

EASTGROUP PROPERTIES INC
Form 10-K
February 17, 2015

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, 2014

COMMISSION FILE NUMBER 1-07094

EASTGROUP PROPERTIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)
MARYLAND 13-2711135
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) 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 ()

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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, 2014, the last business day of the Registrant's most recently completed second fiscal quarter: \$1,954,758,000.

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The number of shares of common stock, \$.0001 par value, outstanding as of February 13, 2015 was 32,205,134.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2015 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, Texas (except Austin and El Paso), Arizona, Mississippi and North Carolina properties, which together account for 80% 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 13, 2015, EastGroup had 69 full-time employees and 2 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 2014, EastGroup increased its holdings in real estate properties through its acquisition and development programs. The Company purchased three warehouse distribution complexes (635,000 square feet) and 40.1 acres of development land for a total of \$56.3 million. Also during 2014, the Company began construction of 17 development projects containing 1,543,000 square feet and transferred 10 properties (949,000 square feet) from its development program to real estate properties with costs of \$59.5 million at the date of transfer.

Typically, the Company initially funds its development and acquisition programs through its \$250 million unsecured bank credit facilities. As market conditions permit, EastGroup issues equity and/or employs fixed-rate debt to replace short-term bank borrowings. In March 2014, Moody's Investors Service affirmed the Company's issuer rating of Baa2 with a stable outlook. In October 2014, Fitch Ratings affirmed the Company's issuer rating of BBB with a stable outlook. A security rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating. 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 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 and other 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;
• changes in the price of oil; 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 routinely develop 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 mid-term and 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. As of December 31, 2014, we owned operating properties totaling 6.2 million square feet in Houston, which represents 18.6% of the Company's total Real estate properties on a square foot basis. 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.

Increases in interest rates would increase our interest expense. At December 31, 2014, we had \$99.4 million of variable rate debt outstanding not protected by interest rate hedge contracts. We may incur additional variable rate debt in the future. If interest rates increase, then so would the interest expense on our unhedged variable rate debt, which would adversely affect our financial condition and results of operations. From time to time, we manage our exposure to interest rate risk with interest rate hedge contracts that effectively fix or cap a portion of our variable rate debt. In addition, we refinance fixed rate debt at times when we believe rates and terms are appropriate. Our efforts to manage these exposures may not be successful. Our use of interest rate hedge contracts to manage risk associated with interest rate volatility may expose us to additional risks, including a risk that a counterparty to a hedge contract may fail to honor its obligations. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations. There can be no assurance that our hedging activities will have the desired beneficial impact on our results of operations or financial condition. Termination of interest rate hedge contracts typically involves costs, such as transaction fees or breakage costs.

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 state of the economy or other adverse changes in general or local economic conditions 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, an adverse 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 an adverse 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.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business. We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, and maintaining personal identifying information and customer and lease data. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for the processing, transmission and storage of confidential customer data, including individually identifiable information relating to financial accounts. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. In some cases, it may be difficult to anticipate or immediately detect such incidents and the damage they cause. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a materially adverse effect on our business, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

EastGroup owned 307 industrial properties and one office building at December 31, 2014. 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 13, 2015, EastGroup's portfolio was 96.3% leased and 96.0% occupied. The Company has developed approximately 37% of its total portfolio (on a square foot basis), including real estate properties and development properties in lease-up and under construction. The Company's focus is the ownership of business distribution space (80% of the total portfolio) with the remainder in bulk distribution space (16%) and business service space (4%). Business distribution space properties are typically multi-tenant buildings with a building depth of 200 feet or less, clear

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height of 24-30 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, 2014, 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 287,000 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
2015	293	4,712,000	\$25,866,000	15.2%
2016	329	6,222,000	\$32,730,000	19.2%
2017	253	5,619,000	\$30,693,000	18.0%
2018	190	4,106,000	\$22,014,000	12.9%
2019	121	3,285,000	\$15,505,000	9.1%
2020	90	2,666,000	\$14,350,000	8.4%
2021	38	2,253,000	\$11,911,000	7.0%
2022	23	1,235,000	\$5,714,000	3.3%
2023	12	696,000	\$3,736,000	2.2%
2024 and beyond	16	1,202,000	\$6,453,000	3.8%

⁽¹⁾ Represents the monthly cash rental rates, excluding tenant expense reimbursements, as of December 31, 2014, 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 2014		Distributions	Calendar Year 2013		Distributions
	High	Low		High	Low	

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First	\$63.66	56.40	\$0.54	\$58.66	53.55	\$0.53
Second	66.24	61.06	0.54	66.99	52.47	0.53
Third	65.82	59.86	0.57	63.78	54.98	0.54
Fourth	69.90	60.05	0.57	65.13	56.25	0.54
			\$2.22			\$2.14

As of February 13, 2015, there were 542 holders of record of the Company's 32,205,134 outstanding shares of common stock. The Company distributed all of its 2014 and 2013 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 2014 and 2013.

Federal Income Tax Treatment of Share Distributions

	Years Ended December 31,	
	2014	2013
Common Share Distributions:		
Ordinary dividends	\$2.02398	1.91678
Nondividend distributions	0.08974	0.21054
Unrecaptured Section 1250 capital gain	0.09470	0.00270
Other capital gain	0.01158	0.00998
Total Common Distributions	\$2.22000	2.14000

Securities Authorized For Issuance Under Equity Compensation Plans

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

No shares of common stock were purchased by the Company or withheld by the Company to satisfy any tax withholding obligations during the three month period ended December 31, 2014.

Performance Graph

The following graph compares, over the five years ended December 31, 2014, 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,					
	2009	2010	2011	2012	2013	2014
EastGroup	\$100.00	116.71	125.99	162.24	181.21	205.17
FTSE NAREIT Equity REITs	100.00	127.96	138.57	163.60	167.64	218.17
S&P 500 Total Return	100.00	115.06	117.49	136.29	180.43	205.13

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, 2009, 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,				
	2014	2013	2012	2011	2010
OPERATING DATA					
REVENUES					
Income from real estate operations	\$219,706	201,849	185,783	173,008	171,887
Other income	123	322	61	142	82
	219,829	202,171	185,844	173,150	171,969
Expenses					
Expenses from real estate operations	62,797	57,885	52,891	48,911	50,679
Depreciation and amortization	70,314	65,789	61,345	56,739	57,806
General and administrative	12,726	11,725	10,488	10,691	10,260
Acquisition costs	210	191	188	252	72
	146,047	135,590	124,912	116,593	118,817
Operating income	73,782	66,581	60,932	56,557	53,152
Other income (expense)					
Interest expense	(35,486)	(35,192)	(35,371)	(34,709)	(35,171)
Gain on sales of real estate investments	9,188	—	—	—	—
Other	989	949	456	717	624
Income from continuing operations	48,473	32,338	26,017	22,565	18,605
Discontinued operations					
Income from real estate operations	—	89	360	269	150
Gain on sales of nondepreciable real estate investments	—	—	167	—	—
Gain on sales of real estate investments	—	798	6,343	—	—
Income from discontinued operations	—	887	6,870	269	150
Net income	48,473	33,225	32,887	22,834	18,755
Net income attributable to noncontrolling interest in joint ventures	(532)	(610)	(503)	(475)	(430)
Net income attributable to EastGroup Properties, Inc. common stockholders	47,941	32,615	32,384	22,359	18,325
Other comprehensive income (loss) - Cash flow hedges	(3,986)	2,021	(392)	—	318
TOTAL COMPREHENSIVE INCOME	\$43,955	34,636	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	\$ 1.53	1.05	0.89	0.82	0.67
Income from discontinued operations	—	0.03	0.24	0.01	0.01
Net income attributable to common stockholders	\$ 1.53	1.08	1.13	0.83	0.68
Weighted average shares outstanding	31,341	30,162	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	\$ 1.52	1.05	0.89	0.82	0.67
Income from discontinued operations	—	0.03	0.24	0.01	0.01

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Net income attributable to common stockholders	\$ 1.52	1.08	1.13	0.83	0.68
Weighted average shares outstanding	31,452	30,269	28,677	26,971	26,824
AMOUNTS ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS					
Income from continuing operations	\$47,941	31,728	25,514	22,090	18,175
Income from discontinued operations	—	887	6,870	269	150
Net income attributable to common stockholders	\$47,941	32,615	32,384	22,359	18,325
OTHER PER SHARE DATA					
Book value, at end of year	\$ 17.72	16.61	16.25	14.56	15.16
Common distributions declared	2.22	2.14	2.10	2.08	2.08
Common distributions paid	2.22	2.14	2.10	2.08	2.08
BALANCE SHEET DATA (AT END OF YEAR)					
Real estate investments, at cost ⁽¹⁾	\$2,087,821	1,938,960	1,780,098	1,669,460	1,528,048
Real estate investments, net of accumulated depreciation ⁽¹⁾	1,487,295	1,388,847	1,283,851	1,217,655	1,124,861
Total assets	1,575,824	1,473,412	1,354,102	1,286,516	1,183,276
Secured debt, unsecured debt and unsecured bank credit facilities	933,177	893,745	813,926	832,686	735,718
Total liabilities	1,000,209	954,707	862,926	880,907	771,770
Noncontrolling interest in joint ventures	4,486	4,707	4,864	2,780	2,650
Total stockholders' equity	571,129	513,998	486,312	402,829	408,856

⁽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 develops, acquires and operates distribution facilities, the majority of which are clustered around major transportation features in supply constrained submarkets in major Sunbelt regions. The Company's core markets are in the states of Florida, Texas, Arizona, California and North Carolina.

The Company believes its current operating cash flow and unsecured bank credit facilities provide the capacity to fund the operations of the Company. The Company also believes it can issue common and/or preferred equity and obtain financing from financial institutions and insurance companies. The continuous common equity program provided net proceeds to the Company of \$78.9 million during 2014. Also during 2014, the Company closed a \$75 million unsecured term loan at an effective fixed interest rate of 2.846%. These transactions are discussed in Liquidity and Capital Resources.

The Company's primary revenue is rental income; as such, EastGroup's greatest challenge is leasing space. During 2014, leases expired on 5,224,000 square feet (15.6%) of EastGroup's total square footage of 33,398,000, and the Company was successful in renewing or re-leasing 88% of the expiring square feet. In addition, EastGroup leased 1,738,000 square feet of other vacant space during the year. During 2014, average rental rates on new and renewal leases increased by 7.9%. Property net operating income (PNOI) from same properties, defined as operating properties owned during the entire current period and prior year reporting period, increased 2.3% for 2014 compared to 2013.

EastGroup's total leased percentage was 96.7% at December 31, 2014 compared to 96.2% at December 31, 2013. Leases scheduled to expire in 2015 were 14.1% of the portfolio on a square foot basis at December 31, 2014. As of February 13, 2015, leases scheduled to expire during the remainder of 2015 were 11.6% of the portfolio on a square foot basis.

The Company generates new sources of leasing revenue through its acquisition and development programs. During 2014, EastGroup acquired three operating properties (six buildings totaling 635,000 square feet) in Charlotte, Austin and Chino, California, for \$51.7 million and 40.1 acres of development land in Dallas, Phoenix and Charlotte for \$4.6 million. 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 2014, the Company began construction of 17 development projects containing 1,543,000 square feet in Houston, Dallas, San Antonio, Charlotte, Orlando, Tampa and Phoenix. Also in 2014, EastGroup transferred 10 properties (949,000 square feet) in Houston, San Antonio, Charlotte and Phoenix from its development program to real estate properties with costs of \$59.5 million at the date of transfer. As of December 31, 2014, EastGroup's development program consisted of 20 buildings (1,801,000 square feet) located in Houston, Dallas, San Antonio, Orlando, Tampa, Charlotte, Phoenix and Denver. The projected total cost for the development projects, which were collectively 31% leased as of February 13, 2015, is \$132.5 million, of which \$38.6 million remained to be invested as of December 31, 2014.

Typically, the Company initially funds its acquisition and development programs through its \$250 million unsecured bank credit facilities (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 March 2014, Moody's Investors Service affirmed the Company's issuer rating of Baa2 with a stable outlook. In October 2014, Fitch Ratings affirmed the Company's issuer rating of BBB with a stable outlook. A security rating is not a recommendation to buy,

sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating. 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 Expenses from real estate operations (including market-based internal management fee expense) plus the Company's share of income and property operating expenses from its less-than-wholly-owned real estate investments, 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 plus the Company's share of income and property operating expenses from its less-than-wholly-owned real estate investments. PNOI was calculated as follows for the three fiscal years ended December 31, 2014, 2013 and 2012.

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Income from real estate operations	\$219,706	201,849	185,783
Expenses from real estate operations	(62,797)	(57,885)	(52,891)
Noncontrolling interest in PNOI of consolidated 80% joint ventures	(848)	(961)	(990)
PNOI from 50% owned unconsolidated investment	789	793	793
PROPERTY NET OPERATING INCOME	\$156,850	143,796	132,695

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, 2014, 2013 and 2012.

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
NET INCOME	\$48,473	33,225	32,887
Interest income	(479)	(530)	(369)
Gain on sales of real estate investments	(9,188)	—	—
Company's share of interest expense from unconsolidated investment	242	293	304
Company's share of depreciation from unconsolidated investment	134	134	133
Other income	(123)	(322)	(61)

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Interest rate swap ineffectiveness	1	(29) 269
Gain on sales of non-operating real estate	(98) (24) —
Income from discontinued operations	—	(887	) (6,870)
Depreciation and amortization from continuing operations	70,314	65,789	61,345
Interest expense	35,486	35,192	35,371
General and administrative expense	12,726	11,725	10,488
Acquisition costs	210	191	188
Noncontrolling interest in PNOI of consolidated 80% joint ventures	(848	) (961	) (990)
PROPERTY NET OPERATING INCOME (PNOI)	\$156,850	143,796	132,695

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 reported 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, 2014, 2013 and 2012.

	Years Ended December 31,		
	2014	2013	2012
	(In thousands, except per share data)		
NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS	\$47,941	32,615	32,384
Depreciation and amortization from continuing operations	70,314	65,789	61,345
Depreciation and amortization from discontinued operations	—	130	929
Company's share of depreciation from unconsolidated investment	134	134	133
Depreciation and amortization from noncontrolling interest	(204)	(240)	(256)
Gain on sales of real estate investments	(9,188)	(798)	(6,343)
FUNDS FROM OPERATIONS (FFO) ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$108,997	97,630	88,192
Net income attributable to common stockholders per diluted share	\$1.52	1.08	1.13
Funds from operations attributable to common stockholders per diluted share	3.47	3.23	3.08
Diluted shares for earnings per share and funds from operations	31,452	30,269	28,677

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 2014, FFO was \$3.47 per share compared with \$3.23 per share for 2013, an increase of 7.4% per share.

For the year ended December 31, 2014, PNOI increased by \$13,054,000, or 9.1%, compared to 2013. PNOI increased \$6,710,000 from newly developed properties, \$3,650,000 from 2013 and 2014 acquisitions and \$3,136,000 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 2.3% for the year ended December 31, 2014, compared to 2013.

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, 2014, was 95.3% compared to 94.5% for 2013.

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 \$5.19 per square foot for the year ended December 31, 2014, compared to \$5.08 per square foot for 2013.

Occupancy is the percentage of leased square footage for which the lease term has commenced as compared to the total leasable square footage as of the close of the reporting period. Occupancy at December 31, 2014 was 96.3%. Quarter-end occupancy ranged from 95.0% to 96.2% over the period from December 31, 2013 to September 30, 2014.

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 2014, rental rate increases on new and renewal leases (18.9% of total square footage) averaged 7.9%.

For the year 2014, lease termination fee income was \$1,205,000 compared to \$495,000 for 2013. The Company recorded bad debt recoveries of \$4,000 in 2014 and bad debt expense of \$268,000 in 2013.

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 2014, 2013 and 2012 taxable income to its stockholders. Accordingly, no significant provisions for income taxes were necessary.

FINANCIAL CONDITION

EastGroup's assets were \$1,575,824,000 at December 31, 2014, an increase of \$102,412,000 from December 31, 2013. Liabilities increased \$45,502,000 to \$1,000,209,000, and total equity increased \$56,910,000 to \$575,615,000 during the same period. The following paragraphs explain these changes in detail.

Assets

Real Estate Properties

Real Estate Properties increased \$116,414,000 during the year ended December 31, 2014, primarily due to the transfer of 10 properties from Development, as detailed under Development below, the purchase of the operating properties detailed below and capital improvements at the Company's properties. These increases were offset by the sales of five operating properties (six buildings totaling 442,000 square feet) in Houston, Dallas, Tampa and Oklahoma City for \$21,381,000 and 0.1 acres of land in Orlando for \$141,000.

REAL ESTATE PROPERTIES ACQUIRED IN 2014	Location	Size (Square feet)	Date Acquired	Cost ⁽¹⁾ (In thousands)
Ridge Creek Distribution Center III	Charlotte, NC	270,000	05/12/2014	\$13,606
Colorado Crossing Distribution Center	Austin, TX	265,000	06/11/2014	24,358
Ramona Distribution Center	Chino, CA	100,000	12/19/2014	9,513
Total Acquisitions		635,000		\$47,477

Total cost of the properties acquired was \$51,652,000, of which \$47,477,000 was allocated to Real Estate Properties as indicated above. Intangibles associated with the purchases of real estate were allocated as follows: \$5,074,000 to in-place lease intangibles, \$4,000 to above market leases (both included in Other Assets on the Consolidated Balance Sheets) and \$903,000 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 paid cash of \$48,805,000 for the properties and intangibles acquired, assumed a mortgage of \$2,617,000 and recorded a premium of \$230,000 to adjust the mortgage loan assumed to fair value.

During 2014, the Company made capital improvements of \$19,862,000 on existing and acquired properties (included in the Capital Expenditures table under Results of Operations). Also, the Company incurred costs of \$6,950,000 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, 2014 consisted of properties in lease-up and under construction of \$93,886,000 and prospective development (primarily land) of \$86,087,000. The Company's total investment in development at December 31, 2014 was \$179,973,000 compared to \$148,767,000 at December 31, 2013. Total capital invested for development during 2014 was \$97,696,000, which primarily consisted of costs of \$69,983,000 and \$20,763,000 as detailed in the development activity table below and costs of \$6,950,000 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 \$4,040,000 during the year ended December 31, 2014, compared to \$3,730,000 during 2013. The increase in capitalized internal development costs in 2014 as compared to 2013 resulted from increased activity in the Company's development program in 2014.

During 2014, EastGroup purchased 40.1 acres of development land in Dallas, Charlotte and Phoenix for \$4,613,000. Costs associated with these acquisitions are included in the development activity table. The Company transferred 10 development properties to Real Estate Properties during 2014 with a total investment of \$59,540,000 as of the date of transfer.

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DEVELOPMENT	Building Size (Square feet)	Costs Incurred		Cumulative as of 12/31/14	Estimated Total Costs (2)	Building Completion Date
		Costs Transferred in 2014 (1)	For the Year Ended 12/31/14			
(In thousands)						
LEASE-UP						
Horizon I, Orlando, FL	109,000	\$—	1,811	7,112	7,700	02/14
Steele Creek II, Charlotte, NC	71,000	—	1,582	4,923	5,600	03/14
World Houston 39, Houston, TX	94,000	—	3,420	5,056	5,700	06/14
Steele Creek III, Charlotte, NC	108,000	2,172	5,148	7,320	8,200	07/14
World Houston 41, Houston, TX	104,000	1,184	4,162	5,346	6,900	08/14
Horizon II, Orlando, FL	123,000	2,526	5,134	7,660	8,600	09/14
Ten West Crossing 6, Houston, TX	64,000	928	3,314	4,242	4,800	10/14
West Road I, Houston, TX	63,000	1,014	3,263	4,277	4,900	10/14
Kyrene 202 I, Phoenix, AZ	75,000	971	4,968	5,939	6,900	11/14
Kyrene 202 II, Phoenix, AZ	45,000	575	2,834	3,409	4,300	11/14
Rampart IV, Denver, CO	84,000	—	5,229	6,947	8,300	11/14
Total Lease-Up	940,000	9,370	40,865	62,231	71,900	
UNDER CONSTRUCTION						Anticipated Building Completion Date
Alamo Ridge I, San Antonio, TX	96,000	1,341	4,134	5,475	6,700	01/15
Alamo Ridge II, San Antonio, TX	62,000	866	2,500	3,366	3,900	01/15
Steele Creek IV, Charlotte, NC	57,000	938	2,522	3,460	4,300	01/15
West Road III, Houston, TX	78,000	1,164	2,701	3,865	5,000	02/15
Thousand Oaks 4, San Antonio, TX	66,000	1,123	1,820	2,943	5,100	03/15
Madison II & III, Tampa, FL	127,000	951	2,729	3,680	8,000	04/15
Sky Harbor 6, Phoenix, AZ	31,000	807	813	1,620	3,100	04/15
Ten West Crossing 7, Houston, TX	68,000	962	2,208	3,170	4,900	04/15
ParkView 1-3, Dallas, TX	276,000	3,039	1,037	4,076	19,600	07/15
Total Under Construction	861,000	11,191	20,464	31,655	60,600	
PROSPECTIVE DEVELOPMENT (PRIMARILY LAND)	Estimated Building Size (Square feet)					
Phoenix, AZ	286,000	(2,353	) 1,443	3,463	21,600	
Tucson, AZ	70,000	—	—	417	5,300	
Fort Myers, FL	663,000	—	—	17,858	50,000	
Orlando, FL	1,144,000	(2,526	) 1,703	23,851	82,600	
Tampa, FL	392,000	(951	) 313	6,184	23,100	
Jackson, MS	28,000	—	—	706	2,000	
Charlotte, NC	384,000	(3,110	) 739	4,983	26,800	
Dallas, TX	169,000	(3,039) 3,439	1,649	11,200	
El Paso, TX	251,000	—	—	2,444	11,300	
Houston, TX	1,362,000	(6,864) 415	21,710	92,200	

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San Antonio, TX	254,000	(3,330) 602	2,822	16,700	
Total Prospective Development	5,003,000	(22,173) 8,654	86,087	342,800	
	6,804,000	\$(1,612	) 69,983	179,973	475,300	
DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL ESTATE PROPERTIES DURING 2014	Building Size (Square feet)					Building Completion Date
Chandler Freeways, Phoenix, AZ	126,000	\$—	—	7,858		11/13
Steele Creek I, Charlotte, NC	71,000	—	(46	) 4,221		02/14
Ten West Crossing 3, Houston, TX	68,000	—	544	4,913		09/13
Thousand Oaks 3, San Antonio, TX	66,000	—	684	4,984		07/13
Ten West Crossing 2, Houston, TX	46,000	—	860	4,949		09/13
Ten West Crossing 4, Houston, TX	68,000	—	1,350	4,811		02/14
Ten West Crossing 5, Houston, TX	101,000	—	4,652	6,064		09/14
World Houston 37, Houston, TX	101,000	—	1,291	6,670		09/13
World Houston 40, Houston, TX	202,000	—	7,020	9,050		09/14
West Road II, Houston, TX	100,000	1,612	4,408	6,020		10/14
Total Transferred to Real Estate Properties	949,000	\$1,612	20,763	59,540	(3)	

(1) Represents costs transferred from Prospective Development (primarily land) to Under Construction during the period. Negative amounts represent land inventory costs transferred to Under Construction.

(2) Included in these costs are development obligations of \$25.3 million and tenant improvement obligations of \$2.6 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 \$50,413,000 during 2014 due to depreciation expense, offset by accumulated depreciation on the properties sold during the year.

Other Assets

Other Assets increased \$82,000 during 2014. A summary of Other Assets follows:

	December 31, 2014	December 31, 2013	
	(In thousands)		
Leasing costs (principally commissions)	\$ 56,171	48,473	
Accumulated amortization of leasing costs	(22,951	) (18,855)
Leasing costs (principally commissions), net of accumulated amortization	33,220	29,618	
Straight-line rents receivable	25,013	24,030	
Allowance for doubtful accounts on straight-line rents receivable	(102	) (376)
Straight-line rents receivable, net of allowance for doubtful accounts	24,911	23,654	
Accounts receivable	4,459	4,863	
Allowance for doubtful accounts on accounts receivable	(379	) (349)
Accounts receivable, net of allowance for doubtful accounts	4,080	4,514	
Acquired in-place lease intangibles	20,118	16,793	
Accumulated amortization of acquired in-place lease intangibles	(8,345	) (5,366)
Acquired in-place lease intangibles, net of accumulated amortization	11,773	11,427	
Acquired above market lease intangibles	1,575	1,835	
Accumulated amortization of acquired above market lease intangibles	(699	) (659)
Acquired above market lease intangibles, net of accumulated amortization	876	1,176	
Mortgage loans receivable	4,991	8,894	
Discount on mortgage loans receivable	—	(24)
Mortgage loans receivable, net of discount	4,991	8,870	
Loan costs	8,166	8,050	
Accumulated amortization of loan costs	(4,454	) (3,601)
Loan costs, net of accumulated amortization	3,712	4,449	
Interest rate swap assets	812	1,692	
Goodwill	990	990	
Escrow deposits for 1031 exchange	698	—	
Prepaid expenses and other assets	7,446	7,037	
Total Other Assets	\$ 93,509	93,427	

Liabilities

Secured Debt decreased \$46,017,000 during the year ended December 31, 2014. The decrease resulted from the repayment of two mortgages totaling \$26,577,000, regularly scheduled principal payments of \$22,269,000 and mortgage loan premium amortization of \$18,000. The decreases were partially offset by a mortgage of \$2,617,000 assumed by the Company in connection

with the acquisition of Ramona Distribution Center; the Company recorded a premium of \$230,000 to adjust the mortgage loan assumed to fair value. This premium is being amortized over the remaining life of the mortgage.

Unsecured Debt increased \$75,000,000 during 2014 as a result of the closing of a \$75 million unsecured term loan in July 2014.

Unsecured Bank Credit Facilities increased \$10,449,000 during 2014 as a result of advances of \$350,214,000 exceeding repayments of \$339,765,000. The Company's credit facilities are described in greater detail under Liquidity and Capital Resources.

Accounts Payable and Accrued Expenses increased \$2,335,000 during 2014. A summary of the Company's Accounts Payable and Accrued Expenses follows:

	December 31,	
	2014	2013
	(In thousands)	
Property taxes payable	\$15,216	15,507
Development costs payable	7,920	7,679
Interest payable	3,500	3,658
Dividends payable on unvested restricted stock	2,096	1,928
Other payables and accrued expenses	10,707	8,332
Total Accounts Payable and Accrued Expenses	\$39,439	37,104

Other Liabilities increased \$3,735,000 during 2014. A summary of the Company's Other Liabilities follows:

	December 31,	
	2014	2013
	(In thousands)	
Security deposits	\$12,803	11,359
Prepaid rent and other deferred income	8,971	10,101
Acquired below market lease intangibles	3,657	2,972
Accumulated amortization of acquired below market lease intangibles	(1,380)	(874)
Acquired below market lease intangibles, net of accumulated amortization	2,277	2,098
Interest rate swap liabilities	3,314	244
Prepaid tenant improvement reimbursements	212	40
Other liabilities	16	16
Total Other Liabilities	\$27,593	23,858

Equity

Additional Paid-In Capital increased \$83,800,000 during 2014. The increase primarily resulted from the issuance of 1,246,400 shares of common stock under the Company's continuous common equity program with net proceeds to the Company of \$78,868,000. 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 2014, Distributions in Excess of Earnings increased \$22,683,000 as a result of dividends on common stock of \$70,624,000 exceeding Net Income Attributable to EastGroup Properties, Inc. Common Stockholders of \$47,941,000.

Accumulated Other Comprehensive Income (Loss) decreased \$3,986,000 during 2014. The decrease resulted from the change in fair value of the Company's interest rate swaps which are further discussed in Notes 12 and 13 in the Notes

to Consolidated Financial Statements.

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RESULTS OF OPERATIONS

2014 Compared to 2013

Net Income Attributable to EastGroup Properties, Inc. Common Stockholders for 2014 was \$47,941,000 (\$1.53 per basic and \$1.52 per diluted share) compared to \$32,615,000 (\$1.08 per basic and diluted share) for 2013. EastGroup recognized gains on sales of real estate investments of \$9,188,000 during 2014 and \$798,000 during 2013.

PNOI increased by \$13,054,000, or 9.1%, for 2014 compared to 2013. PNOI increased \$6,710,000 from newly developed properties, \$3,650,000 from 2013 and 2014 acquisitions and \$3,136,000 from same property operations. PNOI decreased \$451,000 from 2014 dispositions. For the year 2014, lease termination fee income was \$1,205,000 compared to \$495,000 for 2013. The Company recorded bad debt recoveries of \$4,000 in 2014 and bad debt expense of \$268,000 in 2013. Straight-lining of rent increased Income from real estate operations by \$1,881,000 and \$1,971,000 in 2014 and 2013, respectively.

The Company signed 157 leases with certain free rent concessions on 3,274,000 square feet during 2014 with total free rent concessions of \$3,816,000, compared to 142 leases with free rent concessions on 3,787,000 square feet with total free rent concessions of \$4,723,000 in 2013.

Property expense to revenue ratios, defined as Expenses from Real Estate Operations as a percentage of Income from Real Estate Operations, were 28.6% in 2014 compared to 28.7% in 2013. The Company's percentage of leased square footage was 96.7% at December 31, 2014, compared to 96.2% at December 31, 2013. Occupancy at the end of 2014 was 96.3% compared to 95.5% at the end of 2013.

Interest Expense increased \$294,000 for 2014 compared to 2013. The following table presents the components of Interest Expense for 2014 and 2013:

	Years Ended December 31,		
	2014	2013	Increase (Decrease)
	(In thousands, except rates of interest)		
Average unsecured bank credit facilities borrowings	\$96,162	112,971	(16,809)
Weighted average variable interest rates (excluding loan cost amortization)	1.92	% 1.87	%
VARIABLE RATE INTEREST EXPENSE			
Unsecured bank credit facilities interest (excluding loan cost amortization)	1,843	2,110	(267)
Amortization of unsecured bank credit facilities costs	413	410	3
Total variable rate interest expense	2,256	2,520	(264)
FIXED RATE INTEREST EXPENSE			
Secured debt interest (excluding loan cost amortization)	25,700	31,298	(5,598)
Unsecured debt interest ⁽¹⁾ (excluding loan cost amortization)	11,649	5,559	6,090
Amortization of secured debt costs	521	706	(185)
Amortization of unsecured debt costs	302	173	129
Total fixed rate interest expense	38,172	37,736	436

Total interest	40,428	40,256	172
Less capitalized interest	(4,942)	(5,064)	122
TOTAL INTEREST EXPENSE	\$35,486	35,192	294

⁽¹⁾ Includes interest on the Company's unsecured debt with fixed interest rates per the debt agreements or effectively fixed interest rates due to interest rate swaps, as discussed in Note 13 in the Notes to Consolidated Financial Statements.

EastGroup's variable rate interest expense decreased by \$264,000 for 2014 as compared to 2013 primarily due to decreases in the Company's average unsecured bank credit facilities borrowings.

The Company's fixed rate interest expense increased by \$436,000 for 2014 as compared to 2013. The increase was primarily due to increases in unsecured debt interest, offset by decreases in secured debt interest resulting from the Company's debt activity described below.

A summary of unsecured debt obtained in 2013 and 2014 follows:

UNSECURED DEBT	Interest Rate	Date Obtained	Maturity Date	Balance at December 31,	
				2014	2013
				(In thousands)	
\$100 Million Senior Unsecured Notes ⁽¹⁾	3.800%	08/28/2013	08/28/2025	\$100,000	100,000
\$75 Million Unsecured Term Loan ⁽²⁾	3.752%	12/20/2013	12/20/2020	75,000	75,000
\$75 Million Unsecured Term Loan ⁽³⁾	2.846%	07/31/2014	07/31/2019	75,000	—
				\$250,000	175,000

(1) Principal payments due on the \$100 million senior unsecured notes are as follows: \$30 million on August 28, 2020, \$50 million on August 28, 2023, and \$20 million on August 28, 2025.

The interest rate on this unsecured term loan is comprised of LIBOR plus 140 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into two interest rate swaps to convert the (2) loan's LIBOR rate to a fixed interest rate, providing the Company a weighted average effective interest rate on the term loan of 3.752% as of December 31, 2014. See Note 13 in the Notes to Consolidated Financial Statements for additional information on the interest rate swaps.

The interest rate on this unsecured term loan is comprised of LIBOR plus 115 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into an interest rate swap to convert the (3) loan's LIBOR rate to a fixed interest rate, providing the Company a weighted average effective interest rate on the term loan of 2.846% as of December 31, 2014. See Note 13 in the Notes to Consolidated Financial Statements for additional information on the interest rate swap.

The increase in unsecured debt interest was partially offset by decreases in secured debt interest resulting from regularly scheduled principal payments and debt repayments. Regularly scheduled principal payments on secured debt were \$22,269,000 in 2014 and \$24,420,000 in 2013. The details of the secured debt repaid in 2013 and 2014 are shown in the following table:

SECURED DEBT REPAID IN 2013 AND 2014	Interest Rate	Date Repaid	Payoff Amount
35th Avenue, Beltway I, Broadway V, Lockwood, Northwest Point, Sunbelt, Techway Southwest I and World Houston 10, 11 & 14	4.75%	08/06/13	\$33,476,000
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%	12/06/13	50,057,000
Weighted Average/Total Amount for 2013	5.35%		83,533,000
Kyrene Distribution Center	9.00%	06/30/14	11,000
Americas Ten I, Kirby, Palm River North I, II & III, Shady Trail, Westlake I & II and World Houston 17	5.68%	07/10/14	26,565,000
Weighted Average/Total Amount for 2014	5.68%		26,576,000
Weighted Average/Total Amount for 2013 and 2014	5.43%		\$110,109,000

During 2013, EastGroup did not obtain any new secured debt; in 2014, the Company assumed the secured debt detailed in the following table:

NEW SECURED DEBT IN 2014	Effective Interest Rate	Date Obtained	Maturity Date	Amount
Ramona Distribution Center ⁽¹⁾	3.85%	12/19/14	11/30/26	\$2,847,000

(1)

In connection with the acquisition of Ramona Distribution Center, the Company assumed a mortgage of \$2,617,000 and recorded a premium of \$230,000 to adjust the mortgage loan assumed to fair value. This premium is being amortized over the remaining life of the mortgage.

Interest costs during the period of construction of real estate properties are capitalized and offset against interest expense. Capitalized interest decreased \$122,000 for 2014 as compared to 2013 primarily due to decreases in the Company's overall borrowing interest rates in 2014 compared to 2013, partially offset by increased activity in the Company's development program in 2014 compared to 2013.

Depreciation and Amortization expense from continuing operations increased \$4,525,000 for 2014 compared to 2013 primarily due to the operating properties acquired by the Company during 2013 and 2014 and the properties transferred from Development in 2013 and 2014.

Capital Expenditures

Capital expenditures for EastGroup's operating properties for the years ended December 31, 2014 and 2013 were as follows:

	Estimated Useful Life	Years Ended December 31,	
		2014	2013
		(In thousands)	
Upgrade on Acquisitions	40 yrs	\$246	459
Tenant Improvements:			
New Tenants	Lease Life	7,984	8,124
New Tenants (first generation) ⁽¹⁾	Lease Life	290	110
Renewal Tenants	Lease Life	2,828	2,982
Other:			
Building Improvements	5-40 yrs	3,339	4,395
Roofs	5-15 yrs	4,367	4,005
Parking Lots	3-5 yrs	503	852
Other	5 yrs	305	511
Total Capital Expenditures		\$19,862	21,438

(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, 2014 and 2013 were as follows:

	Estimated Useful Life	Years Ended December 31,	
		2014	2013
		(In thousands)	
Development	Lease Life	\$2,866	3,895
New Tenants	Lease Life	3,606	4,317
New Tenants (first generation) ⁽¹⁾	Lease Life	217	96
Renewal Tenants	Lease Life	5,469	4,978
Total Capitalized Leasing Costs		\$12,158	13,286
Amortization of Leasing Costs ⁽²⁾		\$8,284	7,354

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

(2) Includes discontinued operations.

Discontinued Operations

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends the requirements for reporting discontinued operations. Under ASU 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component or group of components meets the criteria to be classified as held for sale or when the component or group of components is disposed of by sale or other than by sale. In addition, this ASU requires additional disclosures about both discontinued operations and the disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements. EastGroup performs an analysis of properties sold to determine whether the sales qualify for discontinued operations presentation. Typically, when the Company disposes of

operating properties, the sales are not considered to be disposals of a component of an entity or a group of components of an entity representing a strategic shift that has (or will have) a major effect on the entity's operations and financial results. The Company adopted the provisions of ASU 2014-08 as of January 1, 2014, and has applied the provisions prospectively.

Prior to the adoption of ASU 2014-08, the results of operations for the operating properties sold or held for sale during the reported periods were shown under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income. Interest expense was not generally allocated to the properties held for sale or whose operations were included under Discontinued Operations unless the mortgage was required to be paid in full upon the sale of the property. ASU 2014-08 is described in further detail under Recent Accounting Pronouncements.

During 2014, the Company sold the following properties: Northpoint Commerce Center in Oklahoma City, Tampa West Distribution Center VI in Tampa, Clay Campbell Distribution Center and Kirby Business Center in Houston, and two of its three Ambassador Row Warehouses in Dallas. The results of operations and gains on sales for the properties sold during 2014 are reported under Income from Continuing Operations on the Consolidated Statements of Income and Comprehensive Income. The gains on sales are included in Gain on sales of real estate investments.

During 2013, the Company sold three properties: Tampa West Distribution Center V and VII and Tampa East Distribution Center II in Tampa. The results of operations and gains on sales for the properties sold in 2013 are reported under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income.

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 during 2013.

DISCONTINUED OPERATIONS	Years Ended December 31,	
	2014	2013
	(In thousands)	
Income from real estate operations	\$—	306
Expenses from real estate operations	—	(87)
Property net operating income from discontinued operations	—	219
Depreciation and amortization	—	(130)
Income from real estate operations	—	89
Gain on sales of real estate investments	—	798
Income from discontinued operations	\$—	887

2013 Compared to 2012

Net Income Attributable to EastGroup Properties, Inc. Common Stockholders for 2013 was \$32,615,000 (\$1.08 per basic and diluted share) compared to \$32,384,000 (\$1.13 per basic and diluted share) for 2012. EastGroup recognized gains on sales of real estate investments of \$798,000 during 2013 and \$6,510,000 during 2012.

PNOI increased by \$11,072,000, or 8.3%, for 2013 compared to 2012. PNOI increased \$5,903,000 from 2012 and 2013 acquisitions, \$3,641,000 from newly developed properties, and \$1,660,000 from same property operations. Lease termination fee income was \$495,000 and \$389,000 in 2013 and 2012, respectively. The Company recorded bad debt expense of \$268,000 and \$630,000 in 2013 and 2012, respectively. Straight-lining of rent increased Income from real estate operations by \$1,971,000 and \$1,572,000 in 2013 and 2012, respectively.

The Company signed 142 leases with certain free rent concessions on 3,787,000 square feet during 2013 with total free rent concessions of \$4,723,000, compared to 147 leases with free rent concessions on 2,449,000 square feet with total free rent concessions of \$2,845,000 in 2012.

Property expense to revenue ratios, defined as Expenses from Real Estate Operations as a percentage of Income from Real Estate Operations, were 28.7% in 2013 compared to 28.5% in 2012. The Company's percentage of leased square footage was 96.2% at December 31, 2013, compared to 95.1% at December 31, 2012. Occupancy at the end of 2013

was 95.5% compared to 94.6% at the end of 2012.

Interest Expense decreased \$179,000 in 2013 compared to 2012. The following table presents the components of Interest Expense for 2013 and 2012:

	Years Ended December 31,		Increase (Decrease)
	2013	2012	
	(In thousands, except rates of interest)		
Average unsecured bank credit facilities borrowings	\$ 112,971	85,113	27,858
Weighted average variable interest rates (excluding loan cost amortization)	1.87	% 1.61	%
VARIABLE RATE INTEREST EXPENSE			
Unsecured bank credit facilities interest (excluding loan cost amortization)	\$2,110	1,371	739
Amortization of unsecured bank credit facilities costs	410	342	68
Total variable rate interest expense	2,520	1,713	807
FIXED RATE INTEREST EXPENSE			
Secured debt interest (excluding loan cost amortization)	31,298	34,733	(3,435)
Unsecured debt interest ⁽¹⁾ (excluding loan cost amortization)	5,559	2,724	2,835
Amortization of secured debt costs	706	780	(74)
Amortization of unsecured debt costs	173	81	92
Total fixed rate interest expense	37,736	38,318	(582)
Total interest	40,256	40,031	225
Less capitalized interest	(5,064)	(4,660)	(404)
TOTAL INTEREST EXPENSE	\$ 35,192	35,371	(179)

Includes interest on the Company's unsecured debt with fixed interest rates per the debt agreements or effectively (1) fixed interest rates due to interest rate swaps, as discussed in Note 13 in the Notes to Consolidated Financial Statements.

EastGroup's variable rate interest expense increased by \$807,000 for 2013 as compared to 2012 due to increases in the Company's average unsecured bank credit facilities borrowings and weighted average variable interest rates.

The Company's fixed rate interest expense decreased by \$582,000 for 2013 as compared to 2012. The decrease in fixed rate interest expense was primarily due to decreases in secured debt interest resulting from the repayments described below and regularly scheduled principal amortization.

Regularly scheduled secured debt principal payments were \$24,420,000 in 2013 and \$24,408,000 in 2012. The details of the secured debt repaid in 2012 and 2013 are shown in the following table:

SECURED DEBT REPAID IN 2012 AND 2013	Interest Rate	Date Repaid	Payoff Amount
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,	6.86%	06/04/12	31,724,000

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Interchange Business Park, Main Street, North Stemmons I land, Southpark, Southpointe and World Houston 12 & 13			
Interstate Distribution Center - Jacksonville	5.64%	09/04/12	4,123,000
Weighted Average/Total Amount for 2012	6.86%		49,899,000
35th Avenue, Beltway I, Broadway V, Lockwood, Northwest Point, Sunbelt, Techway Southwest I and World Houston 10, 11 & 14	4.75%	08/06/13	33,476,000
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%	12/06/13	50,057,000
Weighted Average/Total Amount for 2013	5.35%		83,533,000
Weighted Average/Total Amount for 2012 and 2013	5.91%		\$133,432,000

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During 2013, EastGroup did not close on any new secured debt; in 2012, the Company closed the new secured debt detailed in the following table:

NEW SECURED DEBT IN 2012	Interest Rate	Date Obtained	Maturity Date	Amount
Arion 18, Beltway VI & VII, Commerce Park II & III, Concord, Interstate V, VI & VII, Lakeview, Ridge Creek II, Southridge IV & V and World Houston	4.09%	01/04/12	01/05/22	\$54,000,000

The decrease in secured debt interest was partially offset by increased unsecured debt interest related to the Company's unsecured debt described below.

A summary of unsecured debt obtained in 2012 and 2013 follows:

UNSECURED DEBT	Interest Rate	Date Obtained	Maturity Date	Balance at December 31,	
				2013	2012
(In thousands)					
\$80 Million Unsecured Term Loan ⁽¹⁾	2.770%	08/31/2012	08/15/2018	\$80,000	80,000
\$100 Million Senior Unsecured Notes ⁽²⁾	3.800%	08/28/2013	08/28/2025	100,000	—
\$75 Million Unsecured Term Loan ⁽³⁾	3.752%	12/20/2013	12/20/2020	75,000	—
				\$255,000	80,000

The interest rate on this unsecured term loan is comprised of LIBOR plus 175 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into an interest rate swap to convert the (1) loan's LIBOR rate to a fixed interest rate, providing the Company an effective interest rate on the term loan of 2.770% as of December 31, 2013. See Note 13 in the Notes to Consolidated Financial Statements for additional information on the interest rate swap.

(2) Principal payments due on the \$100 million senior unsecured notes are as follows: \$30 million on August 28, 2020, \$50 million on August 28, 2023, and \$20 million on August 28, 2025.

The interest rate on this unsecured term loan is comprised of LIBOR plus 140 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into two interest rate swaps to convert the (3) loan's LIBOR rate to a fixed interest rate, providing the Company a weighted average effective interest rate on the term loan of 3.752% as of December 31, 2013. See Note 13 in the Notes to Consolidated Financial Statements for additional information on the interest rate swaps.

Interest costs during the period of construction of real estate properties are capitalized and offset against interest expense. Capitalized interest increased \$404,000 for 2013 as compared to 2012 due to increased activity in the Company's development program in 2013.

Depreciation and Amortization expense from continuing operations increased \$4,444,000 for 2013 compared to 2012 primarily due to the operating properties acquired by the Company in 2012 and 2013 and the properties transferred from Development in 2012 and 2013.

Capital Expenditures

Capital expenditures for EastGroup's operating properties for the years ended December 31, 2013 and 2012 were as follows:

	Estimated Useful Life	Years Ended December 31,	
		2013	2012
		(In thousands)	
Upgrade on Acquisitions	40 yrs	\$459	1,208
Tenant Improvements:			
New Tenants	Lease Life	8,124	7,631
New Tenants (first generation) ⁽¹⁾	Lease Life	110	362
Renewal Tenants	Lease Life	2,982	2,592
Other:			
Building Improvements	5-40 yrs	4,395	3,480
Roofs	5-15 yrs	4,005	1,819
Parking Lots	3-5 yrs	852	790
Other	5 yrs	511	282
Total Capital Expenditures		\$21,438	18,164

(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, 2013 and 2012 were as follows:

	Estimated Useful Life	Years Ended December 31,	
		2013	2012
		(In thousands)	
Development	Lease Life	\$3,895	2,185
New Tenants	Lease Life	4,317	2,941
New Tenants (first generation) ⁽¹⁾	Lease Life	96	195
Renewal Tenants	Lease Life	4,978	3,108
Total Capitalized Leasing Costs		\$13,286	8,429
Amortization of Leasing Costs ⁽²⁾		\$7,354	7,082

(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 and gains on sales for the operating properties sold in 2013 and 2012 are shown under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income. During 2013, the Company sold three properties: Tampa West Distribution Center V and VII and Tampa East Distribution Center II in Tampa. In 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.

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 2013 and 2012.

DISCONTINUED OPERATIONS	Years Ended December 31,	
	2013	2012
	(In thousands)	
Income from real estate operations	\$306	1,737
Expenses from real estate operations	(87	) (448
Property net operating income from discontinued operations	219	1,289
Depreciation and amortization	(130	) (929
Income from real estate operations	89	360
Gain on sales of nondepreciable real estate investments, net of tax (1)	—	167
Gain on sales of real estate investments	798	6,343
Income from discontinued operations	\$887	6,870

(1) 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.

RECENT ACCOUNTING PRONOUNCEMENTS

EastGroup has evaluated all ASUs released by the FASB through the date the financial statements were issued and determined that the following ASUs apply to the Company.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends the requirements for reporting discontinued operations. Under ASU 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component or group of components meets the criteria to be classified as held for sale or when the component or group of components is disposed of by sale or other than by sale. In addition, this ASU requires additional disclosures about both discontinued operations and the disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements. EastGroup performs an analysis of properties sold to determine whether the sales qualify for discontinued operations presentation. Typically, when the Company disposes of operating properties, the sales are not considered to be disposals of a component of an entity or a group of components of an entity representing a strategic shift that has (or will have) a major effect on the entity's operations and financial results. The Company adopted the provisions of ASU 2014-08 as of January 1, 2014, and has applied the provisions prospectively.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$117,401,000 for the year ended December 31, 2014. The primary other sources of cash were from borrowings on unsecured bank credit facilities, proceeds from unsecured debt, proceeds from common stock offerings and proceeds from sales of real estate investments. The Company distributed \$70,456,000 in common stock dividends during 2014. Other primary uses of cash were for repayments on unsecured bank credit facilities, secured debt repayments, development of properties, purchases of real estate and capital improvements at various properties.

Total debt at December 31, 2014 and 2013 is detailed below. The Company's unsecured 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, 2014 and 2013.

	December 31,	
	2014	2013
	(In thousands)	
Secured debt	\$453,776	499,793
Unsecured debt	380,000	305,000
Unsecured bank credit facilities	99,401	88,952
Total debt	\$933,177	893,745

EastGroup has a \$225 million unsecured revolving credit facility with a group of nine banks that matures in January 2017. The credit facility contains options for a one-year extension (at the Company's election) and a \$100 million expansion (with agreement by all parties). The interest rate on each tranche is usually reset on a monthly basis and as of December 31, 2014, was LIBOR plus 117.5 basis points with an annual facility fee of 22.5 basis points. The margin and facility fee are subject to changes in the Company's credit ratings. At December 31, 2014, the weighted average interest rate was 1.334% on a balance of \$90,000,000.

The Company also has a \$25 million unsecured revolving credit facility with PNC Bank, N.A. that matures in January 2017. This credit facility automatically extends for one year if the extension option in the \$225 million revolving credit facility is exercised. The interest rate is reset on a daily basis and as of December 31, 2014, was LIBOR plus 117.5 basis points with an annual facility fee of 22.5 basis points. The margin and facility fee are subject to changes in the Company's credit ratings. At December 31, 2014, the interest rate was 1.346% on a balance of \$9,401,000.

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 unsecured bank credit facilities provide the capacity to fund the operations of the Company. The Company also believes it can obtain financing from financial institutions and insurance companies and issue common and/or preferred equity. 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 February 19, 2014, EastGroup entered into Sales Agency Financing Agreements with BNY Mellon Capital Markets, LLC, Raymond James & Associates, Inc., and Merrill Lynch, Pierce, Fenner & Smith Incorporated pursuant to which it may issue and sell up to 10,000,000 shares of its common stock from time to time. During 2014, the Company issued and sold 1,246,400 shares of common stock under its continuous equity program at an average price of \$64.18 per share with gross proceeds to the Company of \$79,993,000. The Company incurred offering-related costs of \$1,125,000 during the year, resulting in net proceeds to the Company of \$78,868,000. As of February 17, 2015, the Company has 8,753,600 shares of common stock remaining to sell under the program.

On July 10, 2014, EastGroup repaid a mortgage loan with a balance of \$26.6 million, an interest rate of 5.68%, and a maturity date of October 10, 2014.

On July 31, 2014, EastGroup closed on a \$75 million unsecured term loan with a five year term and interest only payments. It will bear interest at the annual rate of LIBOR plus an applicable margin (currently 1.15%) based on the Company's senior unsecured long-term debt rating. Also in July, the Company entered into an interest rate swap agreement to convert the loan's LIBOR rate component to a fixed interest rate for the entire term of the loan providing a total effective fixed interest rate of 2.846%.

EastGroup has a 50% undivided tenant-in-common interest in Industry Distribution Center II; this investment is accounted for under the equity method of accounting. EastGroup and the property co-owner had a non-recourse first mortgage loan secured by the property. The loan, which had an interest rate of 5.31%, was scheduled to mature in 2030; however, the lender exercised its option to call the note on June 30, 2015. EastGroup and property co-owner

repaid the mortgage (with no penalty) on October 31, 2014; EastGroup's share of this mortgage was \$5,132,000 at the date of repayment and \$5,280,000 at December 31, 2013.

In January 2015, EastGroup reached an agreement on a \$75 million senior unsecured term loan which is expected to close in early March 2015. The loan will have a seven-year term and interest only payments. It will bear interest at the annual rate of LIBOR plus an applicable margin (currently 1.4%) based on the Company's senior unsecured long-term debt rating. The Company also entered into an interest rate swap agreement to convert the loan's LIBOR rate component to a fixed interest rate for the entire term of the loan providing a total effective fixed interest rate of 3.03%.

Contractual Obligations

EastGroup's fixed, non-cancelable obligations as of December 31, 2014 were as follows:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(In thousands)				
Secured Debt Obligations ⁽¹⁾	\$453,776	102,372	151,047	66,885	133,472
Interest on Secured Debt	78,782	21,811	30,506	17,667	8,798
Unsecured Debt ⁽¹⁾	380,000	—	—	205,000	175,000
Interest on Unsecured Debt	73,388	12,919	25,874	19,865	14,730
Unsecured Bank Credit Facilities ^{(1) (2)}	99,401	—	99,401	—	—
Interest on Unsecured Bank Credit Facilities ⁽³⁾	3,980	1,888	2,092	—	—
Operating Lease Obligations:					
Office Leases	672	341	331	—	—
Ground Leases	15,550	747	1,495	1,495	11,813
Real Estate Property Obligations ⁽⁴⁾	2,525	2,525	—	—	—
Development Obligations ⁽⁵⁾	25,297	25,297	—	—	—
Tenant Improvements ⁽⁶⁾	7,576	7,576	—	—	—
Purchase Obligations ⁽⁷⁾	—	—	—	—	—
Total	\$1,140,947	175,476	310,746	310,912	343,813

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

The Company's balances under its unsecured bank credit facilities change 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, 2014, the weighted average interest rate was 1.335% on the variable rate debt that matures in January 2017. The \$225 million unsecured credit facility has options for a one-year extension (at the Company's election) and a \$100 million expansion (with agreement by all parties). The \$25 million unsecured credit facility automatically extends for one year if the extension option in the \$225 million revolving facility is exercised. As of December 31, 2014, the interest rate on the \$225 million facility was LIBOR plus 1.175% (1.334%) 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% (1.346%) with an annual facility fee of 0.225%. The margin and facility fee are subject to changes in the Company's credit ratings.

Represents an estimate of interest due on the Company's unsecured credit facilities based on the outstanding unsecured credit facilities as of December 31, 2014 and interest rates and maturity dates on the facilities as of December 31, 2014 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.

(7) The Company had no purchase obligations as of December 31, 2014.

The Company anticipates that its current cash balance, operating cash flows, borrowings under its unsecured bank credit facilities, proceeds from new secured and unsecured debt and/or proceeds from the issuance of equity instruments will be adequate for (i) operating and administrative expenses, (ii) normal repair and maintenance expenses at its properties, (iii) debt service obligations, (iv) 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 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 a 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 unsecured bank credit facilities 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 unsecured bank credit facilities as discussed under Liquidity and Capital Resources. In addition, the Company uses interest rate swaps (as discussed in Note 13 in the Notes to Consolidated Financial Statements) 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, 2014.

	2015	2016	2017	2018	2019	Thereafter	Total	Fair Value
Secured debt (in thousands)	\$ 102,372	92,808	58,239	11,316	55,569	133,472	453,776	478,659 (1)
Weighted average interest rate	5.36	% 5.79	% 5.50	% 5.21	% 7.01	% 4.42	% 5.39	%
Unsecured debt (in thousands)	\$—	—	—	130,000	75,000	175,000	380,000	380,082 (1)
Weighted average interest rate	—	—	—	3.21	% 2.85	% 3.78	% 3.40	%
Unsecured bank credit facilities (in thousands)	\$—	—	99,401	(2) —	—	—	99,401	99,638 (3)
Weighted average interest rate	—	—	1.34	% (4) —	—	—	1.34	%

(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.

The variable rate debt matures in January 2017 and is comprised of two unsecured bank credit facilities with (2) balances of \$90,000,000 on the \$225 million unsecured bank credit facility and \$9,401,000 on the \$25 million unsecured bank credit facility as of December 31, 2014.

(3) The fair value of the Company's variable rate debt is estimated by discounting expected cash flows at current market rates.

(4) Represents the weighted average interest rate as of December 31, 2014.

As the table above incorporates only those exposures that existed as of December 31, 2014, it does not consider those exposures or positions that could arise after that date. If the weighted average interest rate on the unsecured bank credit facilities, as shown above, changes by 10% or approximately 13 basis points, interest expense and cash flows would increase or decrease by approximately \$133,000 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; the failure to maintain credit ratings with rating agencies; 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, 2014 and 2013, 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, 2014, 2013 and 2012 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, 2014, 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, 2014 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, 2014.

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)
H. Eric Bolton, Jr.	Director since 2013; Chairman and Chief Executive Officer of Mid-America Apartment Communities, Inc.
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 ("2015 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 28, 2015. The 2015 Proxy Statement will be filed within 120 days after the end of the Company's fiscal year ended December 31, 2014.

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 2015 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 2015 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION.

The information included under the following captions in the Company's 2015 Proxy Statement is incorporated herein by reference: "Compensation Discussion and Analysis," "Summary Compensation Table," "Grants of Plan-Based Awards in 2014," "Outstanding Equity Awards at 2014 Fiscal Year-End," "Option Exercises and Stock Vested in 2014," "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 2015 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 2015 Proxy Statement.

The following table summarizes the Company’s equity compensation plan information as of December 31, 2014.
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	—	—	1,900,800
Equity compensation plans not approved by security holders	—	—	—
Total	—	—	1,900,800

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 2015 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 2015 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:	
<u>Report of Independent Registered Public Accounting Firm</u>	<u>40</u>
<u>Management Report on Internal Control Over Financial Reporting</u>	<u>41</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>41</u>
<u>Consolidated Balance Sheets – December 31, 2014 and 2013</u>	<u>42</u>
<u>Consolidated Statements of Income and Comprehensive Income – Years ended December 31, 2014, 2013 and 2012</u>	<u>43</u>
<u>Consolidated Statements of Changes in Equity – Years ended December 31, 2014, 2013 and 2012</u>	<u>44</u>
<u>Consolidated Statements of Cash Flows – Years ended December 31, 2014, 2013 and 2012</u>	<u>45</u>
<u>Notes to Consolidated Financial Statements</u>	<u>46</u>
(2) Consolidated Financial Statement Schedules:	
<u>Report of Independent Registered Public Accounting Firm on Financial Statement Schedules</u>	<u>68</u>
<u>Schedule III – Real Estate Properties and Accumulated Depreciation</u>	<u>69</u>
<u>Schedule IV – Mortgage Loans on Real Estate</u>	<u>82</u>

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)	EastGroup Properties, Inc. Bylaws, Amended through December 5, 2014 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed December 10, 2014).
(10)	Material Contracts (*Indicates management or compensatory agreement):
(a)	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).*
(b)	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).*
(c)	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).

- (d) First Amendment to Third Amended and Restated Credit Agreement, dated as of August 9, 2013, among EastGroup Properties, L.P., EastGroup Properties, Inc. and PNC Bank, National Association, as administrative agent, and each of the financial institutions party thereto as lenders (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed August 30, 2013).
- (e) 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).
- (f) 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 (incorporated by reference to the Company's Form 10-K for the year ended December 31, 2012).
- (g) Second Amendment to the 2012 Term Loan Agreement, dated as of August 9, 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 (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed August 30, 2013).
- (h) EastGroup Properties, Inc. 2013 Equity Incentive Plan (incorporated by reference to Appendix A to the proxy material for the 2013 Annual Meeting of Stockholders).*
- (i) EastGroup Properties, Inc. Director Compensation Program (incorporated by reference to Exhibit 10(b) to the Company's Form 10-Q for the period ended June 30, 2013).*
- (j) Note Purchase Agreement, dated as of August 28, 2013, among EastGroup Properties, L.P., EastGroup Properties, Inc. and the purchasers of the notes party thereto (including the form of the 3.80% Senior Notes due August 28, 2025) (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 30, 2013).
- (k) 2013 Term Loan Agreement dated as of December 13, 2013 by and among EastGroup Properties, L.P., EastGroup Properties, Inc., PNC Bank, National Association, as administrative agent, PNC Capital Markets LLC, as lead arranger and bookrunner, and each of the financial institutions party thereto as lenders (incorporated by reference to Exhibit 10(m) to the Company's Form 10-K for the year ended December 31, 2013).
- (l) Sales Agency Financing Agreement dated February 19, 2014 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 February 25, 2014).
- (m) Sales Agency Financing Agreement dated February 19, 2014 between EastGroup Properties, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 1.2 to the Company's Form 8-K filed February 25, 2014).
- (n) Sales Agency Financing Agreement dated February 19, 2014 between EastGroup Properties, Inc. and Raymond James & Associates, Inc. (incorporated by reference to Exhibit 1.3 to the Company's Form 8-K filed February 25, 2014).
- (12) Statement of computation of ratio of earnings to combined fixed charges and preferred stock distributions (filed herewith)
- (21) Subsidiaries of EastGroup Properties, Inc. (filed herewith).
- (23) Consent of KPMG LLP (filed herewith).
- (24) Powers of attorney (filed herewith).

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- (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, 2014, 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.

(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, 2014 and 2013, 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, 2014. 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, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1(f) to the consolidated financial statements, the Company has changed its method of accounting for discontinued operations in 2014 due to the adoption of Accounting Standards Update 2014-08, Presentation of Financial Statements and Property, Plant and Equipment, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.

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, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 17, 2015, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(Signed) KPMG LLP

Jackson, Mississippi
February 17, 2015

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 (2013) 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 (2013), management concluded that our internal control over financial reporting was effective as of December 31, 2014.

/s/ EASTGROUP PROPERTIES, INC.

Jackson, Mississippi
February 17, 2015

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, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) 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, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) 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, 2014 and 2013, 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, 2014, and our report dated February 17, 2015, expressed an unqualified opinion on those consolidated financial statements.

(Signed) KPMG LLP

Jackson, Mississippi
February 17, 2015

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2014	2013
	(In thousands, except for share and per share data)	
ASSETS		
Real estate properties	\$1,894,973	1,778,559
Development	179,973	148,767
	2,074,946	1,927,326
Less accumulated depreciation	(600,526)	(550,113)
	1,474,420	1,377,213
Unconsolidated investment	7,884	2,764
Cash	11	8
Other assets	93,509	93,427
TOTAL ASSETS	\$1,575,824	1,473,412
LIABILITIES AND EQUITY		
LIABILITIES		
Secured debt	\$453,776	499,793
Unsecured debt	380,000	305,000
Unsecured bank credit facilities	99,401	88,952
Accounts payable and accrued expenses	39,439	37,104
Other liabilities	27,593	23,858
Total Liabilities	1,000,209	954,707
EQUITY		
Stockholders' Equity:		
Common shares; \$.0001 par value; 70,000,000 shares authorized; 32,232,587 shares issued and outstanding at December 31, 2014 and 30,937,225 at December 31, 2013	3	3
Excess shares; \$.0001 par value; 30,000,000 shares authorized; no shares issued	—	—
Additional paid-in capital on common shares	874,335	790,535
Distributions in excess of earnings	(300,852)	(278,169)
Accumulated other comprehensive income (loss)	(2,357)	1,629
Total Stockholders' Equity	571,129	513,998
Noncontrolling interest in joint ventures	4,486	4,707
Total Equity	575,615	518,705
TOTAL LIABILITIES AND EQUITY	\$1,575,824	1,473,412
See accompanying Notes to Consolidated Financial Statements.		

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

	Years Ended December 31,		
	2014	2013	2012
	(In thousands, except per share data)		
REVENUES			
Income from real estate operations	\$219,706	201,849	185,783
Other income	123	322	61
	219,829	202,171	185,844
EXPENSES			
Expenses from real estate operations	62,797	57,885	52,891
Depreciation and amortization	70,314	65,789	61,345
General and administrative	12,726	11,725	10,488
Acquisition costs	210	191	188
	146,047	135,590	124,912
OPERATING INCOME	73,782	66,581	60,932
OTHER INCOME (EXPENSE)			
Interest expense	(35,486)	(35,192)	(35,371)
Gain on sales of real estate investments	9,188	—	—
Other	989	949	456
INCOME FROM CONTINUING OPERATIONS	48,473	32,338	26,017
DISCONTINUED OPERATIONS			
Income from real estate operations	—	89	360
Gain on sales of nondepreciable real estate investments	—	—	167
Gain on sales of real estate investments	—	798	6,343
INCOME FROM DISCONTINUED OPERATIONS	—	887	6,870
NET INCOME	48,473	33,225	32,887
Net income attributable to noncontrolling interest in joint ventures	(532)	(610)	(503)
NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS	47,941	32,615	32,384
Other comprehensive income (loss) - cash flow hedges	(3,986)	2,021	(392)
TOTAL COMPREHENSIVE INCOME	\$43,955	34,636	31,992
BASIC PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Income from continuing operations	\$1.53	1.05	0.89
Income from discontinued operations	—	0.03	0.24

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Net income attributable to common stockholders	\$1.53	1.08	1.13
Weighted average shares outstanding	31,341	30,162	28,577
DILUTED PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Income from continuing operations	\$1.52	1.05	0.89
Income from discontinued operations	—	0.03	0.24
Net income attributable to common stockholders	\$1.52	1.08	1.13
Weighted average shares outstanding	31,452	30,269	28,677
AMOUNTS ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Income from continuing operations	\$47,941	31,728	25,514
Income from discontinued operations	—	887	6,870
Net income attributable to common stockholders	\$47,941	32,615	32,384

See accompanying Notes to Consolidated Financial Statements.

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 Income (Loss)	Noncontrolling Interest in Joint Ventures	Total
(In thousands, except for share and per share data)						
Balance, December 31, 2011	\$3	619,386	(216,560)	—	2,780	405,609
Net income	—	—	32,384	—	503	32,887
Net unrealized change in fair value of interest rate swaps	—	—	—	(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
Net income	—	—	32,615	—	610	33,225
Net unrealized change in fair value of interest rate swaps	—	—	—	2,021	—	2,021
Common dividends declared – \$2.14 per share	—	—	(65,535)	—	—	(65,535)
Stock-based compensation, net of forfeitures	—	5,540	—	—	—	5,540
Issuance of 890,085 shares of common stock, common stock offering, net of expenses	—	53,247	—	—	—	53,247
Issuance of 4,500 shares of common stock, options exercised	—	120	—	—	—	120
Issuance of 3,577 shares of common stock,	—	206	—	—	—	206

dividend reinvestment plan							
Withheld 9,412 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock	—	(528)	) —	—	—	(528))
Distributions to noncontrolling interest	—	—	—	—	(767)	(767))
Balance, December 31, 2013	3	790,535	(278,169)	) 1,629	4,707	518,705	
Net income	—	—	47,941	—	532	48,473	
Net unrealized change in fair value of interest rate swaps	—	—	—	(3,986)	) —	(3,986))
Common dividends declared – \$2.22 per share	—	—	(70,624)	) —	—	(70,624))
Stock-based compensation, net of forfeitures	—	6,567	—	—	—	6,567	
Issuance of 1,246,400 shares of common stock, common stock offering, net of expenses	—	78,868	—	—	—	78,868	
Issuance of 3,626 shares of common stock,	—	227	—	—	—	227	
dividend reinvestment plan							
Withheld 31,673 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock	—	(1,862)	) —	—	—	(1,862))
Distributions to noncontrolling interest	—	—	—	—	(753)	(753))
Balance, December 31, 2014	\$3	874,335	(300,852)	) (2,357)	) 4,486	575,615	

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
OPERATING ACTIVITIES			
Net income	\$48,473	33,225	32,887
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization from continuing operations	70,314	65,789	61,345
Depreciation and amortization from discontinued operations	—	130	929
Stock-based compensation expense	5,146	4,229	3,497
Gain on sales of land and real estate investments	(9,286)	(822)	(6,510)
Changes in operating assets and liabilities:			
Accrued income and other assets	467	(1,629)	601
Accounts payable, accrued expenses and prepaid rent	2,315	8,906	(1,118)
Other	(28)	(78)	177
NET CASH PROVIDED BY OPERATING ACTIVITIES	117,401	109,750	91,808
INVESTING ACTIVITIES			
Real estate development	(97,696)	(76,240)	(55,404)
Purchases of real estate	(48,805)	(72,397)	(51,750)
Real estate improvements	(20,524)	(20,807)	(18,135)
Proceeds from sales of real estate investments	20,625	4,273	17,087
Capital contributions to unconsolidated investment	(5,132)	—	(5,223)
Repayments on mortgage loans receivable	3,902	463	20
Changes in accrued development costs	241	509	1,242
Changes in other assets and other liabilities	(12,125)	(11,912)	(7,745)
NET CASH USED IN INVESTING ACTIVITIES	(159,514)	(176,111)	(119,908)
FINANCING ACTIVITIES			
Proceeds from unsecured bank credit facilities	350,214	424,375	284,877
Repayments on unsecured bank credit facilities	(339,765)	(411,583)	(363,233)
Proceeds from secured debt	—	—	54,000
	(48,846)	(107,953)	(74,308)

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Repayments on secured debt			
Proceeds from unsecured debt	75,000	175,000	80,000
Debt issuance costs	(499	) (2,222	) (1,490
Distributions paid to stockholders (not including dividends accrued on unvested restricted stock)	(70,456	) (64,798	) (61,297
Proceeds from common stock offerings	78,868	53,247	109,588
Proceeds from exercise of stock options	—	120	108
Proceeds from dividend reinvestment plan	216	206	219
Other	(2,616	) (1,281	) 720
NET CASH PROVIDED BY FINANCING ACTIVITIES	42,116	65,111	29,184
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3	(1,250	) 1,084
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8	1,258	174
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$11	8	1,258
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest, net of amount capitalized of \$4,942, \$5,064 and \$4,660 for 2014, 2013 and 2012, respectively	\$34,426	32,880	34,385
Fair value of debt assumed by the Company in the purchase of real estate	2,846	—	—
See accompanying Notes to Consolidated Financial Statements.			

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

DECEMBER 31, 2014, 2013 and 2012

(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, 2014, 2013 and 2012, 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 2014, 2013 and 2012 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 2014, 2013 and 2012.

Federal Income Tax Treatment of Share Distributions

	Years Ended December 31,		
	2014	2013	2012
Common Share Distributions:			
Ordinary dividends	\$2.02398	1.91678	1.64506
Nondividend distributions	0.08974	0.21054	0.29240
Unrecaptured Section 1250 capital gain	0.09470	0.00270	0.14942
Other capital gain	0.01158	0.00998	0.01312
Total Common Distributions	\$2.22000	2.14000	2.10000

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 2010 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, 2014 and 2013.

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 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.

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

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 lo