).
(23)	Consent of KPMG LLP (filed herewith).
(24)	Powers of attorney (filed herewith).
(31)	Rule 13a-14(a)/15d-14(a) Certifications (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)
(a)	David H. Hoster II, Chief Executive Officer
(b)	N. Keith McKey, Chief Financial Officer
(32)	Section 1350 Certifications (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)
(a)	David H. Hoster II, Chief Executive Officer
(b)	N. Keith McKey, Chief Financial Officer

(101)	The following materials from EastGroup Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of income and comprehensive income, (iii) consolidated statements of changes in equity, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements.**

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(b) Exhibits

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

(c) Financial Statement Schedules

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND STOCKHOLDERS
EASTGROUP PROPERTIES INC.:

We have audited the accompanying consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2012. 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, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, 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, 2012, 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 19, 2013, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(Signed) KPMG LLP

Jackson, Mississippi
February 19, 2013

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. The design of any system of internal control over financial reporting is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. 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, 2012.

/s/ EASTGROUP PROPERTIES, INC.

Jackson, Mississippi
February 19, 2013

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, 2012, 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, 2012, 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, 2012 and 2011, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated February 19, 2013, expressed an unqualified opinion on those consolidated financial statements.

(Signed) KPMG LLP

Jackson, Mississippi
February 19, 2013

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2012	2011
	(In thousands, except for share and per share data)	
ASSETS		
Real estate properties	$1,619,777	1,550,444
Development	148,255	112,149
	1,768,032	1,662,593
Less accumulated depreciation	(496,247)	(451,805)
	1,271,785	1,210,788
Unconsolidated investment	2,743	2,757
Cash	1,258	174
Other assets	78,316	72,797
TOTAL ASSETS	$1,354,102	1,286,516
LIABILITIES AND EQUITY		
LIABILITIES		
Mortgage notes payable	$607,766	628,170
Unsecured term loans payable	130,000	50,000
Notes payable to banks	76,160	154,516
Accounts payable and accrued expenses	28,914	31,205
Other liabilities	20,086	17,016
Total Liabilities	862,926	880,907
EQUITY		
Stockholders' Equity:		
Common shares; $.0001 par value; 70,000,000 shares authorized; 29,928,490 shares issued and outstanding at December 31, 2012 and 27,658,059 at December 31, 2011	3	3
Excess shares; $.0001 par value; 30,000,000 shares authorized; no shares issued	—	—
Additional paid-in capital on common shares	731,950	619,386
Distributions in excess of earnings	(245,249)	(216,560)
Accumulated other comprehensive loss	(392)	—
Total Stockholders' Equity	486,312	402,829
Noncontrolling interest in joint ventures	4,864	2,780
Total Equity	491,176	405,609
TOTAL LIABILITIES AND EQUITY	$1,354,102	1,286,516

See accompanying Notes to Consolidated Financial Statements.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Years Ended December 31,		
	2012	2011	2010
	(In thousands, except per share data)		
REVENUES			
Income from real estate operations	$186,117	173,021	171,887
Other income	61	142	82
	186,178	173,163	171,969
EXPENSES			
Expenses from real estate operations	52,993	48,913	50,679
Depreciation and amortization	61,696	56,757	57,806
General and administrative	10,488	10,691	10,260
Acquisition costs	188	252	72
	125,365	116,613	118,817
OPERATING INCOME	60,813	56,550	53,152
OTHER INCOME (EXPENSE)			
Interest expense	(35,371)	(34,709)	(35,171)
Other	456	717	624
INCOME FROM CONTINUING OPERATIONS	25,898	22,558	18,605
DISCONTINUED OPERATIONS			
Income from real estate operations	479	276	150
Gain on sales of nondepreciable real estate investments, net of tax	167	—	—
Gain on sales of real estate investments	6,343	—	—
INCOME FROM DISCONTINUED OPERATIONS	6,989	276	150
NET INCOME	32,887	22,834	18,755
Net income attributable to noncontrolling interest in joint ventures	(503)	(475)	(430)
NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS	32,384	22,359	18,325
Other comprehensive income (loss) - Cash flow hedges	(392)	—	318
TOTAL COMPREHENSIVE INCOME	$31,992	22,359	18,643
BASIC PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Income from continuing operations	$0.89	0.82	0.67
Income from discontinued operations	0.24	0.01	0.01
Net income attributable to common stockholders	$1.13	0.83	0.68

Weighted average shares outstanding	28,577	26,897	26,752
DILUTED PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Income from continuing operations	$0.89	0.82	0.67
Income from discontinued operations	0.24	0.01	0.01
Net income attributable to common stockholders	$1.13	0.83	0.68
Weighted average shares outstanding	28,677	26,971	26,824
AMOUNTS ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Income from continuing operations	$25,395	22,083	18,175
Loss from discontinued operations	6,989	276	150
Net income attributable to common stockholders	$32,384	22,359	18,325

See accompanying Notes to Consolidated Financial Statements.

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

	Common Stock	Additional Paid-In Capital	Distributions In Excess Of Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Joint Ventures	Total
	(In thousands, except for share and per share data)					
Balance, December 31, 2009	$3	589,197	(144,363)	(318)	2,577	447,096
Comprehensive income						
Net income	—	—	18,325	—	430	18,755
Net unrealized change in fair value of interest rate swap	—	—	—	318	—	318
Common dividends declared – $2.08 per share	—	—	(56,215)	—	—	(56,215)
Stock-based compensation, net of forfeitures	—	2,042	—	—	—	2,042
Issuance of 18,000 shares of common stock, options exercised	—	404	—	—	—	404
Issuance of 6,705 shares of common stock, dividend reinvestment plan	—	257	—	—	—	257
Withheld 19,668 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock	—	(794)	—	—	—	(794)
Distributions to noncontrolling interest	—	—	—	—	(357)	(357)
Balance, December 31, 2010	3	591,106	(182,253)	—	2,650	411,506
Net income	—	—	22,359	—	475	22,834
Common dividends declared – $2.08 per share	—	—	(56,666)	—	—	(56,666)
Stock-based compensation, net of forfeitures	—	2,787	—	—	—	2,787
Issuance of 586,977 shares of common stock, common stock offering, net of expenses	—	25,181	—	—	—	25,181
Issuance of 9,250 shares of common stock, options exercised	—	217	—	—	—	217
Issuance of 5,989 shares of common stock, dividend reinvestment plan	—	252	—	—	—	252
Withheld 3,564 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock	—	(157)	—	—	—	(157)
Distributions to noncontrolling interest	—	—	—	—	(345)	(345)
Balance, December 31, 2011	3	619,386	(216,560)	—	2,780	405,609
Comprehensive income						
Net income	—	—	32,384	—	503	32,887
Net unrealized change in fair value of interest rate swap	—	—	—	(392)	—	(392)
Common dividends declared – $2.10 per share	—	—	(61,073)	—	—	(61,073)

Stock-based compensation, net of forfeitures	—	4,447	—	—	—	4,447
Issuance of 2,179,153 shares of common stock, common stock offering, net of expenses	—	109,588	—	—	—	109,588
Issuance of 4,500 shares of common stock, options exercised	—	108	—	—	—	108
Issuance of 3,915 shares of common stock, dividend reinvestment plan	—	205	—	—	—	205
Withheld 36,195 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock	—	(1,784)	—	—	—	(1,784)
Distributions to noncontrolling interest	—	—	—	—	(537)	(537)
Contributions from noncontrolling interest	—	—	—	—	2,118	2,118
Balance, December 31, 2012	$3	731,950	(245,249)	(392)	4,864	491,176

See accompanying Notes to Consolidated Financial Statements.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2012	2011	2010
	(In thousands)		
OPERATING ACTIVITIES			
Net income	$32,887	22,834	18,755
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization from continuing operations	61,696	56,757	57,806
Depreciation and amortization from discontinued operations	578	694	544
Stock-based compensation expense	3,497	2,452	1,998
Gain on sales of land and real estate investments	(6,510)	(36)	—
Changes in operating assets and liabilities:			
Accrued income and other assets	601	(1,425)	212
Accounts payable, accrued expenses and prepaid rent	(1,118)	5,466	(2,268)
Other	177	(195)	(189)
NET CASH PROVIDED BY OPERATING ACTIVITIES	91,808	86,547	76,858
INVESTING ACTIVITIES			
Real estate development	(55,404)	(42,148)	(9,145)
Purchases of real estate	(51,750)	(88,592)	(23,906)
Real estate improvements	(18,135)	(19,048)	(23,720)
Proceeds from sales of real estate investments	17,087	—	—
Advances on mortgage loans receivable	(5,223)	—	—
Repayments on mortgage loans receivable	20	33	37
Changes in accrued development costs	1,242	5,255	8
Changes in other assets and other liabilities	(7,745)	(6,333)	(6,775)
NET CASH USED IN INVESTING ACTIVITIES	(119,908)	(150,833)	(63,501)
FINANCING ACTIVITIES			
Proceeds from bank borrowings	284,877	336,575	211,041
Repayments on bank borrowings	(363,233)	(273,353)	(208,903)
Proceeds from mortgage notes payable	54,000	65,000	74,000
	(74,308)	(81,128)	(32,401)

Principal payments on mortgage notes payable			
Proceeds from unsecured term loans payable	80,000	50,000	—
Debt issuance costs	(1,490)	(925)	(709)
Distributions paid to stockholders	(61,297)	(56,042)	(56,294)
Proceeds from common stock offerings	109,588	25,181	303
Proceeds from exercise of stock options	108	217	404
Proceeds from dividend reinvestment plan	219	249	262
Other	720	(1,451)	(1,985)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	29,184	64,323	(14,282)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,084	37	(925)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	174	137	1,062
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,258	174	137
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest, net of amount capitalized of $4,660, $3,771 and $3,613 for 2012, 2011 and 2010, respectively	$34,385	33,671	34,380

See accompanying Notes to Consolidated Financial Statements.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012, 2011 and 2010

(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, 2012, 2011 and 2010, 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 noncontrolling 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 at least 90% of its ordinary taxable income to its stockholders. If the Company has a capital gain, it has the option of (i) deferring recognition of the capital gain through a tax-deferred exchange, (ii) declaring and paying a capital gain dividend on any recognized net capital gain resulting in no corporate level tax, or (iii) retaining and paying corporate income tax on its net long-term capital gain, with the shareholders reporting their proportional share of the undistributed long-term capital gain and receiving a credit or refund of their share of the tax paid by the Company. The Company distributed all of its 2012, 2011 and 2010 taxable income to its stockholders. Accordingly, no significant provisions for income taxes were necessary. The following table summarizes the federal income tax treatment for all distributions by the Company for the years ended 2012, 2011 and 2010.

Federal Income Tax Treatment of Share Distributions

	Years Ended December 31,		
	2012	2011	2010
Common Share Distributions:			
Ordinary income	$1.64506	1.68516	1.47748
Return of capital	0.29240	0.39484	0.60252
Unrecaptured Section 1250 capital gain	0.14942	—	—
Other capital gain	0.01312	—	—
Total Common Distributions	$2.10000	2.08000	2.08000

EastGroup applies the principles of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes, when evaluating and accounting for uncertainty in income taxes. With few exceptions, the Company's 2008 and earlier tax years are closed for examination by U.S. federal, state and local tax authorities. In accordance with the provisions of ASC 740, the Company had no significant uncertain tax positions as of December 31, 2012 and 2011.

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 rents 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 ASC 840, Leases.

The Company recognizes gains on sales of real estate in accordance with the principles set forth in ASC 360, Property, Plant and Equipment. Upon closing of real estate transactions, the provisions of ASC 360 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 collectibility 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, 2012 and 2011, there was no significant uncertainty of collection; therefore, interest income was recognized, and the discount on mortgage loans receivable was amortized. As of December 31, 2012 and 2011, the Company determined that no allowance for collectibility of the mortgage loans 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, California and North Carolina, 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 for the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2012 and 2011, 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 improve or extend the useful life of the assets are capitalized. Depreciation expense for continuing and discontinued operations was $51,564,000, $48,648,000 and $48,442,000 for 2012, 2011 and 2010, 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. The internal costs are allocated to specific development properties based on construction

activity. As the property becomes occupied, depreciation commences on the occupied portion of the building, and 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 ASC 360, Property, Plant and Equipment, 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 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 the Codification, 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 and Comprehensive Income. Interest expense is not generally allocated to the properties 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
EastGroup applies ASC 815, Derivatives and Hedging, which 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. See Note 13 for a discussion of the Company's derivative instruments and hedging activities.

(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 $1,203,000, $1,053,000 and $1,056,000 for 2012, 2011 and 2010, respectively.

Leasing costs are deferred and amortized using the straight-line method over the term of the lease. Leasing costs paid during the period are included in Changes in other assets and other liabilities in the Investing Activities section on the Consolidated Statements of Cash Flows. Leasing costs amortization expense for continuing and discontinued operations was $7,082,000, $6,487,000 and $6,703,000 for 2012, 2011 and 2010, respectively. Amortization expense for in-place lease intangibles is disclosed below in Business Combinations and Acquired Intangibles.

(j) Business Combinations and Acquired Intangibles
Upon acquisition of real estate properties, the Company applies the principles of ASC 805, Business Combinations, which requires that acquisition-related costs be recognized as expenses in the periods in which the costs are incurred and the services are received. The Codification also provides guidance on how to properly determine the allocation of the purchase price among the individual components of both the tangible and intangible assets based on their respective fair values. Goodwill is recorded when the purchase price exceeds the fair value of the assets and liabilities acquired. 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 purchase price is also allocated among the following categories of intangible assets: the above or below market component of in-place leases, the value of in-place leases, and the value of customer relationships. The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate reflecting the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above and below market leases are included in Other Assets and Other Liabilities, respectively, on the Consolidated Balance Sheets and are amortized to rental income over the remaining terms of the respective leases. The total amount of intangible assets is further allocated to in-place lease values and customer relationship values based upon management's assessment of their respective values. These intangible assets are included in Other Assets on the Consolidated Balance Sheets and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable.

Amortization of above and below market leases decreased rental income by $404,000 in 2012, $341,000 in 2011 and $478,000 in 2010. Amortization expense for in-place lease intangibles was $3,628,000, $2,316,000 and $3,205,000 for 2012, 2011 and 2010, respectively. Projected amortization of in-place lease intangibles for the next five years as of December 31, 2012 is as follows:

Years Ending December 31,	(In thousands)
2013	$2,479
2014	1,594
2015	1,284
2016	732
2017	393

During 2012, EastGroup acquired the following operating properties: Madison Distribution Center in Tampa, Florida; Wiegman Distribution Center II in Hayward, California; and Valwood Distribution Center in Dallas, Texas. The Company purchased these properties for a total cost of $51,750,000, of which $48,934,000 was allocated to real estate properties. The Company allocated $7,435,000 of the total purchase price to land using third party land valuations for the Tampa, Hayward and Dallas markets. The market values used are considered to be Level 3 inputs as defined by ASC 820, Fair Value Measurements and Disclosures (see Note 18 for additional information on ASC 820). Intangibles associated with the purchase of real estate were allocated as follows: $3,305,000 to in-place lease intangibles, $244,000 to above market leases (both included in Other Assets on the Consolidated Balance Sheets) and $733,000 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. During 2012, EastGroup expensed acquisition-related costs of $188,000 in connection with these acquisitions.

During 2011, the Company acquired the following operating properties: Lakeview Business Center and Ridge Creek Distribution Center II in Charlotte, North Carolina; Broadway Industrial Park, Building VII in Tempe, Arizona; the Tampa Industrial Portfolio in Tampa, Florida; and Rittiman Distribution Center in San Antonio, Texas. The Company purchased these properties for a total cost of $88,592,000, of which $80,624,000 was allocated to real estate properties. The Company allocated $13,872,000 of the total purchase price to land using third party land valuations for the Charlotte, Tempe, Tampa and San Antonio markets. The market values used are considered to be Level 3 inputs as defined by ASC 820. Intangibles associated with the purchase of real estate were allocated as follows: $6,949,000 to in-place lease intangibles, $1,693,000 to above market leases and $674,000 to below market leases. During 2011, EastGroup expensed acquisition-related costs of $252,000 in connection with these acquisitions.

During 2010, EastGroup acquired the following operating properties: Commerce Park 2 & 3 in Charlotte, North Carolina; Ocean View Corporate Center in San Diego, California; and East University Distribution Center III in Phoenix, Arizona. EastGroup purchased these operating properties for a total cost of $23,555,000, of which $19,545,000 was allocated to real estate properties. The Company allocated $7,914,000 of the total purchase price to land using third party land valuations for the Charlotte, San Diego and Phoenix markets. The market values are considered to be Level 3 inputs as defined by ASC 820. Intangibles associated with the purchase of real estate were allocated as follows: $3,118,000 to in-place lease intangibles, $923,000 to above market leases and $31,000 to below market leases. During 2010, the Company expensed acquisition-related costs of $72,000 in connection with these acquisitions.

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 impairment of goodwill and other intangibles existed at December 31, 2012 and 2011.

(k) Stock-Based Compensation

The Company has a management incentive plan which was approved by the stockholders and adopted in 2004. The Plan was further amended by the Board of Directors in September 2005 and December 2006. This plan authorizes the issuance of common stock to employees in the form of options, stock appreciation rights, restricted stock, deferred stock units, performance shares, bonus stock or stock in lieu of cash compensation. Typically, the Company issues new shares to fulfill stock grants or upon the exercise of stock options.

EastGroup applies the provisions of ASC 718, Compensation – Stock Compensation, to account for its stock-based compensation plans. 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 January 1, 2006, when guidance was updated so that performance-based awards are determined using the graded vesting attribution

method. 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.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
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(l) Earnings Per Share
The Company applies ASC 260, Earnings Per Share, which requires companies to present basic earnings per share (EPS) and diluted EPS. Basic EPS represents the amount of earnings for the period attributable to each share of common stock outstanding during the reporting period. The Company's basic EPS is calculated by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding.

Diluted EPS represents the amount of earnings for the period attributable 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 attributable to common stockholders by the weighted average number of common shares outstanding plus the dilutive effect of unvested restricted stock and stock options had the options been exercised. The dilutive effect of stock options and their equivalents (such as unvested 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, service debt, or meet other financial obligations.

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

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which provides guidance about how fair value should be applied where it is already required or permitted under U.S. GAAP. The ASU does not extend the use of fair value or require additional fair value measurements, but rather provides explanations about how to measure fair value. ASU 2011-04 requires prospective application and was effective for interim and annual reporting periods beginning after December 15, 2011. The Company has adopted the provisions and provided the necessary disclosures beginning with the interim period ended March 31, 2012.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, which eliminates the option to present components of other comprehensive income as part of the statement of changes in equity and requires that all nonowner changes in equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 requires retrospective application and was effective for interim and annual reporting periods beginning after December 15, 2011. The Company has adopted the provisions of ASU 2011-05 and provided the necessary disclosures beginning with the interim period ended March 31, 2012.

In December 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This ASU defers the effective date of the requirement in ASU 2011-05 to present separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income for all periods presented. A final ASU on presentation and disclosure of reclassification adjustments is expected in early 2013.

In September 2011, the FASB issued ASU 2011-08, Testing Goodwill for Impairment, which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. Under this ASU, an entity is not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. ASU 2011-08 was effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company has adopted the provisions and provided the necessary disclosures beginning with the interim period ended March 31, 2012.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
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(p) Classification of Book Overdraft on Consolidated Statements of Cash Flows
The Company classifies changes in book overdraft in which the bank has not advanced cash to the Company to cover outstanding checks as an operating activity. Such amounts are included in Accounts payable, accrued expenses and prepaid rent in the Operating Activities section on the Consolidated Statements of Cash Flows.

(q) Reclassifications
Certain reclassifications have been made in the 2011 and 2010 consolidated financial statements to conform to the 2012 presentation.

(2) REAL ESTATE PROPERTIES

The Company's real estate properties and development at December 31, 2012 and 2011 were as follows:

	December 31,	
	2012	2011
	(In thousands)	
Real estate properties:		
Land	$244,199	235,394
Buildings and building improvements	1,102,597	1,056,783
Tenant and other improvements	272,981	258,267
Development	148,255	112,149
	1,768,032	1,662,593
Less accumulated depreciation	(496,247)	(451,805)
	$1,271,785	1,210,788

EastGroup acquired operating properties during 2012, 2011 and 2010 as discussed in Note 1(j). In 2012, the Company sold the following operating properties: Tampa East Distribution Center III, Tampa West Distribution Center VIII, Estrella Distribution Center and Braniff Distribution Center. The Company did not sell any properties in 2011 or 2010.

Real estate properties 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 ASC 360, 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 and Comprehensive Income. No interest expense was allocated to the properties 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, 2012, 2011 and 2010 follows:

Gain on Sales of Real Estate

Real Estate Properties	Location	Size (in Square Feet)	Date Sold	Net Sales Price	Basis	Recognized Gain
				(In thousands)		
2012						
Tampa East Distribution Center III and Tampa West Distribution Center VIII	Tampa, FL	10,500	02/15/2012	$538	371	167
Estrella Distribution Center	Phoenix, AZ	174,000	06/13/2012	6,861	4,992	1,869

Braniff Distribution Center	Tulsa, OK	259,000	12/27/2012	9,688	5,214	4,474
Total for 2012				$17,087	10,577	6,510
2011						
Deferred gain recognized from previous sales				$—	—	36
2010						
Deferred gain recognized from previous sales				$—	—	37

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the components of revenues and expenses for the properties sold or held for sale during 2012, 2011 and 2010.

DISCONTINUED OPERATIONS	Years Ended December 31,		
	2012	2011	2010
	(In thousands)		
Income from real estate operations	$ 1,403	1,463	1,115
Expenses from real estate operations	(346)	(498)	(463)
Property net operating income from discontinued operations	1,057	965	652
Other income	—	5	42
Depreciation and amortization	(578)	(694)	(544)
Income from real estate operations	479	276	150
Gain on sales of nondepreciable real estate investments, net of tax [(1)]	167	—	—
Gain on sales of real estate investments	6,343	—	—
Income from discontinued operations	$ 6,989	276	150

(1) Gains on sales of nondepreciable real estate investments are subject to federal and state taxes. The Company recognized taxes of $6,000 on the gains related to the sales of Tampa East Distribution Center III and Tampa West Distribution Center VIII during 2012.

The Company's development program as of December 31, 2012, was comprised of the properties detailed in the table below. Costs incurred include capitalization of interest costs during the period of construction. The interest costs capitalized on development properties for 2012 were $4,660,000 compared to $3,771,000 for 2011 and $3,613,000 for 2010. In addition, EastGroup capitalized internal development costs of $2,810,000 during the year ended December 31, 2012, compared to $1,334,000 during 2011 and $302,000 in 2010.

Total capital invested for development during 2012 was $55,404,000, which consisted of costs of $52,499,000 and $1,567,000 as detailed in the development activity table below and costs of $1,338,000 on development properties subsequent to transfer to Real Estate Properties. The capitalized costs incurred on development properties subsequent to transfer to Real Estate Properties include capital improvements at the properties and do not include other capitalized costs associated with development (i.e., interest expense, property taxes and internal personnel costs).

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DEVELOPMENT		Costs Incurred				
		Costs Transferred in 2012 [1]	For the Year Ended 12/31/12	Cumulative as of 12/31/12	Estimated Total Costs [2]	Building Completion Date
		(In thousands)				
LEASE-UP	(Unaudited) Building Size (Square feet)				(Unaudited)	(Unaudited)
Southridge IX, Orlando, FL	76,000	$—	938	6,300	7,100	03/12
World Houston 31B, Houston, TX	35,000	—	1,591	2,951	3,900	04/12
Thousand Oaks 1, San Antonio, TX	36,000	—	1,130	3,539	4,700	05/12
Thousand Oaks 2, San Antonio, TX	73,000	—	1,645	4,809	5,600	05/12
Beltway Crossing X, Houston, TX	78,000	—	1,810	3,816	4,300	06/12
Southridge XI, Orlando, FL	88,000	2,298	3,167	5,465	6,200	09/12
Total Lease-Up	386,000	2,298	10,281	26,880	31,800	
UNDER CONSTRUCTION						Anticipated Building Completion Date
Beltway Crossing XI, Houston, TX	87,000	1,184	2,416	3,600	4,900	02/13
World Houston 33, Houston, TX	160,000	1,338	7,746	9,084	10,900	02/13
World Houston 34, Houston, TX	57,000	1,039	1,636	2,675	3,600	03/13
World Houston 35, Houston, TX	45,000	806	1,307	2,113	2,800	03/13
Ten West Crossing 1, Houston, TX	30,000	423	1,319	1,742	3,800	05/13
World Houston 36, Houston, TX	60,000	986	451	1,437	6,100	08/13
World Houston 37, Houston, TX	101,000	1,233	441	1,674	7,100	08/13
World Houston 38, Houston, TX	129,000	1,523	694	2,217	9,400	09/13
Total Under Construction	669,000	8,532	16,010	24,542	48,600	
PROSPECTIVE DEVELOPMENT (PRIMARILY LAND)	Estimated Building Size (Square feet)					
Phoenix, AZ	528,000	—	2,236	5,697	40,100	
Tucson, AZ	70,000	—	—	417	4,900	
Denver, CO	84,000	—	711	711	7,700	
Fort Myers, FL	663,000	—	443	17,646	48,100	
Orlando, FL	1,426,000	(2,298)	4,301	26,600	93,100	
Tampa, FL	519,000	—	1,659	6,145	30,800	
Jackson, MS	28,000	—	—	706	2,000	
Charlotte, NC	95,000	—	89	1,335	6,800	
Dallas, TX	120,000	—	471	1,235	7,800	
El Paso, TX	251,000	—	—	2,444	11,300	
Houston, TX	2,341,000	(8,532)	15,850	28,433	157,400	
San Antonio, TX	478,000	—	448	5,464	31,800	
Total Prospective Development	6,603,000	(10,830)	26,208	96,833	441,800	

	7,658,000	$—	52,499	148,255	522,200	
DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL ESTATE PROPERTIES DURING 2012	Building Size (Square feet)					Building Completion Date
Beltway Crossing VIII, Houston, TX	88,000	$—	43	5,242		09/11
World Houston 32, Houston, TX	96,000	—	66	6,276		01/12
World Houston 31A, Houston, TX	44,000	—	243	4,086		06/11
Beltway Crossing IX, Houston, TX	45,000	—	1,215	2,356		06/12
Total Transferred to Real Estate Properties	273,000	$—	1,567	17,960	(3)	

(1) Represents costs transferred from Prospective Development (primarily land) to Under Construction during the period.
(2) Included in these costs are development obligations of $20.4 million and tenant improvement obligations of $6.1 million on properties under development.
(3) Represents cumulative costs at the date of transfer.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
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The following schedule indicates approximate future minimum rental receipts under non-cancelable leases for real estate properties by year as of December 31, 2012:

Future Minimum Rental Receipts Under Non-Cancelable Leases	
Years Ending December 31,	(In thousands)
2013	$137,081
2014	110,073
2015	81,752
2016	55,304
2017	36,811
Thereafter	55,985
Total minimum receipts	$477,006

Ground Leases

As of December 31, 2012, 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 ground lease expenditures for continuing and discontinued operations for the years ended December 31, 2012, 2011 and 2010 were $733,000, $705,000 and $700,000, 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 ground lease payments for these properties by year as of December 31, 2012:

Future Minimum Ground Lease Payments	
Years Ending December 31,	(In thousands)
2013	$731
2014	731
2015	731
2016	731
2017	731
Thereafter	13,009
Total minimum payments	$16,664

(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 $2,743,000 at December 31, 2012, and $2,757,000 at December 31, 2011. 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 $5,475,000 at December 31, 2012, and $5,660,000 at December 31, 2011.

(4) MORTGAGE LOANS RECEIVABLE

During 2012, EastGroup advanced $5,223,000 in two mortgage loans. As of December 31, 2012, the Company had three mortgage loans receivable, all of which are classified as first mortgage loans. The mortgage loans have effective interest rates ranging from 5.25% to 6.4% and maturity dates ranging from August 2016 to October 2017. Mortgage loans receivable, net of discount, are included in Other Assets on the Consolidated Balance Sheets. See Note 5 for a summary of Other Assets.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) OTHER ASSETS

A summary of the Company's Other Assets follows:

	December 31, 2012	December 31, 2011
	(In thousands)	
Leasing costs (principally commissions)	$41,290	39,297
Accumulated amortization of leasing costs	(17,543)	(16,603)
Leasing costs (principally commissions), net of accumulated amortization	23,747	22,694
Straight-line rents receivable	22,153	20,959
Allowance for doubtful accounts on straight-line rents receivable	(409)	(351)
Straight-line rents receivable, net of allowance for doubtful accounts	21,744	20,608
Accounts receivable	3,477	3,949
Allowance for doubtful accounts on accounts receivable	(373)	(522)
Accounts receivable, net of allowance for doubtful accounts	3,104	3,427
Acquired in-place lease intangibles	11,848	12,157
Accumulated amortization of acquired in-place lease intangibles	(4,516)	(4,478)
Acquired in-place lease intangibles, net of accumulated amortization	7,332	7,679
Acquired above market lease intangibles	2,443	2,904
Accumulated amortization of acquired above market lease intangibles	(976)	(929)
Acquired above market lease intangibles, net of accumulated amortization	1,467	1,975
Mortgage loans receivable	9,357	4,154
Discount on mortgage loans receivable	(34)	(44)
Mortgage loans receivable, net of discount	9,323	4,110
Loan costs	8,476	7,662
Accumulated amortization of loan costs	(4,960)	(4,433)
Loan costs, net of accumulated amortization	3,516	3,229
Goodwill	990	990
Prepaid expenses and other assets	7,093	8,085
Total Other Assets	$78,316	72,797

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(6) MORTGAGE NOTES PAYABLE AND UNSECURED TERM LOANS PAYABLE

A summary of Mortgage Notes Payable follows:

Property	Interest Rate	Monthly P&I Payment	Maturity Date	Carrying Amount of Securing Real Estate at December 31, 2012	Balance at December 31,	
					2012	2011
				(In thousands)		
University Business Center (120 & 130 Cremona)	6.43%	$81,856	Repaid	$—	—	2,193
University Business Center (125 & 175 Cremona)	7.98%	88,607	Repaid	—	—	8,771
Oak Creek Distribution Center IV	5.68%	31,253	Repaid	—	—	3,506
51st Avenue, Airport Distribution, Broadway I, III & IV, Chestnut, Interchange Business Park, Main Street, North Stemmons I land, Southpark, Southpointe and World Houston 12 & 13	6.86%	279,149	Repaid	—	—	32,204
Interstate Distribution Center - Jacksonville	5.64%	31,645	Repaid	—	—	4,234
35th Avenue, Beltway I, Broadway V, Lockwood, Northwest Point, Sunbelt, Techway Southwest I and World Houston 10, 11 & 14	4.75%	259,403	09/05/2013	37,775	34,474	35,912
Airport Commerce Center I & II, Interchange Park, Ridge Creek Distribution Center I, Southridge XII, Waterford Distribution Center and World Houston 24, 25 & 27	5.75%	414,229	01/05/2014	64,794	52,086	54,001
Kyrene Distribution Center I	9.00%	11,246	07/01/2014	2,095	198	310
Americas Ten I, Kirby, Palm River North I, II & III, Shady Trail, Westlake I & II and World Houston 17	5.68%	175,479	10/10/2014	24,553	27,467	27,996
Beltway II, III & IV, Commerce Park 1, Eastlake, Fairgrounds I-IV, Nations Ford I-IV, Techway Southwest III, Wetmore I-IV and World Houston 15 & 22	5.50%	536,552	04/05/2015	66,416	64,374	67,188
Country Club I, Lake Pointe, Techway Southwest II and World Houston 19 & 20	4.98%	256,952	12/05/2015	20,777	29,465	31,039
Huntwood and Wiegman Distribution Centers	5.68%	265,275	09/05/2016	21,343	30,332	31,748
Alamo Downs, Arion 1-15 & 17, Rampart I, II & III, Santan 10 and World Houston 16	5.97%	557,467	11/05/2016	54,614	63,132	65,961

Arion 16, Broadway VI, Chino, East University I & II, Northpark I-IV, Santan 10 II, 55th Avenue and World Houston 1 & 2, 21 & 23	5.57%	518,885	09/05/2017	54,998	60,310	63,093
Dominguez, Industry I & III, Kingsview, Shaw, Walnut and Washington (1)	7.50%	539,747	05/05/2019	48,301	61,052	62,875
Blue Heron Distribution Center II	5.39%	16,176	02/29/2020	4,566	1,161	1,288
40th Avenue, Beltway V, Centennial Park, Executive Airport, Ocean View, Techway Southwest IV, Wetmore V-VIII and World Houston 26, 28, 29 & 30	4.39%	463,778	01/05/2021	74,918	69,376	71,837
America Plaza, Central Green, Glenmont I & II, Interstate I, II & III, Rojas, Stemmons Circle, Venture, West Loop I & II and World Houston 3-9	4.75%	420,045	06/05/2021	46,047	61,970	64,014
Arion 18, Beltway VI & VII, Commerce Park II & III, Concord Distribution Center, Interstate Distribution Center V, VI & VII, Lakeview Business Center, Ridge Creek Distribution Center II, Southridge IV & V and World Houston 32	4.09%	329,796	01/05/2022	61,701	52,369	—
				$582,898	607,766	628,170

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

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of Unsecured Term Loans Payable follows:

	Interest Rate	Maturity Date	Balance at December 31, 2012	2011
			(In thousands)	
$80 Million Unsecured Term Loan [(1)]	2.92%	08/15/2018	$80,000	—
$50 Million Unsecured Term Loan	3.91%	12/21/2018	50,000	50,000
			$130,000	50,000

(1) The interest rate on this unsecured term loan is comprised of LIBOR plus 190 basis points subject to a pricing grid for changes in the Company's leverage or coverage ratings. The Company entered into an interest rate swap to convert the loan's LIBOR rate to a fixed interest rate, providing the Company an effective interest rate on the term loan of 2.92% as of December 31, 2012. See Note 13 for additional information on the interest rate swap.

The Company's unsecured term loans 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, 2012.

The Company currently intends to repay its debt obligations, both in the short-term and long-term, through its operating cash flows, borrowings under its lines of credit, proceeds from new mortgage debt and term debt, and/or proceeds from the issuance of equity instruments.

Principal payments on long-term debt, including mortgage notes payable and unsecured term loans payable, due during the next five years as of December 31, 2012 are as follows:

Years Ending December 31,	(In thousands)
2013	$57,915
2014	98,920
2015	102,287
2016	92,716
2017	58,145

(7) NOTES PAYABLE TO BANKS

The Company had a $200 million unsecured revolving credit facility with a group of seven banks that matured in January 2013. The interest rate on the facility was based on the LIBOR index and varied 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 was usually reset on a monthly basis and as of December 31, 2012, was LIBOR plus 0.85% with an annual facility fee of 0.20%. At December 31, 2012, the weighted average interest rate was 1.065% on a balance of $71,000,000. The Company had an additional $129,000,000 remaining on the line of credit at that date.

The aforementioned credit facility was repaid and replaced in January 2013 with a new four-year, $225 million unsecured credit facility with a group of nine banks with options for a one-year extension and a $100 million expansion. As of February 15, 2013, the interest rate was LIBOR plus 1.175% (1.385%) with an annual facility fee of 0.225%. The margin and facility fee are subject to changes in the Company's credit ratings.

The Company also had a $25 million unsecured revolving credit facility with PNC Bank, N.A. that matured in January 2013. This credit facility was customarily used for working capital needs. The interest rate on this working capital

line was based on the LIBOR index and varied according to total liability to total asset value ratios (as defined in the credit agreement), with no annual facility fee. The interest rate was reset on a daily basis and as of December 31, 2012, was LIBOR plus 1.65%. At December 31, 2012, the interest rate was 1.859% on a balance of $5,160,000. The Company had an additional $19,840,000 remaining on the line of credit at that date.

The $25 million credit facility was repaid and replaced in January 2013 with a new four-year, $25 million unsecured credit facility that automatically extends for one year if the extension option in the new $225 million revolving facility is exercised. As of

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February 15, 2013, the interest rate, which resets on a daily basis, was LIBOR plus 1.175% (1.377%) with an annual facility fee of 0.225%. The margin and facility fee are subject to changes in the Company's credit ratings.

Average bank borrowings were $85,113,000 in 2012 compared to $124,697,000 in 2011 with weighted average interest rates of 1.61% in 2012 compared to 1.41% in 2011. Weighted average interest rates (including amortization of loan costs) were 2.01% for 2012 and 1.65% for 2011. Amortization of bank loan costs was $342,000, $300,000 and $314,000 for 2012, 2011 and 2010, respectively.

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, 2012.

(8) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	December 31,	
	2012	2011
	(In thousands)	
Property taxes payable	$12,107	9,840
Development costs payable	7,170	5,928
Interest payable	2,615	2,736
Dividends payable on unvested restricted stock	1,191	1,415
Other payables and accrued expenses	5,831	11,286
Total Accounts Payable and Accrued Expenses	$28,914	31,205

(9) OTHER LIABILITIES

A summary of the Company's Other Liabilities follows:

	December 31,	
	2012	2011
	(In thousands)	
Security deposits	$9,668	9,184
Prepaid rent and other deferred income	7,930	6,373
Acquired below market lease intangibles	1,541	1,684
Accumulated amortization of acquired below market lease intangibles	(391)	(924)
Acquired below market lease intangibles, net of accumulated amortization	1,150	760
Interest rate swap liability	645	—
Other liabilities	693	699
Total Other Liabilities	$20,086	17,016

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(10) COMMON STOCK ACTIVITY

The following table presents the common stock activity for the three years ended December 31, 2012:

	Years Ended December 31,		
	2012	2011	2010
	Common Shares		
Shares outstanding at beginning of year	27,658,059	26,973,531	26,826,100
Common stock offerings	2,179,153	586,977	—
Stock options exercised	4,500	9,250	18,000
Dividend reinvestment plan	3,915	5,989	6,705
Incentive restricted stock granted	111,732	79,491	135,704
Incentive restricted stock forfeited	—	(233)	—
Director common stock awarded	7,326	6,618	6,690
Restricted stock withheld for tax obligations	(36,195)	(3,564)	(19,668)
Shares outstanding at end of year	29,928,490	27,658,059	26,973,531

Common Stock Issuances
During 2012, EastGroup issued 2,179,153 shares of its common stock through its continuous common equity program with net proceeds to the company of $109.6 million.

During 2011, EastGroup issued 586,977 shares of its common stock through its continuous common equity program with net proceeds to the Company of $25.2 million.

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
During 2012, EastGroup's Board of Directors terminated its previous plan which authorized the repurchase of up to 1,500,000 shares of its outstanding common stock. The shares were able to be purchased from time to time in the open market or in privately negotiated transactions. Under the common stock repurchase plan, the Company purchased a total of 827,700 shares for $14,170,000 (an average of $17.12 per share). The Company has not repurchased any shares under this plan since 2000.

(11) STOCK-BASED COMPENSATION

The Company follows the provisions of ASC 718, Compensation – Stock Compensation, to account for its stock-based compensation plans. ASC 718 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.

Equity Incentive Plan

The Company has a management incentive plan which was approved by the stockholders and adopted in 2004. The Plan was further amended by the Board of Directors in September 2005 and December 2006. 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, deferred stock units, performance shares, bonus stock or stock in lieu of cash compensation. Total shares available for grant were 1,330,619 shares, 1,406,156 shares and 1,481,850 shares at December 31, 2012, 2011, and 2010, respectively. Typically, the Company issues new shares to fulfill stock grants or upon the exercise of stock options.

Stock-based compensation cost was $4,087,000, $2,486,000 and $1,801,000 for 2012, 2011 and 2010, respectively, of which $920,000, $304,000 and $43,000 were capitalized as part of the Company’s development costs for the respective years.

Equity Awards

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. The vesting periods of the Company’s restricted stock plans vary; the vesting period begins on the date of grant and generally ranges from 2.5 years to 9 years from the date of grant. Restricted stock is granted to executive officers subject to both continued service and 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 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 January 1, 2006. 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 have been granted and are subject to a future market condition (total shareholder return) is determined using a simulation pricing model developed to specifically accommodate the unique features of the awards.

In March 2012, the Compensation Committee evaluated the Company's performance compared to a variety of goals for the year ended December 31, 2011. Based on the evaluation, 44,789 shares were awarded to the Company’s executive officers at a weighted average grant date fair value of $48.75 per share. These shares vested 20% on the dates shares were determined and awarded, 20% on December 19, 2012, and will vest 20% per year on January 1 in years 2014, 2015 and 2016. The shares will be expensed on a straight-line basis over the remaining service period.

Also in March 2012, the Committee evaluated the Company’s absolute and relative total stockholder return for the five-year period ended December 31, 2011. Based on the evaluation, 47,418 shares were awarded to the Company’s executive officers at a weighted average grant date fair value of $48.75 per share. These shares vested 25% on the dates shares were awarded, 25% on December 19, 2012, and will vest 25% per year on January 1 in years 2014 and 2015. The shares will be expensed on a straight-line basis over the remaining service period.

In the second quarter of 2012, the Company’s Board of Directors approved an equity compensation plan for its executive officers based upon the attainment of certain annual performance goals. These goals are for the year ended December 31, 2012, so any shares issued upon attainment of these goals will be determined by the Compensation Committee in the first quarter of 2013. The number of shares to be issued on the grant date could range from zero to 51,369. These shares will vest 20% on the date shares are determined and awarded and generally will vest 20% per year on each January 1 for the subsequent four years.

Also in the second quarter of 2012, EastGroup’s Board of Directors approved an equity compensation plan for the Company’s executive officers based on EastGroup’s absolute and relative total stockholder return compared to the NAREIT Equity Index, NAREIT Industrial Index and Russell 2000 Index for the five-year period ended December 31, 2012, so any shares issued pursuant to this equity compensation plan will be determined by the Compensation Committee in the first quarter of 2013. The number of shares to be issued on the grant date could range from zero to 54,335. These shares will vest 25% on the date shares are determined and awarded and generally will vest 25% per year on each January 1 in years 2014, 2015 and 2016.

Notwithstanding the foregoing, shares issued to the Company’s Chief Executive Officer, David H. Hoster II, and Chief Financial Officer, N. Keith McKey, will become fully vested no later than January 1, 2015 and April 6, 2016, respectively.

In the second quarter of 2012, 19,525 shares were granted to certain non-executive officers subject only to continued service as of the vesting date. These shares, which have a grant date fair value of $48.96 per share, will vest 20% per year on January 1 in years 2013, 2014, 2015, 2016 and 2017.

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, 2012, there was $7,293,000 of unrecognized compensation cost related to unvested restricted stock compensation that is expected to be recognized over a weighted average period of 3.58 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 2012, 2011 and 2010. Of the shares that vested in 2012, 2011 and 2010, 36,195 shares, 3,564 shares and 19,668 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 2012, 2011 and 2010 was $5,451,000, $3,576,000 and $5,002,000, respectively. As of the vesting date, the fair value of shares that vested during 2012, 2011 and 2010 was $6,630,000, $613,000 and $3,591,000, respectively.

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Restricted Stock Activity:	Years Ended December 31, 2012		2011		2010	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested at beginning of year	235,929	$38.90	170,575	$36.29	124,080	$36.93
Granted [(1)]	111,732	48.79	79,491	44.99	135,704	36.86
Forfeited	—	—	(233)	35.85	—	—
Vested	(135,455)	40.88	(13,904)	41.77	(89,209)	38.05
Unvested at end of year	212,206	42.84	235,929	38.90	170,575	36.29

(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 unvested shares as of December 31, 2012:

Unvested Shares Vesting Schedule	Number of Shares
2013	9,366
2014	55,440
2015	59,111
2016	24,587
2017	15,702
2018	12,000
2019	16,200
2020	19,800
Total Unvested Shares	212,206

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. There were no employee stock option exercises during 2012. The intrinsic value realized by employees from the exercise of options during 2011 and 2010 was $5,000 and $74,000, respectively. There were no employee stock options granted, forfeited, or expired during the years presented. Following is a summary of the total employee stock options exercised with related weighted average exercise share prices for 2012, 2011 and 2010.

Stock Option Activity:	Years Ended December 31, 2012		2011		2010	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	—	$—	250	$25.30	4,750	$21.80
Exercised	—	—	(250)	25.30	(4,500)	21.61
Outstanding at end of year	—	—	—	—	250	25.30
Exercisable at end of year	—	$—	—	$—	250	$25.30

Directors Equity Plan

The Company has a directors equity plan that was approved by stockholders 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 non-employee 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.

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Directors were issued 7,326 shares, 6,618 shares and 6,690 shares of common stock for 2012, 2011 and 2010, respectively. There were 9,127 shares available for grant under the 2005 Plan at December 31, 2012.

Stock-based compensation expense for directors was $330,000, $270,000 and $240,000 for 2012, 2011 and 2010, respectively. The intrinsic value realized by directors from the exercise of options was $116,000, $183,000 and $208,000 for 2012, 2011 and 2010, 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 2012, 2011 and 2010.

	Years Ended December 31,					
	2012		2011		2010	
Stock Option Activity:	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	9,000	$25.31	18,000	$24.33	31,500	$23.65
Exercised	(4,500)	24.02	(9,000)	23.36	(13,500)	22.74
Outstanding at end of year	4,500	26.60	9,000	25.31	18,000	24.33
Exercisable at end of year	4,500	$26.60	9,000	$25.31	18,000	$24.33

Director outstanding stock options at December 31, 2012, all exercisable:

Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Intrinsic Value
$26.60	4,500	0.4 years	$26.60	$122,000

(12) COMPREHENSIVE INCOME

Total Comprehensive Income is comprised of net income plus all other changes in equity from non-owner sources and is presented on the Consolidated Statements of Income and Comprehensive Income. The components of Accumulated Other Comprehensive Loss for 2012, 2011 and 2010 are presented in the Company's Consolidated Statements of Changes in Equity and are summarized below. See Note 13 for additional information on the Company's interest rate swaps.

	2012	2011	2010
ACCUMULATED OTHER COMPREHENSIVE LOSS:	(In thousands)		
Balance at beginning of year	$—	—	(318)
Change in fair value of interest rate swap	(392)	—	318
Balance at end of year	$(392)	—	—

(13) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risk, including interest rate, liquidity and credit risk primarily by managing the amount, sources, and duration of its debt funding and, to a limited extent, the use of derivative instruments.

Specifically, the Company has entered into derivative instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative instruments, described below, are used to manage differences in the amount, timing, and duration of the Company's known or expected cash payments principally related to certain of the Company's borrowings.

The Company's objective in using interest rate derivatives is to manage exposure to interest rate movements and add stability to interest expense. To accomplish this objective, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

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The Company currently has one interest rate swap outstanding that is used to hedge the variable cash flows associated with its variable-rate debt. The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in Other Comprehensive Income (Loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings (included in Other on the Consolidated Statements of Income and Comprehensive Income).

During 2010, EastGroup settled an interest rate swap with the repayment of its $8,770,000 mortgage loan on the Tower Automotive Center. The Company recognized income (included in Other Comprehensive Income(Loss)) related to the derivative of $318,000 during 2010.

The Company entered into one $80,000,000 interest rate swap on July 20, 2012 but did not designate the swap for hedge accounting purposes until August 27, 2012. All of the changes in fair value of the swap from July 20, 2012 leading up to the designation date were marked to market through current earnings. On August 27, 2012, the Company designated the swap for hedge accounting in an off-market hedging relationship and has concluded that the hedging relationship will be highly effective by performing a regression assessment at inception. Ineffectiveness related to the off-market hedging relationship will be recorded directly into earnings as described above. During 2012, the Company recognized total expenses resulting from the interest rate swap mark to market designation and interest rate swap ineffectiveness of $269,000.

Amounts reported in Other Comprehensive Income (Loss) related to derivatives will be reclassified to Interest Expense as interest payments are made on the Company's variable-rate debt. The Company estimates that an additional $592,000 will be reclassified from Other Comprehensive Income (Loss) as an increase to Interest Expense over the next twelve months.

As of December 31, 2012, the Company had the following outstanding interest rate derivative that is designated as a cash flow hedge of interest rate risk:

Interest Rate Derivative	Notional Amount
Interest Rate Swap	$80,000,000

The Company had no derivatives outstanding as of December 31, 2011.

The table below presents the fair value of the Company's derivative financial instrument as well as its classification on the Consolidated Balance Sheets as of December 31, 2012 and December 31, 2011. See Note 18 for additional information on the fair value of the Company's interest rate swap.

	Liability Derivatives As of December 31, 2012		Liability Derivatives As of December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest rate swaps	Other Liabilities	$645,000	Other Liabilities	$—

The table below presents the effect of the Company's derivative financial instruments on the Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010
	(In thousands)		

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS			
Interest Rate Swaps:			
Amount of income (loss) recognized in Other Comprehensive Income on derivative	$ (593)	—	318
Amount of loss reclassified from Accumulated Other Comprehensive Loss into Interest Expense	(201)	—	—
MARK TO MARKET DERIVATIVES			
Interest Rate Swaps:			
Amount of loss recognized in earnings upon swap designation	$ (242)	—	—

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See Note 12 for additional information on the Company's Accumulated Other Comprehensive Loss resulting from its interest rate swap.

Derivative financial agreements expose the Company to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. The Company believes it minimizes the credit risk by transacting with major credit-worthy financial institutions.

The Company has an agreement with its derivative counterparty containing a provision stating that the Company could be declared in default on its derivative obligations if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender.

As of December 31, 2012, the fair value of derivatives in a liability position related to these agreements was $645,000. If the Company breached any of the contractual provisions of the derivative contract, it would be required to settle its obligation under the agreement at the swap termination value. As of December 31, 2012, the swap termination value was a liability in the amount of $610,000.

(14) EARNINGS PER SHARE

The Company applies ASC 260, 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:

	2012	2011	2010
	(In thousands)		
BASIC EPS COMPUTATION FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Numerator – net income attributable to common stockholders	$32,384	22,359	18,325
Denominator – weighted average shares outstanding	28,577	26,897	26,752
DILUTED EPS COMPUTATION FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Numerator – net income attributable to common stockholders	$32,384	22,359	18,325
Denominator:			
Weighted average shares outstanding	28,577	26,897	26,752
Common stock options	3	6	11
Unvested restricted stock	97	68	61
Total Shares	28,677	26,971	26,824

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(15) QUARTERLY RESULTS OF OPERATIONS – UNAUDITED

	2012 Quarter Ended				2011 Quarter Ended			
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
	(In thousands, except per share data)							
Revenues	$46,568	46,369	46,701	47,094	43,124	43,099	43,780	43,877
Expenses	(41,307)	(40,289)	(39,937)	(39,301)	(38,260)	(37,556)	(38,069)	(37,437)
Income from continuing operations	5,261	6,080	6,764	7,793	4,864	5,543	5,711	6,440
Income from discontinued operations	261	2,004	133	4,592	38	72	80	86
Net income	5,522	8,084	6,897	12,385	4,902	5,615	5,791	6,526
Net income attributable to noncontrolling interest in joint ventures	(119)	(111)	(126)	(147)	(110)	(123)	(121)	(121)
Net income attributable to EastGroup Properties, Inc. common stockholders	$5,403	7,973	6,771	12,238	4,792	5,492	5,670	6,405
BASIC PER SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS (1)								
Net income attributable to common stockholders	$0.20	0.28	0.23	0.41	0.18	0.20	0.21	0.24
Weighted average shares outstanding	27,647	28,246	28,912	29,491	26,809	26,820	26,839	27,116
DILUTED PER SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS (1)								
Net income attributable to common stockholders	$0.19	0.28	0.23	0.41	0.18	0.20	0.21	0.24
Weighted average shares outstanding	27,718	28,341	29,030	29,614	26,873	26,897	26,914	27,206

(1) 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 and Comprehensive 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 $425,000, $382,000 and $381,000 for 2012, 2011 and 2010, 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.

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(18) FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820, Fair Value Measurements and Disclosures, 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. ASC 820 also provides guidance for using fair value to measure financial assets and liabilities. The Codification 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 following table presents the carrying amounts and estimated fair values of the Company's financial instruments in accordance with ASC 820 at December 31, 2012 and 2011.

	December 31,			
	2012		2011	
	Carrying Amount [1]	Fair Value	Carrying Amount [1]	Fair Value
	(In thousands)			
Financial Assets:				
Cash and cash equivalents	$1,258	1,258	174	174
Mortgage loans receivable, net of discount	9,323	9,748	4,110	4,317
Financial Liabilities:				
Mortgage notes payable	607,766	661,408	628,170	674,462
Unsecured term loans payable	130,000	130,776	50,000	50,000
Notes payable to banks	76,160	76,160	154,516	153,521
Interest rate swap liability	645	645	—	—

(1) 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 due to the short maturity of those instruments.
Mortgage loans receivable, net of discount (included in Other Assets on the Consolidated Balance Sheets): 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 (Level 2 input).
Mortgage notes payable: The fair value of the Company's mortgage notes payable is estimated by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company's bankers (Level 2 input).
Unsecured term loans payable: The fair value of the Company's unsecured term loans payable is estimated by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company's bankers (Level 2 input).
Notes payable to banks: The fair value of the Company's notes payable to banks is estimated by discounting expected cash flows at current market rates (Level 2 input).

Interest rate swap liability (included in Other Liabilities on the Consolidated Balance Sheets): The instrument is recorded at fair value based on models using inputs, such as interest rate yield curves, observable for substantially the full term of the contract (Level 2 input). See Note 13 for additional information on the Company's interest rate swap.

(19) SUBSEQUENT EVENTS

EastGroup noted no significant subsequent events through February 19, 2013, except for the Company's new credit facilities discussed in Note 7.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULES

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

Under date of February 19, 2013, we reported on the consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2012, which are included in the 2012 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.

(Signed) KPMG LLP

Jackson, Mississippi
February 19, 2013

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2012 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements		Land	Buildings and Improvements	Total			
Real Estate Properties (c):										
Industrial:										
FLORIDA										
Tampa										
56th Street Commerce Park	$ —	843	3,567	3,780	843	7,347	8,190	4,669	1993	1981/86/97
Jetport Commerce Park	—	1,575	6,591	3,856	1,575	10,447	12,022	6,410	1993-99	1974-85
Westport Commerce Center	—	980	3,800	2,413	980	6,213	7,193	3,736	1994	1983/87
Benjamin Distribution Center I & II	—	843	3,963	1,158	883	5,081	5,964	2,912	1997	1996
Benjamin Distribution Center III	—	407	1,503	454	407	1,957	2,364	1,368	1999	1988
Palm River Center	—	1,190	4,625	1,658	1,190	6,283	7,473	3,602	1997/98	1990/97/98
Palm River North I & III (j)	5,123	1,005	4,688	2,195	1,005	6,883	7,888	3,274	1998	2000
Palm River North II (j)	4,701	634	4,418	381	634	4,799	5,433	2,669	1997/98	1999
Palm River South I	—	655	3,187	555	655	3,742	4,397	1,311	2000	2005
Palm River South II	—	655	—	4,294	655	4,294	4,949	1,638	2000	2006
Walden Distribution Center I	—	337	3,318	446	337	3,764	4,101	1,616	1997/98	2001
Walden Distribution Center II	—	465	3,738	932	465	4,670	5,135	2,120	1998	1998
Oak Creek Distribution Center I	—	1,109	6,126	1,028	1,109	7,154	8,263	2,686	1998	1998

Oak Creek Distribution Center II	—	647	3,603	991	647	4,594	5,241	1,603	2003	2001
Oak Creek Distribution Center III	—	439	—	3,167	556	3,050	3,606	783	2005	2007
Oak Creek Distribution Center IV	—	805	6,472	235	805	6,707	7,512	1,671	2005	2001
Oak Creek Distribution Center V	—	724	—	5,683	916	5,491	6,407	1,420	2005	2007
Oak Creek Distribution Center VI	—	642	—	5,032	812	4,862	5,674	845	2005	2008
Oak Creek Distribution Center IX	—	618	—	4,916	781	4,753	5,534	506	2005	2009
Oak Creek Distribution Center A	—	185	—	1,428	185	1,428	1,613	214	2005	2008
Oak Creek Distribution Center B	—	227	—	1,485	227	1,485	1,712	220	2005	2008
Airport Commerce Center	—	1,257	4,012	824	1,257	4,836	6,093	2,082	1998	1998
Westlake Distribution Center (j)	6,527	1,333	6,998	1,561	1,333	8,559	9,892	4,059	1998	1998/99
Expressway Commerce Center I	—	915	5,346	1,020	915	6,366	7,281	2,278	2002	2004
Expressway Commerce Center II	—	1,013	3,247	341	1,013	3,588	4,601	1,425	2003	2001
Silo Bend Distribution Center	—	4,131	27,497	117	4,131	27,614	31,745	1,227	2011	1987/90
Tampa East Distribution Center	—	1,097	5,750	15	1,097	5,765	6,862	403	2011	1984/90
Tampa West Distribution Center	—	2,499	9,472	831	2,499	10,303	12,802	492	2011	1975/85/90/93/94

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2012 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements		Land	Buildings and Improvements	Total			
Madison Distribution Center	—	495	2,779	254	495	3,033	3,528	129	2012	2007
Orlando										
Chancellor Center	—	291	1,711	174	291	1,885	2,176	958	1996/97	1996/97
Exchange Distribution Center I	—	603	2,414	2,016	603	4,430	5,033	2,712	1994	1975
Exchange Distribution Center II	—	300	945	227	300	1,172	1,472	499	2002	1976
Exchange Distribution Center III	—	320	997	370	320	1,367	1,687	594	2002	1980
Sunbelt Distribution Center (i)	6,461	1,474	5,745	5,156	1,474	10,901	12,375	6,566	1989/97/98	1974/87/97/98
John Young Commerce Center I	—	497	2,444	727	497	3,171	3,668	1,478	1997/98	1997/98
John Young Commerce Center II	—	512	3,613	191	512	3,804	4,316	2,080	1998	1999
Altamonte Commerce Center I	—	1,518	2,661	2,004	1,518	4,665	6,183	2,883	1999	1980/82
Altamonte Commerce Center II	—	745	2,618	1,079	745	3,697	4,442	1,462	2003	1975
Sunport Center I	—	555	1,977	642	555	2,619	3,174	1,171	1999	1999
Sunport Center II	—	597	3,271	1,354	597	4,625	5,222	2,839	1999	2001
Sunport Center III	—	642	3,121	495	642	3,616	4,258	1,609	1999	2002
Sunport Center IV	—	642	2,917	956	642	3,873	4,515	1,405	1999	2004
Sunport Center V	—	750	2,509	1,900	750	4,409	5,159	2,203	1999	2005
	—	672	—	3,353	672	3,353	4,025	911	1999	2006

Sunport Center VI										
Southridge Commerce Park I	—	373	—	4,470	373	4,470	4,843	2,163	2003	2006
Southridge Commerce Park II	—	342	—	4,297	342	4,297	4,639	1,611	2003	2007
Southridge Commerce Park III	—	547	—	5,297	547	5,297	5,844	1,185	2003	2007
Southridge Commerce Park IV (h)	3,684	506	—	4,505	506	4,505	5,011	1,166	2003	2006
Southridge Commerce Park V (h)	3,425	382	—	4,277	382	4,277	4,659	1,458	2003	2006
Southridge Commerce Park VI	—	571	—	4,937	571	4,937	5,508	1,004	2003	2007
Southridge Commerce Park VII	—	520	—	6,165	520	6,165	6,685	1,343	2003	2008
Southridge Commerce Park VIII	—	531	—	6,253	531	6,253	6,784	919	2003	2008
Southridge Commerce Park XII (o)	12,899	2,025	—	16,838	2,025	16,838	18,863	2,274	2005	2008
Jacksonville										
Deerwood Distribution Center	—	1,147	1,799	1,625	1,147	3,424	4,571	1,922	1989	1978
Phillips Distribution Center	—	1,375	2,961	3,926	1,375	6,887	8,262	4,115	1994	1984/95
Lake Pointe Business Park (k)	13,689	3,442	6,450	6,530	3,442	12,980	16,422	8,147	1993	1986/87
Ellis Distribution Center	—	540	7,513	965	540	8,478	9,018	3,543	1997	1977
Westside Distribution Center	—	1,170	12,400	4,370	1,170	16,770	17,940	8,098	1997	1984
12th Street Distribution Center	—	841	2,974	1,375	841	4,349	5,190	696	2008	1985

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2012 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements		Land	Buildings and Improvements	Total			
Beach Commerce Center	—	476	1,899	613	476	2,512	2,988	1,057	2000	2000
Interstate Distribution Center	—	1,879	5,700	1,242	1,879	6,942	8,821	2,606	2005	1990
Fort Lauderdale/Palm Beach area										
Linpro Commerce Center	—	613	2,243	1,551	616	3,791	4,407	2,566	1996	1986
Cypress Creek Business Park	—	—	2,465	1,579	—	4,044	4,044	2,278	1997	1986
Lockhart Distribution Center	—	—	3,489	2,280	—	5,769	5,769	3,166	1997	1986
Interstate Commerce Center	—	485	2,652	683	485	3,335	3,820	1,814	1998	1988
Executive Airport Commerce Ctr (p)	9,237	1,991	4,857	5,087	1,991	9,944	11,935	3,347	2001	2004/06
Sample 95 Business Park	—	2,202	8,785	2,654	2,202	11,439	13,641	5,968	1996/98	1990/99
Blue Heron Distribution Center	—	975	3,626	1,658	975	5,284	6,259	2,760	1999	1986
Blue Heron Distribution Center II	1,161	1,385	4,222	809	1,385	5,031	6,416	1,850	2004	1988
Blue Heron Distribution Center III	—	450	—	2,663	450	2,663	3,113	335	2004	2009
Fort Myers										
SunCoast Commerce Center I	—	911	—	4,751	928	4,734	5,662	1,049	2005	2008
SunCoast Commerce Center II	—	911	—	4,737	928	4,720	5,648	1,238	2005	2007
SunCoast Commerce Center III	—	1,720	—	6,371	1,763	6,328	8,091	827	2006	2008
CALIFORNIA										

San Francisco area										
Wiegman Distribution Center (l)	11,405	2,197	8,788	1,772	2,308	10,449	12,757	4,582	1996	1986/87
Wiegman Distribution Center II	—	2,579	4,316	2	2,579	4,318	6,897	48	2012	1998
Huntwood Distribution Center (l)	18,927	3,842	15,368	1,918	3,842	17,286	21,128	7,960	1996	1988
San Clemente Distribution Center	—	893	2,004	845	893	2,849	3,742	1,195	1997	1978
Yosemite Distribution Center	—	259	7,058	1,006	259	8,064	8,323	3,599	1999	1974/87
Los Angeles area										
Kingsview Industrial Center (e)	2,912	643	2,573	431	643	3,004	3,647	1,468	1996	1980
Dominguez Distribution Center (e)	8,946	2,006	8,025	1,170	2,006	9,195	11,201	4,520	1996	1977
Main Street Distribution Center	—	1,606	4,103	766	1,606	4,869	6,475	2,157	1999	1999
Walnut Business Center (e)	7,410	2,885	5,274	1,120	2,885	6,394	9,279	2,834	1996	1966/90
Washington Distribution Center (e)	5,676	1,636	4,900	572	1,636	5,472	7,108	2,396	1997	1996/97
Chino Distribution Center (f)	10,690	2,544	10,175	1,518	2,544	11,693	14,237	5,459	1998	1980
Industry Distribution Center I (e)	19,340	10,230	12,373	1,616	10,230	13,989	24,219	6,200	1998	1959
Industry Distribution Center III (e)	2,280	—	3,012	(157)	—	2,855	2,855	2,835	2007	1992
Chestnut Business Center	—	1,674	3,465	165	1,674	3,630	5,304	1,447	1998	1999

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SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2012 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements		Land	Buildings and Improvements	Total			
Los Angeles Corporate Center	—	1,363	5,453	2,719	1,363	8,172	9,535	4,176	1996	1986
Santa Barbara										
University Business Center	—	5,517	22,067	4,507	5,520	26,571	32,091	12,689	1996	1987/88
Castilian Research Center	—	2,719	1,410	4,840	2,719	6,250	8,969	959	2005	2007
Fresno										
Shaw Commerce Center (e)	14,488	2,465	11,627	4,051	2,465	15,678	18,143	7,898	1998	1978/81/87
San Diego										
Eastlake Distribution Center (n)	7,909	3,046	6,888	1,502	3,046	8,390	11,436	4,011	1997	1989
Ocean View Corporate Center (p)	10,812	6,577	7,105	290	6,577	7,395	13,972	1,224	2010	2005
TEXAS										
Dallas										
Interstate Distribution Center I & II (g)	6,496	1,746	4,941	2,210	1,746	7,151	8,897	4,916	1988	1978
Interstate Distribution Center III (g)	2,343	519	2,008	682	519	2,690	3,209	1,400	2000	1979
Interstate Distribution Center IV	—	416	2,481	532	416	3,013	3,429	1,007	2004	2002
Interstate Distribution Center V, VI & VII (h)	4,904	1,824	4,106	740	1,824	4,846	6,670	1,430	2009	1979/80/81
Venture Warehouses (g)	5,233	1,452	3,762	1,954	1,452	5,716	7,168	3,896	1988	1979
Stemmons Circle (g)	2,134	363	2,014	546	363	2,560	2,923	1,434	1998	1977
Ambassador Row	—	1,156	4,625	2,442	1,156	7,067	8,223	3,992	1998	1958/65

Warehouses										
North Stemmons II	—	150	583	393	150	976	1,126	338	2002	1971
North Stemmons III	—	380	2,066	5	380	2,071	2,451	383	2007	1974
Shady Trail Distribution Center (j)	2,910	635	3,621	713	635	4,334	4,969	1,455	2003	1998
Valwood Distribution Center	—	4,361	34,405	—	4,361	34,405	38,766	74	2012	1986/87/97/98
Houston										
Northwest Point Business Park (i)	5,777	1,243	5,640	4,183	1,243	9,823	11,066	5,701	1994	1984/85
Lockwood Distribution Center (i)	4,268	749	5,444	1,983	749	7,427	8,176	3,546	1997	1968/69
West Loop Distribution Center (g)	5,458	905	4,383	2,188	905	6,571	7,476	3,465	1997/2000	1980
World Houston Int'l Business Ctr 1 & 2 (f)	5,764	660	5,893	1,123	660	7,016	7,676	3,689	1998	1996
World Houston Int'l Business Ctr 3, 4 & 5 (g)	6,029	1,025	6,413	820	1,025	7,233	8,258	3,423	1998	1998
World Houston Int'l Business Ctr 6 (g)	2,432	425	2,423	483	425	2,906	3,331	1,551	1998	1998
World Houston Int'l Business Ctr 7 & 8 (g)	6,847	680	4,584	4,115	680	8,699	9,379	4,006	1998	1998
World Houston Int'l Business Ctr 9 (g)	4,830	800	4,355	1,460	800	5,815	6,615	2,074	1998	1998
World Houston Int'l Business Ctr 10 (i)	3,133	933	4,779	289	933	5,068	6,001	1,806	2001	1999

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2012 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements		Land	Buildings and Improvements	Total			
World Houston Int'l Business Ctr 11 (i)	2,892	638	3,764	1,137	638	4,901	5,539	2,017	1999	1999
World Houston Int'l Business Ctr 12	—	340	2,419	199	340	2,618	2,958	1,307	2000	2002
World Houston Int'l Business Ctr 13	—	282	2,569	284	282	2,853	3,135	1,616	2000	2002
World Houston Int'l Business Ctr 14 (i)	2,028	722	2,629	534	722	3,163	3,885	1,384	2000	2003
World Houston Int'l Business Ctr 15 (n)	4,493	731	—	5,765	731	5,765	6,496	2,305	2000	2007
World Houston Int'l Business Ctr 16 (m)	4,424	519	4,248	1,112	519	5,360	5,879	2,002	2000	2005
World Houston Int'l Business Ctr 17 (j)	2,543	373	1,945	785	373	2,730	3,103	864	2000	2004
World Houston Int'l Business Ctr 18	—	323	1,512	250	323	1,762	2,085	540	2005	1995
World Houston Int'l Business Ctr 19 (k)	2,917	373	2,256	871	373	3,127	3,500	1,554	2000	2004
World Houston Int'l Business Ctr 20 (k)	3,530	1,008	1,948	1,277	1,008	3,225	4,233	1,439	2000	2004
World Houston Int'l Business Ctr 21 (f)	2,936	436	—	3,474	436	3,474	3,910	821	2000/03	2006
World Houston Int'l Business Ctr 22 (n)	3,213	436	—	4,210	436	4,210	4,646	1,136	2000	2007
World Houston Int'l Business Ctr 23 (f)	5,958	910	—	7,026	910	7,026	7,936	1,617	2000	2007
World Houston Int'l Business Ctr	4,275	837	—	5,415	837	5,415	6,252	1,441	2005	2008

24 (o)										
World Houston Int'l Business Ctr 25 (o)	2,825	508	—	3,623	508	3,623	4,131	711	2005	2008
World Houston Int'l Business Ctr 26 (p)	2,798	445	—	3,170	445	3,170	3,615	593	2005	2008
World Houston Int'l Business Ctr 27 (o)	3,967	837	—	4,964	837	4,964	5,801	793	2005	2008
World Houston Int'l Business Ctr 28 (p)	3,559	550	—	4,049	550	4,049	4,599	620	2005	2009
World Houston Int'l Business Ctr 29 (p)	3,806	782	—	4,136	974	3,944	4,918	588	2007	2009
World Houston Int'l Business Ctr 30 (p)	5,145	981	—	5,667	1,222	5,426	6,648	897	2007	2009
World Houston Int'l Business Ctr 31A	—	684	—	3,627	684	3,627	4,311	263	2008	2011
World Houston Int'l Business Ctr 32 (h)	4,797	1,146	—	5,378	1,427	5,097	6,524	200	2007	2012
America Plaza (g)	4,523	662	4,660	872	662	5,532	6,194	2,661	1998	1996
Central Green Distribution Center (g)	3,451	566	4,031	130	566	4,161	4,727	1,895	1999	1998
Glenmont Business Park (g)	7,010	936	6,161	2,504	936	8,665	9,601	3,928	1998	1999/2000
Techway Southwest I (i)	3,459	729	3,765	2,133	729	5,898	6,627	2,570	2000	2001
Techway Southwest II (k)	4,208	550	3,689	809	550	4,498	5,048	1,571	2000	2004
Techway Southwest III (n)	4,235	597	—	5,527	751	5,373	6,124	1,813	1999	2006
Techway Southwest IV (p)	4,778	535	—	5,639	674	5,500	6,174	982	1999	2008
Beltway Crossing I (i)	3,970	458	5,712	1,435	458	7,147	7,605	2,949	2002	2001
Beltway Crossing II (n)	2,190	415	—	2,751	415	2,751	3,166	805	2005	2007
Beltway Crossing III (n)	2,441	460	—	3,069	460	3,069	3,529	945	2005	2008
Beltway Crossing IV (n)	2,400	460	—	3,010	460	3,010	3,470	983	2005	2008

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2012 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements		Land	Buildings and Improvements	Total			
Beltway Crossing V (p)	4,185	701	—	4,706	701	4,706	5,407	1,158	2005	2008
Beltway Crossing VI (h)	4,869	618	—	6,004	618	6,004	6,622	859	2005	2008
Beltway Crossing VII (h)	4,758	765	—	5,706	765	5,706	6,471	960	2005	2009
Beltway Crossing VIII	—	721	—	4,573	721	4,573	5,294	231	2005	2011
Beltway Crossing IX	—	418	—	2,104	418	2,104	2,522	15	2007	2012
Kirby Business Center (j)	2,855	530	3,153	332	530	3,485	4,015	1,078	2004	1980
Clay Campbell Distribution Center	—	742	2,998	379	742	3,377	4,119	1,256	2005	1982
El Paso										
Butterfield Trail	—	—	20,725	6,627	—	27,352	27,352	14,280	1997/2000	1987/95
Rojas Commerce Park (g)	5,184	900	3,659	2,541	900	6,200	7,100	4,182	1999	1986
Americas Ten Business Center I (j)	2,808	526	2,778	1,157	526	3,935	4,461	1,809	2001	2003
San Antonio										
Alamo Downs Distribution Center (m)	6,602	1,342	6,338	1,094	1,342	7,432	8,774	3,279	2004	1986/2002
Arion Business Park (m)	29,364	4,143	31,432	3,447	4,143	34,879	39,022	12,508	2005	1988-2000/06
Arion 14 (m)	2,787	423	—	3,280	423	3,280	3,703	918	2005	2006
Arion 16 (f)	2,938	427	—	3,485	427	3,485	3,912	698	2005	2007
Arion 17 (m)	3,307	616	—	3,779	616	3,779	4,395	1,351	2005	2007
Arion 18 (h)	2,010	418	—	2,316	418	2,316	2,734	675	2005	2008
Arion 8 expansion (m)	1,162	—	—	1,545	—	1,545	1,545	72	2005	2011
Wetmore Business Center (n)	10,285	1,494	10,804	2,573	1,494	13,377	14,871	4,886	2005	1998/99
	2,891	412	—	3,323	412	3,323	3,735	961	2006	2008

Wetmore Phase II, Building A (p)										
Wetmore Phase II, Building B (p)	3,145	505	—	3,559	505	3,559	4,064	777	2006	2008
Wetmore Phase II, Building C (p)	2,884	546	—	3,180	546	3,180	3,726	367	2006	2008
Wetmore Phase II, Building D (p)	6,465	1,056	—	7,297	1,056	7,297	8,353	1,220	2006	2008
Fairgrounds Business Park (n)	7,883	1,644	8,209	1,545	1,644	9,754	11,398	2,985	2007	1985/86
Rittiman Distribution Center	—	1,083	6,649	205	1,083	6,854	7,937	244	2011	2000
ARIZONA										
Phoenix area										
Broadway Industrial Park I	—	837	3,349	755	837	4,104	4,941	2,152	1996	1971
Broadway Industrial Park II	—	455	482	161	455	643	1,098	366	1999	1971
Broadway Industrial Park III	—	775	1,742	525	775	2,267	3,042	1,031	2000	1983
Broadway Industrial Park IV	—	380	1,652	778	380	2,430	2,810	1,102	2000	1986
Broadway Industrial Park V (i)	810	353	1,090	108	353	1,198	1,551	545	2002	1980

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SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2012 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements		Land	Buildings and Improvements	Total			
Broadway Industrial Park VI (f)	2,230	599	1,855	515	599	2,370	2,969	1,107	2002	1979
Broadway Industrial Park VII	—	450	650	72	450	722	1,172	22	2011	1999
Kyrene Distribution Center	198	850	2,044	548	850	2,592	3,442	1,347	1999	1981
Kyrene Distribution Center II	—	640	2,409	722	640	3,131	3,771	1,586	1999	2001
Southpark Distribution Center	—	918	2,738	609	918	3,347	4,265	1,235	2001	2000
Santan 10 Distribution Center I (m)	2,831	846	2,647	269	846	2,916	3,762	1,109	2001	2005
Santan 10 Distribution Center II (f)	4,638	1,088	—	5,089	1,088	5,089	6,177	1,455	2004	2007
Metro Business Park	—	1,927	7,708	5,488	1,927	13,196	15,123	7,593	1996	1977/79
35th Avenue Distribution Center (i)	1,676	418	2,381	412	418	2,793	3,211	1,177	1997	1967
51st Avenue Distribution Center	—	300	2,029	785	300	2,814	3,114	1,442	1998	1987
East University Distribution Center I & II (f)	5,059	1,120	4,482	1,135	1,120	5,617	6,737	2,736	1998	1987/89
East University Distribution Center III	—	444	698	99	444	797	1,241	96	2010	1981
55th Avenue Distribution Center (f)	4,032	912	3,717	740	917	4,452	5,369	2,304	1998	1987
Interstate Commons Dist Ctr I	—	798	3,632	1,248	798	4,880	5,678	2,079	1999	1988

Interstate Commons Dist Ctr II	—	320	2,448	365	320	2,813	3,133	1,144	1999	2000
Interstate Commons Dist Ctr III	—	242	—	2,954	242	2,954	3,196	590	2000	2008
Airport Commons	—	1,000	1,510	818	1,000	2,328	3,328	982	2003	1971
40th Avenue Distribution Center (p)	5,209	703	—	6,028	703	6,028	6,731	1,033	2004	2008
Sky Harbor Business Park	—	5,839	—	21,226	5,839	21,226	27,065	2,875	2006	2008
Tucson										
Country Club I (k)	5,121	506	3,564	2,073	693	5,450	6,143	1,858	1997/2003	1994/2003
Country Club II	—	442	3,381	37	442	3,418	3,860	726	2007	2000
Country Club III & IV	—	1,407	—	11,090	1,575	10,922	12,497	1,509	2007	2009
Airport Distribution Center	—	1,103	4,672	1,533	1,103	6,205	7,308	3,028	1998	1995
Southpointe Distribution Center	—	—	3,982	2,950	—	6,932	6,932	3,246	1999	1989
Benan Distribution Center	—	707	1,842	603	707	2,445	3,152	1,064	2005	2001
NORTH CAROLINA										
Charlotte										
NorthPark Business Park (f)	16,065	2,758	15,932	2,706	2,758	18,638	21,396	5,435	2006	1987-89
Lindbergh Business Park	—	470	3,401	297	470	3,698	4,168	1,042	2007	2001/03
Commerce Park I (n)	3,969	765	4,303	671	765	4,974	5,739	1,254	2007	1983
Commerce Park II (h)	1,530	335	1,603	143	335	1,746	2,081	263	2010	1987
Commerce Park III (h)	2,207	558	2,225	219	558	2,444	3,002	364	2010	1981

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2012 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements		Land	Buildings and Improvements	Total			
Nations Ford Business Park (n)	15,350	3,924	16,171	2,110	3,924	18,281	22,205	5,541	2007	1989/94
Airport Commerce Center (o)	8,541	1,454	10,136	901	1,454	11,037	12,491	2,113	2008	2001/02
Interchange Park (o)	6,345	986	7,949	344	986	8,293	9,279	1,463	2008	1989
Ridge Creek Distribution Center I (o)	10,357	1,284	13,163	700	1,284	13,863	15,147	2,117	2008	2006
Ridge Creek Distribution Center II (h)	10,759	3,033	11,497	105	3,033	11,602	14,635	517	2011	2003
Waterford Distribution Center (o)	2,877	654	3,392	162	654	3,554	4,208	466	2008	2000
Lakeview Business Center (h)	4,841	1,392	5,068	124	1,392	5,192	6,584	315	2011	1996
LOUISIANA										
New Orleans										
Elmwood Business Park	—	2,861	6,337	3,458	2,861	9,795	12,656	6,187	1997	1979
Riverbend Business Park	—	2,592	17,623	3,711	2,592	21,334	23,926	10,317	1997	1984
COLORADO										
Denver										
Rampart Distribution Center I (m)	4,753	1,023	3,861	1,433	1,023	5,294	6,317	3,342	1988	1987
Rampart Distribution Center II (m)	3,134	230	2,977	958	230	3,935	4,165	2,358	1996/97	1996/97
Rampart Distribution Center III (m)	4,768	1,098	3,884	1,355	1,098	5,239	6,337	2,346	1997/98	1999
Concord Distribution Center (h)	4,585	1,051	4,773	413	1,051	5,186	6,237	1,322	2007	2000
	4,462	750	3,319	1,697	750	5,016	5,766	958	2007	1990

Centennial Park (p)										
NEVADA										
Las Vegas										
Arville Distribution Center	—	4,933	5,094	232	4,933	5,326	10,259	1,016	2009	1997
MISSISSIPPI										
Jackson area										
Interchange Business Park	—	343	5,007	2,311	343	7,318	7,661	3,948	1997	1981
Tower Automotive	—	—	9,958	1,199	17	11,140	11,157	3,447	2001	2002
Metro Airport Commerce Center I	—	303	1,479	968	303	2,447	2,750	1,243	2001	2003
TENNESSEE										
Memphis										
Air Park Distribution Center I	—	250	1,916	851	250	2,767	3,017	1,444	1998	1975
OKLAHOMA										
Oklahoma City										
Northpointe Commerce Center	—	777	3,113	825	998	3,717	4,715	1,632	1998	1996/97
	607,761	246,718	869,126	508,933	244,199	1,375,578	1,619,777	496,054		

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REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2012 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company Land	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period Land	Buildings and Improvements	Total	Accumulated Depreciation	Year Acquired	Year Constructed
Industrial Development (d):										
FLORIDA										
Oak Creek land	—	1,946	—	2,852	2,374	2,424	4,798	—	2005	n/a
Madison land	—	1,189	—	158	1,189	158	1,347	—	2012	n/a
Southridge IX	—	468	—	5,832	468	5,832	6,300	149	2003	n/a
Southridge XI	—	513	—	4,952	513	4,952	5,465	—	2003	n/a
Southridge X	—	414	—	1,565	414	1,565	1,979	—	2003	n/a
Horizon land	—	14,072	—	10,549	14,157	10,464	24,621	—	2008/09	n/a
SunCoast land	—	10,926	—	6,720	11,105	6,541	17,646	—	2006	n/a
TEXAS										
North Stemmons land	—	537	—	276	537	276	813	—	2001	n/a
Valwood land	—	404	—	17	404	17	421	—	2012	n/a
World Houston Int'l Business Ctr 31B	—	546	—	2,405	546	2,405	2,951	6	2008	n/a
World Houston Int'l Business Ctr 33	—	1,166	—	7,918	1,166	7,918	9,084	—	2011	n/a
World Houston Int'l Business Ctr 34	—	439	—	2,236	439	2,236	2,675	—	2005	n/a
World Houston Int'l Business Ctr 35	—	340	—	1,773	340	1,773	2,113	—	2005	n/a
World Houston Int'l Business Ctr 36	—	685	—	753	685	753	1,438	—	2011	n/a
World Houston Int'l Business Ctr 37	—	759	—	915	759	915	1,674	—	2011	n/a
World Houston Int'l Business Ctr 38	—	1,053	—	1,164	1,053	1,164	2,217	—	2011	n/a
World Houston Int'l Business Ctr land	—	1,628	—	1,042	1,628	1,042	2,670	—	2000/06	n/a
World Houston Int'l Business Ctr	—	6,410	—	4,404	6,410	4,404	10,814	—	2011	n/a

land - expansion										
Beltway Crossing X	—	733	—	3,083	733	3,083	3,816	28	2007	n/a
Beltway Crossing XI	—	690	—	2,910	690	2,910	3,600	—	2007	n/a
Ten West Crossing 1	—	401	—	1,341	401	1,341	1,742	—	2012	n/a
Ten West Crossing land	—	5,586	—	818	5,586	818	6,404	—	2012	n/a
Lee Road land	—	3,068	—	2,142	3,822	1,388	5,210	—	2007	n/a
West Road land	—	3,303	—	32	3,303	32	3,335	—	2012	n/a
Americas Ten Business Center II & III land	—	1,365	—	1,079	1,365	1,079	2,444	—	2001	n/a
Thousand Oaks I	—	607	—	2,932	607	2,932	3,539	—	2008	n/a
Thousand Oaks II	—	794	—	4,015	794	4,015	4,809	10	2008	n/a
Alamo Ridge land	—	2,288	—	1,944	2,288	1,944	4,232	—	2007	n/a
Thousand Oaks land	—	772	—	460	772	460	1,232	—	2008	n/a

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2012 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements		Land	Buildings and Improvements	Total			
ARIZONA										
Airport Distribution Center II land	—	300	—	117	300	117	417	—	2000	n/a
Kyrene land	—	3,220	—	666	3,220	666	3,886	—	2011	n/a
Chandler Freeways land	—	1,525	—	286	1,525	286	1,811	—	2012	n/a
NORTH CAROLINA										
Airport Commerce Center III land	—	855	—	480	855	480	1,335	—	2008	n/a
COLORADO										
Rampart IV land	—	590	—	121	590	121	711	—	2012	n/a
MISSISSIPPI										
Metro Airport Commerce Center II land	—	307	—	399	307	399	706	—	2001	n/a
	—	69,899	—	78,356	71,345	76,910	148,255	193		
Total real estate owned (a)(b)	$607,766	311,617	869,126	587,289	315,544	1,452,488	1,768,032	496,247		

See accompanying Report of Independent Registered Public Accounting Firm on Financial Statement Schedules.

(a) Changes in Real Estate Properties follow:

	Years Ended December 31,		
	2012	2011	2010
	(In thousands)		
Balance at beginning of year	$1,662,593	1,521,177	1,468,182
Purchases of real estate properties	48,934	80,624	19,897
Development of real estate properties	55,404	42,148	9,145
Improvements to real estate properties	18,164	18,686	23,953
Carrying amount of investments sold	(16,756)	—	—
Write-off of improvements	(307)	(42)	—
Balance at end of year [1]	$1,768,032	1,662,593	1,521,177

(1) Includes 20% noncontrolling interests in Castilian Research Center of $1,794,000 at December 31, 2012 and $1,794,000 at December 31, 2011 and in University Business Center of $6,418,000 and $6,369,000, respectively.

Changes in the accumulated depreciation on real estate properties follow:

	Years Ended December 31,		
	2012	2011	2010
	(In thousands)		
Balance at beginning of year	$451,805	403,187	354,745
Depreciation expense	51,564	48,648	48,442
Accumulated depreciation on assets sold	(6,819)	—	—
Other	(303)	(30)	—
Balance at end of year	$496,247	451,805	403,187

(b) The estimated aggregate cost of real estate properties at December 31, 2012 for federal income tax purposes was approximately $1,727,509,000 before estimated accumulated tax depreciation of $314,360,000. The federal income tax return for the year ended December 31, 2012, 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 $61,052,000 limited recourse first mortgage loan with an insurance company secured by Dominguez, Industry Distribution Center I & III, Kingsview, Shaw, Walnut, and Washington. The loan has a recourse liability of $5 million which will be released based on the secured properties generating certain base rent amounts.

(f) EastGroup has a $60,310,000 non-recourse first mortgage loan with an insurance company secured by Arion 16, Broadway VI, Chino, East University I & II, Northpark I-IV, Santan 10 II, 55th Avenue, and World Houston 1 & 2 and 21 & 23.

(g)

EastGroup has a $61,970,000 non-recourse first mortgage loan with an insurance company secured by America Plaza, Central Green, Glenmont I & II, Interstate I, II & III, Rojas, Stemmons Circle, Venture, West Loop I & II, and World Houston 3-9.

(h) EastGroup has a $52,369,000 non-recourse first mortgage loan with an insurance company secured by Arion 18, Beltway VI & VII, Commerce Park II & III, Concord Distribution Center, Interstate Distribution Center V, VI & VII, Lakeview Business Center, Ridge Creek Distribution Center II, Southridge IV & V and World Houston 32.

(i) EastGroup has a $34,474,000 non-recourse first mortgage loan with an insurance company secured by 35th Avenue, Beltway Crossing I, Broadway V, Lockwood, Northwest Point, Sunbelt, Techway Southwest I, and World Houston 10, 11 & 14.

(j) EastGroup has a $27,467,000 non-recourse first mortgage loan with an insurance company secured by Americas Ten I, Kirby, Palm River North I, II & III, Shady Trail, Westlake I & II, and World Houston 17.

(k) EastGroup has a $29,465,000 non-recourse first mortgage loan with an insurance company secured by Country Club I, Lake Pointe, Techway Southwest II, and World Houston 19 & 20.

(l) EastGroup has a $30,332,000 non-recourse first mortgage loan with an insurance company secured by Huntwood and Wiegman.

(m) EastGroup has a $63,132,000 non-recourse first mortgage loan with an insurance company secured by Alamo Downs, Arion 1-15 & 17, Rampart I, II & III, Santan 10, and World Houston 16.

(n) EastGroup has a $64,374,000 non-recourse first mortgage loan with an insurance company secured by Beltway II, III & IV, Commerce Park 1, Eastlake, Fairgrounds I-IV, Nations Ford I-IV, Techway Southwest III, Wetmore I-IV, and World Houston 15 & 22.

(o) EastGroup has a $52,086,000 non-recourse first mortgage loan with an insurance company secured by Airport Commerce Center I & II, Interchange Park, Ridge Creek Distribution Center I, Southridge XII, Waterford Distribution Center, and World Houston 24, 25 & 27.

(p) EastGroup has a $69,376,000 non-recourse first mortgage loan with an insurance company secured by 40th Avenue, Beltway V, Centennial Park, Executive Airport, Ocean View, Techway Southwest IV, Wetmore V-VIII, and World Houston 26, 28, 29 & 30.

SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
DECEMBER 31, 2012

	Number of Loans	Interest Rate		Maturity Date	Periodic Payment Terms
First mortgage loans:					
Sabal Park Building - Tampa, Florida	1	6.00	% (a)	08/2016	Interest accrued and due monthly (01/01/09 through 07/31/13); principal paydown of $550,000 due on 08/01/13; principal and interest due monthly (beginning 08/01/13); balloon payment of $3,460,000 due at maturity (08/08/16)
JCB Limited - California	1	5.25	%	10/2017	Principal and interest due monthly
JCB Limited - California	1	5.25	%	10/2017	Principal and interest due monthly
Total mortgage loans (b)	3				

	Face Amount of Mortgages Dec. 31, 2012	Carrying Amount of Mortgages		Principal Amount of Loans Subject to Delinquent Principal or Interest (c)
	(In thousands)			
First mortgage loans:				
Sabal Park Building – Tampa, Florida	$4,150	4,116		—
JCB Limited - California	2,112	2,112		—
JCB Limited - California	3,095	3,095		—
Total mortgage loans	$9,357	9,323	(d)(e)	—

See accompanying Report of Independent Registered Public Accounting Firm on Financial Statement Schedules.

(a) This mortgage loan has a stated interest rate of 6.0% and an effective interest rate of 6.4%. A discount on mortgage loan receivable of $198,000 was recognized at the inception of the loan and is shown in the table in footnote (d) below.

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

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

(d) Changes in mortgage loans follow:

	Years Ended December 31,		
	2012	2011	2010
	(In thousands)		
Balance at beginning of year	$4,110	4,131	4,155
Advances on mortgage loans receivable	5,223	—	—

Payments on mortgage loans receivable	(20)	(33)	(37)
Amortization of discount on mortgage loan receivable	10	12	13
Balance at end of year	$9,323	4,110	4,131

(e) The aggregate cost for federal income tax purposes is approximately $9.36 million. The federal income tax return for the year ended December 31, 2012, has not been filed and, accordingly, the income tax basis of mortgage loans as of December 31, 2012, is based on preliminary data.

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 19, 2013

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 19, 2013

*
H. C. Bailey, Jr., Director
February 19, 2013

*
Hayden C. Eaves III, Director
February 19, 2013

*
Fredric H. Gould, Director
February 19, 2013

*
Mary Elizabeth McCormick, Director
February 19, 2013

*
David M. Osnos, Director
February 19, 2013

*
Leland R. Speed, Chairman of the Board
February 19, 2013

/s/ N. KEITH MCKEY
* By N. Keith McKey, Attorney-in-fact
February 19, 2013

/s/ DAVID H. HOSTER II
David H. Hoster II, Chief Executive Officer,
President & Director
(Principal Executive Officer)
February 19, 2013

/s/ BRUCE CORKERN
Bruce Corkern, Sr. Vice-President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)
February 19, 2013

/s/ N. KEITH MCKEY
N. Keith McKey, Executive Vice-President,

Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer)
February 19, 2013

EXHIBIT INDEX

(3) Exhibits:

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

Number	Description
(3)	Articles of Incorporation and Bylaws
(a)	Articles of Incorporation (incorporated by reference to Appendix B to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 5, 1997).
(b)	Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company’s Form 8-K filed December 10, 2008).
(10)	Material Contracts (*Indicates management or compensatory agreement):
(a)	EastGroup Properties, Inc. 2000 Directors Stock Option Plan (incorporated by reference to Appendix A to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 1, 2000).*
(b)	EastGroup Properties, Inc. 2004 Equity Incentive Plan (incorporated by reference to Appendix D to the Company's Proxy Statement for its Annual Meeting of Stockholders held on May 27, 2004).*
(c)	Amendment No. 1 to the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10(f) to the Company’s Form 10-K for the year ended December 31, 2006). *
(d)	Amendment No. 2 to the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10(d) to the Company’s Form 8-K filed January 8, 2007).*
(e)	EastGroup Properties, Inc. 2005 Directors Equity Incentive Plan (incorporated by reference to Appendix B to the Company’s Proxy Statement for its Annual Meeting of Stockholders held on June 2, 2005).*
(f)	Amendment No. 1 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed June 6, 2006).*
(g)	Amendment No. 2 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed June 3, 2008).*
(h)	Amendment No. 3 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed June 1, 2011).*
(i)	Amendment No. 4 to the 2005 Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 1, 2012).*
(j)	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).*
(k)	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).*
(l)	Compensation Program for Non-Employee Directors (a written description thereof is set forth in Item 5.02 of the Company’s Form 8-K filed June 1, 2012).*
(m)	Third Amended and Restated Credit Agreement Dated January 2, 2013 among EastGroup Properties, L.P.; EastGroup Properties, Inc.; PNC Bank, National Association, as Administrative Agent; Regions Bank and SunTrust Bank as Co-Syndication Agents; U.S. Bank National Association and Wells Fargo Bank, National Association as Co-Documentation Agents; 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 8, 2013).
(n)	2012 Term Loan Agreement dated as of August 31, 2012 by and among EastGroup Properties, Inc., EastGroup Properties, L.P., each of the financial institutions party thereto as lenders, PNC Bank, National Association, as administrative agent, U.S. Bank National Association, as syndication agent, and PNC Capital Markets LLC, as lead arranger and book runner (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed September 7, 2012).
(o)	First Amendment to 2012 Term Loan Agreement dated as of January 31, 2013 by and among EastGroup Properties, Inc., EastGroup Properties, L.P., PNC Bank, National Association, as administrative agent, and each of the financial institutions party thereto as lenders (filed herewith).

(p)	Sales Agency Financing Agreement dated as of September 20, 2012 between EastGroup Properties, Inc. and BNY Mellon Capital Markets, LLC (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed September 24, 2012).
(q)	Sales Agency Financing Agreement dated as of September 20, 2012 between EastGroup Properties, Inc. and Raymond James & Associates, Inc. (incorporated by reference to Exhibit 1.2 to the Company's Form 8-K filed September 24, 2012).
(21)	Subsidiaries of EastGroup Properties, Inc. (filed herewith).
(23)	Consent of KPMG LLP (filed herewith).
(24)	Powers of attorney (filed herewith).
(31)	Rule 13a-14(a)/15d-14(a) Certifications (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)
(a)	David H. Hoster II, Chief Executive Officer
(b)	N. Keith McKey, Chief Financial Officer
(32)	Section 1350 Certifications (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)
(a)	David H. Hoster II, Chief Executive Officer
(b)	N. Keith McKey, Chief Financial Officer
(101)	The following materials from EastGroup Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of income and comprehensive income, (iii) consolidated statements of changes in equity, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements.**

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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