

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
of incorporation or organization)

(I.R.S. Employer
Identification No.)

190 EAST CAPITOL STREET

SUITE 400

JACKSON, MISSISSIPPI

39201

(Address of principal executive offices)

(Zip code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

SHARES OF COMMON STOCK, \$.0001 PAR VALUE,

NEW YORK STOCK EXCHANGE

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES (x) NO ()

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

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

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

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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.

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

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	(In thousands, except per share 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 INCOMEATTRIBUTABLE 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		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	Building Size (Square feet)					
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.

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

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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:

				Balance at December 31,	
UNSECURED DEBT	Interest Rate	Date Obtained	Maturity Date	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	—	167
(1)		
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.

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The Company recognizes gains on sales of real estate in accordance with the principles set forth in ASC 360, Property, Plant and Equipment. Upon closing of real estate transactions, the provisions of ASC 360 require consideration for the transfer of rights of ownership to the purchaser, receipt of an adequate cash down payment from the purchaser, adequate continuing investment by the purchaser and no substantial continuing involvement by the Company. If the requirements for recognizing gains have not been met, the sale and related costs are recorded, but the gain is deferred and recognized by a method other than the full accrual method.

The Company recognizes interest income on mortgage loans on the accrual method unless a significant uncertainty of collection exists. If a significant uncertainty exists, interest income is recognized as collected. Discounts on mortgage loans receivable are amortized over the lives of the loans using a method that does not differ materially from the interest method. The Company evaluates the collectibility of both interest and principal on each of its loans to determine whether the loans are impaired. A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan's effective interest rate or to the fair value of the underlying collateral (if the loan is collateralized) less costs to sell. As of December 31, 2014 and 2013, there was no significant uncertainty of collection; therefore, interest income was recognized, and the discount on mortgage loans receivable was amortized. As of December 31, 2014 and 2013, the Company determined that no allowance for collectibility of the mortgage loans receivable was necessary.

(d) Real Estate Properties

EastGroup has one reportable segment—industrial properties. These properties are concentrated in major Sunbelt markets of the United States, primarily in the states of Florida, Texas, Arizona, California and North Carolina, have similar economic characteristics and also meet the other criteria that permit the properties to be aggregated into one reportable segment.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows (including estimated future expenditures necessary to substantially complete the asset) expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2014 and 2013, the Company determined that no impairment charges on the Company's real estate properties were necessary.

Depreciation of buildings and other improvements is computed using the straight-line method over estimated useful lives of generally 40 years for buildings and 3 to 15 years for improvements. Building improvements are capitalized, while maintenance and repair expenses are charged to expense as incurred. Significant renovations and improvements that improve or extend the useful life of the assets are capitalized. Depreciation expense for continuing and discontinued operations was \$57,303,000, \$54,284,000 and \$51,564,000 for 2014, 2013 and 2012, respectively.

(e) Development

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

only for the portion of the building that remains vacant. When the property becomes 80% occupied or one year after completion of the shell construction (whichever comes first), capitalization of development costs, including interest expense, property taxes and internal personnel costs, ceases. The properties are then transferred to Real estate properties, and depreciation commences on the entire property (excluding the land).

(f) Real Estate Held for Sale

The Company considers a real estate property to be held for sale when it meets the criteria established under ASC 360, Property, Plant and Equipment, including when it is probable that the property will be sold within a year. Real estate properties held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale.

In April 2014, the FASB issued Accounting Standards Update (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

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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 are included under Discontinued Operations unless the mortgage is required to be paid in full upon the sale of the property.

(g) Derivative Instruments and Hedging Activities

EastGroup applies ASC 815, Derivatives and Hedging, which requires all entities with derivative instruments to disclose information regarding how and why the entity uses derivative instruments and how derivative instruments and related hedged items affect the entity's financial position, financial performance and cash flows. See Note 13 for a discussion of the Company's derivative instruments and hedging activities.

(h) Cash Equivalents

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

(i) Amortization

Debt origination costs are deferred and amortized over the term of each loan using the effective interest method. Amortization of loan costs for continuing operations was \$1,236,000, \$1,289,000 and \$1,203,000 for 2014, 2013 and 2012, respectively.

Leasing costs are deferred and amortized using the straight-line method over the term of the lease. Leasing costs paid during the period are included in Changes in other assets and other liabilities in the Investing Activities section on the Consolidated Statements of Cash Flows. Leasing costs amortization expense for continuing and discontinued operations was \$8,284,000, \$7,354,000 and \$7,082,000 for 2014, 2013 and 2012, respectively.

Amortization expense for in-place lease intangibles is disclosed below in Business Combinations and Acquired Intangibles.

(j) Business Combinations and Acquired Intangibles

Upon acquisition of real estate properties, the Company applies the principles of ASC 805, Business Combinations, which requires that acquisition-related costs be recognized as expenses in the periods in which the costs are incurred and the services are received. The Codification also provides guidance on how to properly determine the allocation of the purchase price among the individual components of both the tangible and intangible assets based on their respective fair values. Goodwill is recorded when the purchase price exceeds the fair value of the assets and liabilities acquired. 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 Company determines whether any financing assumed is above or below market based upon comparison to similar financing terms for similar properties. The cost of the properties acquired may be adjusted based on indebtedness assumed from the seller that is determined to be above or below market rates.

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.

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Amortization of above and below market leases increased rental income by \$421,000 in 2014 and \$188,000 in 2013, and decreased income by \$350,000 in 2012. Amortization expense for in-place lease intangibles for continuing and discontinued operations was \$4,727,000, \$4,281,000 and \$3,628,000 for 2014, 2013 and 2012, respectively.

Projected amortization of in-place lease intangibles for the next five years as of December 31, 2014 is as follows:

Years Ending December 31,	(In thousands)
2015	\$3,960
2016	2,555
2017	1,657
2018	1,158
2019	793

During 2014, EastGroup acquired the following operating properties: Ridge Creek Distribution Center III in Charlotte, North Carolina; Colorado Crossing Distribution Center in Austin, Texas; and Ramona Distribution Center in Chino, California. The Company purchased these properties for a total cost of \$51,652,000, of which \$47,477,000 was allocated to Real estate properties. The Company allocated \$10,822,000 of the total purchase price to land using third party land valuations for the Charlotte, Austin and Chino markets. The market values are considered to be Level 3 inputs as defined by ASC 820, Fair Value Measurements and Disclosures (see Note 18 for additional information on ASC 820). Intangibles associated with the purchase of real estate were allocated as follows: \$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). 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 2013, EastGroup acquired the following operating properties: Northfield Distribution Center in Dallas, Texas, and Interchange Park II in Charlotte, North Carolina. The Company purchased these properties for a total cost of \$72,397,000, of which \$65,387,000 was allocated to Real estate properties. The Company allocated \$13,218,000 of the total purchase price to land using third party land valuations for the Dallas and Charlotte markets. The market values are considered to be Level 3 inputs as defined by ASC 820. Intangibles associated with the purchase of real estate were allocated as follows: \$8,399,000 to in-place lease intangibles, \$158,000 to above market leases and \$1,547,000 to below market leases.

During 2012, EastGroup acquired the following operating properties: Madison Distribution Center in Tampa, Florida; Wiegman Distribution Center II in Hayward, California; and Valwood Distribution Center in Dallas, Texas. The Company purchased these properties for a total cost of \$51,750,000, of which \$48,934,000 was allocated to Real estate properties. The Company allocated \$7,435,000 of the total purchase price to land using third party land valuations for the Tampa, Hayward and Dallas markets. The market values are considered to be Level 3 inputs as defined by ASC 820. Intangibles associated with the purchase of real estate were allocated as follows: \$3,305,000 to in-place lease intangibles, \$244,000 to above market leases and \$733,000 to below market leases.

The Company periodically reviews the recoverability of goodwill (at least annually) and the recoverability of other intangibles (on a quarterly basis) for possible impairment. In management's opinion, no impairment of goodwill and other intangibles existed at December 31, 2014 and 2013.

(k) Stock-Based Compensation

In May 2004, the stockholders of the Company approved the EastGroup Properties, Inc. 2004 Equity Incentive Plan ("the 2004 Plan"), which was further amended by the Board of Directors in September 2005 and December 2006. This plan authorized the issuance of common stock to employees in the form of options, stock appreciation rights, restricted stock, deferred stock units, performance shares, bonus stock or stock in lieu of cash compensation.

In April 2013, the Board of Directors adopted the EastGroup Properties, Inc. 2013 Equity Incentive Plan (the "2013 Equity Plan") upon the recommendation of the Compensation Committee; the 2013 Equity Plan was approved by the Company's stockholders and became effective May 29, 2013. The 2013 Equity Plan replaced the 2004 Plan and the 2005 Directors Equity Incentive Plan. Typically, the Company issues new shares to fulfill stock grants or upon the exercise of stock options.

EastGroup applies the provisions of ASC 718, Compensation – Stock Compensation, to account for its stock-based compensation plans. ASC 718 requires that the compensation cost relating to share-based payment transactions be recognized in the financial

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statements and that the cost be measured on the fair value of the equity or liability instruments issued. The cost for market-based awards and awards that only require service are expensed on a straight-line basis over the requisite service periods. The cost for performance-based awards is determined using the graded vesting attribution method which recognizes each separate vesting portion of the award as a separate award on a straight-line basis over the requisite service period. This method accelerates the expensing of the award compared to the straight-line method.

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

During the restricted period for awards no longer subject to contingencies, the Company accrues dividends and holds the certificates for the shares; however, the employee can vote the shares. Share certificates and dividends are delivered to the employee as they vest.

(l) Earnings Per Share

The Company applies ASC 260, Earnings Per Share, which requires companies to present basic and diluted earnings per share (EPS). Basic EPS represents the amount of earnings for the period attributable to each share of common stock outstanding during the reporting period. The Company's basic EPS is calculated by dividing Net Income Attributable to EastGroup Properties, Inc. Common Stockholders by the weighted average number of common shares outstanding. The weighted average number of common shares outstanding does not include any potentially dilutive securities or any unvested restricted shares of common stock. These unvested restricted shares, although classified as issued and outstanding, are considered forfeitable until the restrictions lapse and will not be included in the basic EPS calculation until the shares are vested.

Diluted EPS represents the amount of earnings for the period attributable to each share of common stock outstanding during the reporting period and to each share that would have been outstanding assuming the issuance of common shares for all dilutive potential common shares outstanding during the reporting period. The Company calculates diluted EPS by dividing Net Income Attributable to EastGroup Properties, Inc. Common Stockholders by the weighted average number of common shares outstanding plus the dilutive effect of unvested restricted stock and stock options had the options been exercised. The dilutive effect of stock options and their equivalents (such as unvested restricted stock) is determined using the treasury stock method which assumes exercise of the options as of the beginning of the period or when issued, if later, and assumes proceeds from the exercise of options are used to purchase common stock at the average market price during the period.

(m) Use of Estimates

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

(n) Risks and Uncertainties

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

(o) 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 is described in further detail in Note 1(f).

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.

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(p) Classification of Book Overdraft on Consolidated Statements of Cash Flows

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

(q) Reclassifications

Certain reclassifications have been made in the 2013 and 2012 consolidated financial statements to conform to the 2014 presentation.

(2) REAL ESTATE PROPERTIES

The Company's Real estate properties and Development at December 31, 2014 and 2013 were as follows:

	December 31,	
	2014	2013
	(In thousands)	
Real estate properties:		
Land	\$283,116	265,871
Buildings and building improvements	1,284,961	1,210,318
Tenant and other improvements	326,896	302,370
Development	179,973	148,767
	2,074,946	1,927,326
Less accumulated depreciation	(600,526)	(550,113)
	\$1,474,420	1,377,213

EastGroup acquired operating properties during 2014, 2013 and 2012 as discussed in Note 1(j).

Real estate properties held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale. In 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. 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 in Note 1(f).

In 2014, the Company sold the following operating properties: Northpoint Commerce Center, Tampa West Distribution Center VI, Clay Campbell Distribution Center, Kirby Business Center and two of its three Ambassador Row Warehouses. 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.

In 2013, the Company sold the following operating properties: Tampa East Distribution Center II, Tampa West Distribution Center V and Tampa West Distribution Center VII. In 2012, the Company sold the following operating properties: Tampa East Distribution Center III, Tampa West Distribution Center VIII, Estrella Distribution Center and Braniff Distribution Center. The results of operations and gains on sales for the properties sold in 2012 and 2013 are

reported under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income.

In accordance with the guidelines established under ASC 360, the results of operations for the properties sold or held for sale during 2012 and 2013 are shown under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income. No interest expense was allocated to the properties held for sale or whose operations are included under Discontinued Operations.

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Gain on Sales of Real Estate

A summary of gain on sales of real estate for the years ended December 31, 2014, 2013 and 2012 follows:

Real Estate Properties	Location	Size (in Square Feet)	Date Sold	Net Sales Price	Basis	Recognized Gain
(In thousands)						
2014						
Northpoint Commerce Center	Oklahoma City, OK	58,000	03/28/2014	\$3,471	3,376	95
Tampa West Distribution Center VI	Tampa, FL	9,000	07/08/2014	682	446	236
Clay Campbell Distribution Center	Houston, TX	118,000	09/30/2014	7,690	2,826	4,864
Kirby Business Center	Houston, TX	125,000	09/30/2014	5,306	2,989	2,317
Ambassador Row Warehouses	Dallas, TX	132,000	12/30/2014	3,358	1,682	1,676
Total for 2014				\$20,507	11,319	9,188
2013						
Tampa West Distribution Center V	Tampa, FL	12,000	12/20/2013	\$609	442	167
Tampa West Distribution Center VII	Tampa, FL	6,000	12/20/2013	422	417	5
Tampa East Distribution Center II	Tampa, FL	31,000	12/30/2013	1,929	1,303	626
Total for 2013				\$2,960	2,162	798
2012						
Tampa East Distribution Center III and Tampa West Distribution Center VIII	Tampa, FL	10,500	02/15/2012	\$538	371	167
Estrella Distribution Center	Phoenix, AZ	174,000	06/13/2012	6,861	4,992	1,869
Braniff Distribution Center	Tulsa, OK	259,000	12/27/2012	9,688	5,214	4,474
Total for 2012				\$17,087	10,577	6,510

The table above includes sales of operating properties; the Company also sold parcels of land during the years presented. During the year ended December 31, 2014, EastGroup sold a small parcel of land in Orlando for a net sales price of \$118,000 and recognized a gain of \$98,000. During 2013, the Company sold a small parcel of land in Orlando for a net sales price of \$1,313,000 and recognized a gain of \$24,000. EastGroup did not sell any land in 2012. The gains on sales of land are included in Other on the Consolidated Statements of Income and Comprehensive Income.

The following table presents the components of revenues and expenses for the 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

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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.

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The Company's development program as of December 31, 2014, was comprised of the properties detailed in the table below. Costs incurred include capitalization of interest costs during the period of construction. The interest costs capitalized on development properties for 2014 were \$4,942,000 compared to \$5,064,000 for 2013 and \$4,660,000 for 2012. In addition, EastGroup capitalized internal development costs of \$4,040,000 during the year ended December 31, 2014, compared to \$3,730,000 during 2013 and \$2,810,000 in 2012.

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).

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DEVELOPMENT		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)				
	(Unaudited) Building Size (Square feet)				(Unaudited)	(Unaudited)
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	
						Anticipated
UNDER CONSTRUCTION						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	
		Estimated				
PROSPECTIVE DEVELOPMENT		Building				
(PRIMARILY LAND)		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	

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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	
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.

(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.

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The following schedule indicates approximate future minimum rental receipts under non-cancelable leases for real estate properties by year as of December 31, 2014:

Future Minimum Rental Receipts Under Non-Cancelable Leases

Years Ending December 31,	(In thousands)
2015	\$163,356
2016	130,512
2017	99,822
2018	72,788
2019	53,451
Thereafter	91,343
Total minimum receipts	\$611,272

Ground Leases

As of December 31, 2014, the Company owned two properties in Florida, two properties in Texas and one property in Arizona that are subject to ground leases. These leases have terms of 40 to 50 years, expiration dates of August 2031 to November 2037, and renewal options of 15 to 35 years, except for the one lease in Arizona which is automatically and perpetually renewed annually. Total ground lease expenditures for continuing and discontinued operations for the years ended December 31, 2014, 2013 and 2012 were \$745,000, \$740,000 and \$733,000, respectively. Payments are subject to increases at 3 to 10 year intervals based upon the agreed or appraised fair market value of the leased premises on the adjustment date or the Consumer Price Index percentage increase since the base rent date. The following schedule indicates approximate future minimum ground lease payments for these properties by year as of December 31, 2014:

Future Minimum Ground Lease Payments

Years Ending December 31,	(In thousands)
2015	\$747
2016	747
2017	747
2018	747
2019	747
Thereafter	11,815
Total minimum payments	\$15,550

(3) UNCONSOLIDATED INVESTMENT

The Company owns a 50% undivided tenant-in-common interest in Industry Distribution Center II, a 309,000 square foot warehouse distribution building in the City of Industry (Los Angeles), California. The building was constructed in 1998 and is 100% leased through December 2015 to a single tenant who owns the other 50% interest in the property. This investment is accounted for under the equity method of accounting and had a carrying value of \$7,884,000 at December 31, 2014, and \$2,764,000 at December 31, 2013.

At the end of May 2005, EastGroup and the property co-owner closed a non-recourse first mortgage loan secured by Industry Distribution Center II. The \$13.3 million loan had a 25-year term and an interest rate of 5.31% through June 30, 2015, when the rate was to adjust on an annual basis according to the "A" Moody's Daily Long-Term Corporate Bond Yield Average. The lender had the option to call the note on June 30, 2015. The Company and the property co-owner repaid (with no penalty) the mortgage on October 31, 2014; EastGroup's share of this mortgage was

\$5,132,000 on the date of repayment and \$5,280,000 at December 31, 2013.

(4)MORTGAGE LOANS RECEIVABLE

During 2014, one of EastGroup's mortgage loans receivable was repaid; the loan had a balance of \$3,552,000 when it was repaid on October 31, 2014. As of December 31, 2014, the Company had two mortgage loans receivable, both of which are classified as first mortgage loans. The mortgage loans have effective interest rates of 5.25% and mature on October 2017. Mortgage loans

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
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receivable, net of discount, are included in Other Assets on the Consolidated Balance Sheets. See Note 5 for a summary of Other Assets.

(5) OTHER ASSETS

A summary of the Company's 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

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

(6) SECURED AND UNSECURED DEBT

A summary of Secured Debt follows:

Property	Interest Rate	Monthly P&I Payment	Maturity Date	Carrying Amount of Securing Real Estate at December 31, 2014 (In thousands)	Balance at December 31,	
					2014	2013
Kyrene Distribution Center	9.00%	11,246	Repaid	\$—	—	76
Americas Ten I, Kirby, Palm River North I, II & III, Shady Trail, Westlake I & II and World Houston 17	5.68%	175,479	Repaid	—	—	26,907
Beltway II, III & IV, Commerce Park 1, Eastlake, Fairgrounds I-IV, Nations Ford I-IV, Techway Southwest III, Wetmore I-IV and World Houston 15 & 22	5.50%	536,552	04/05/2015	62,155	58,262	61,402
Country Club I, Lake Pointe, Techway Southwest II and World Houston 19 & 20	4.98%	256,952	12/05/2015	19,936	26,074	27,812
Huntwood and Wiegman I-IV Distribution Centers	5.68%	265,275	09/05/2016	20,114	27,246	28,833
Alamo Downs, Arion 1-15 & 17, Rampart I, II, III & IV, Santan 10 and World Houston 16	5.97%	557,467	11/05/2016	58,028	56,945	60,131
Arion 16, Broadway VI, Chino, East University I & II, Northpark I-IV, Santan 10 II, 55 th Avenue and World Houston 1 & 2, 21 & 23	5.57%	518,885	09/05/2017	51,215	54,259	57,368
Dominguez, Industry I & III, Kingsview, Shaw, Walnut and Washington ⁽¹⁾	7.50%	539,747	05/05/2019	46,075	56,970	59,087
Blue Heron Distribution Center II	5.39%	16,176	02/29/2020	4,295	884	1,026
40 th Avenue, Beltway V, Centennial Park, Executive Airport, Ocean View, Techway Southwest IV, Wetmore V-VIII and World Houston 26, 28, 29 & 30	4.39%	463,778	01/05/2021	70,078	64,119	66,805
America Plaza, Central Green, Glenmont I & II, Interstate I, II & III, Rojas, Stemmons Circle, Venture, West Loop I & II and World Houston 3-9	4.75%	420,045	06/05/2021	43,524	57,579	59,827
Arion 18, Beltway VI & VII, Commerce Park II & III, Concord Distribution Center, Interstate Distribution Center V, VI & VII, Lakeview Business Center, Ridge Creek	4.09%	329,796	01/05/2022	61,150	48,592	50,519

Distribution Center II, Southridge IV & V
and World Houston 32

Ramona Distribution Center	3.85%	16,287	11/30/2026	9,499	2,846	—
				\$446,069	453,776	499,793

- (1) This mortgage loan has a recourse liability of \$5.0 million which will be released based on the secured properties generating certain base rent amounts.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
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A summary of Unsecured Debt follows:

	Interest Rate	Maturity Date	Balance at December 31, 2014 2013 (In thousands)	
\$80 Million Unsecured Term Loan ⁽¹⁾	2.770%	08/15/2018	\$80,000	80,000
\$50 Million Unsecured Term Loan	3.910%	12/21/2018	50,000	50,000
\$75 Million Unsecured Term Loan ⁽²⁾	2.846%	07/31/2019	75,000	—
\$75 Million Unsecured Term Loan ⁽³⁾	3.752%	12/20/2020	75,000	75,000
\$100 Million Senior Unsecured Notes ⁽⁴⁾	3.800%	08/28/2025	100,000	100,000
			\$380,000	305,000

(1) 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 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, 2014. See Note 13 for additional information on the interest rate swap.

(2) 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 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 for additional information on the interest rate swap.

(3) 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 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 for additional information on the interest rate swaps.

(4) 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 Company's unsecured term loans have certain restrictive covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage, and the Company was in compliance with all of its debt covenants at December 31, 2014.

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

Principal payments on long-term debt, including secured and unsecured debt, due during the next five years as of December 31, 2014 are as follows:

Years Ending December 31,	(In thousands)
2015	\$102,372
2016	92,808
2017	58,239
2018	141,316
2019	130,569

(7) UNSECURED BANK CREDIT FACILITIES

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 had an additional \$135,000,000 remaining on the unsecured bank credit facility at that date.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
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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. The Company had an additional \$15,599,000 remaining on the unsecured bank credit facility at that date.

Average unsecured bank credit facilities borrowings were \$96,162,000 in 2014 compared to \$112,971,000 in 2013 with weighted average interest rates of 1.92% in 2014 compared to 1.87% in 2013. Weighted average interest rates (including amortization of loan costs) were 2.35% for 2014 and 2.23% for 2013. Amortization of unsecured bank credit facilities costs was \$413,000, \$410,000 and \$342,000 for 2014, 2013 and 2012, respectively.

The Company's unsecured bank credit facilities have certain restrictive covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage, and the Company was in compliance with all of its debt covenants at December 31, 2014.

(8) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

(9) OTHER LIABILITIES

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 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

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

(10)COMMON STOCK ACTIVITY

The following table presents the common stock activity for the three years ended December 31, 2014:

	Years Ended December 31,		
	2014	2013	2012
	Common Shares		
Shares outstanding at beginning of year	30,937,225	29,928,490	27,658,059
Common stock offerings	1,246,400	890,085	2,179,153
Stock options exercised	—	4,500	4,500
Dividend reinvestment plan	3,626	3,577	3,915
Incentive restricted stock granted	71,642	112,099	111,732
Incentive restricted stock forfeited	(2,375)	) —	—
Director common stock awarded	7,742	7,469	7,326
Director restricted stock granted	—	417	—
Restricted stock withheld for tax obligations	(31,673)	) (9,412)	) (36,195)
Shares outstanding at end of year	32,232,587	30,937,225	29,928,490

Common Stock Issuances

The following table presents the common stock issuance activity for the three years ended December 31, 2014:

Years Ended December 31,	Number of Common Shares Issued	Net Proceeds (In thousands)
2014	1,246,400	\$78,868
2013	890,085	53,247
2012	2,179,153	109,588

Dividend Reinvestment Plan

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

(11)STOCK-BASED COMPENSATION

The Company follows the provisions of ASC 718, Compensation – Stock Compensation, to account for its stock-based compensation plans. ASC 718 requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements and that the cost be measured on the fair value of the equity or liability instruments issued.

Equity Incentive Plan

In May 2004, the stockholders of the Company approved the EastGroup Properties, Inc. 2004 Equity Incentive Plan (the “2004 Plan”) that authorized the issuance of up to 1,900,000 shares of common stock to employees in the form of options, stock appreciation rights, restricted stock, deferred stock units, performance shares, bonus stock or stock in lieu of cash compensation. The 2004 Plan was further amended by the Board of Directors in September 2005 and December 2006.

In April 2013, the Board of Directors adopted the EastGroup Properties, Inc. 2013 Equity Incentive Plan (the “2013 Equity Plan”) upon the recommendation of the Compensation Committee; the 2013 Equity Plan was approved by the Company's stockholders and became effective May 29, 2013. The 2013 Equity Plan replaced the 2004 Plan and the 2005 Directors Equity Incentive Plan. The 2013 Equity Plan permits the grant of awards to employees and directors with respect to 2,000,000 shares of common stock.

There were 1,900,800 and 1,971,164 total shares available for grant under the 2013 Equity Plan as of December 31, 2014 and 2013, respectively. Under the 2004 Plan, total shares available for grant were 1,330,619 at December 31, 2012. Typically, the Company issues new shares to fulfill stock grants.

Stock-based compensation cost was \$6,071,000, \$5,087,000 and \$4,087,000 for 2014, 2013 and 2012, respectively, of which \$1,415,000, \$1,253,000 and \$920,000 were capitalized as part of the Company's development costs for the respective years.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
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Employee Equity Awards

The Company's restricted stock program is designed to provide incentives for management to achieve goals established by the Compensation Committee. The awards act as a retention device, as they vest over time, allowing participants to benefit from dividends on shares as well as potential stock appreciation. Equity awards align management's interests with the long-term interests of shareholders. The vesting periods of the Company's restricted stock plans vary, as determined by the Compensation Committee. Restricted stock is granted to executive officers subject to both continued service and the satisfaction of certain annual performance goals and multi-year market conditions as determined by the Compensation Committee. Restricted stock is granted to non-executive officers subject only to continued service. The cost for market-based awards and awards that only require service is amortized on a straight-line basis over the requisite service periods.

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

In March 2014, the Compensation Committee of the Company's Board of Directors (the Committee) evaluated the Company's performance compared to certain annual performance goals for the year ended December 31, 2013. Based on the evaluation, 39,211 shares were awarded to the Company's executive officers at a grant date fair value of \$61.96 per share. These shares vested 20% on the dates shares were determined and awarded and will vest 20% per year on January 1 in years 2015, 2016, 2017 and 2018. The shares will be expensed on a straight-line basis over the remaining service period.

Also in March 2014, the Committee evaluated the Company's total return, both on an absolute basis for 2013 as well as on a relative basis compared to the NAREIT Equity Index, NAREIT Industrial Index and Russell 2000 Index for the five-year period ended December 31, 2013. Based on the evaluation, 32,431 shares were awarded to the Company's executive officers at a grant date fair value of \$61.96 per share. These shares vested 25% on the dates shares were determined and awarded and will vest 25% per year on January 1 in years 2015, 2016 and 2017. The shares will be expensed on a straight-line basis over the remaining service period.

In the second quarter of 2014, the Company's Board of Directors approved an equity compensation plan for its executive officers based upon the attainment of certain annual performance measures (primarily funds from operations (FFO) per share and total shareholder return). Any shares issued pursuant to this compensation plan will be determined by the Compensation Committee in its discretion and issued in the first quarter of 2015. The number of shares to be issued on the grant date could range from zero to 44,524. These shares will vest 20% on the date shares are determined and awarded and generally will vest 20% per year on each January 1 for the subsequent four years.

Also in the second quarter of 2014, EastGroup's Board of Directors approved a long-term equity compensation plan for the Company's executive officers. The awards will be based on the results of the Company's total shareholder return, both on an absolute basis for 2014 as well as on a relative basis compared to the NAREIT Equity Index, NAREIT Industrial Index and Russell 2000 Index over the five-year period ended December 31, 2014. Any shares issued pursuant to this equity compensation plan will be determined by the Compensation Committee and issued in the first quarter of 2015. The number of shares to be issued on the grant date could range from zero to 46,719. These shares will vest 25% on the date shares are determined and awarded and generally will vest 25% per year on each January 1 for the subsequent three years.

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

During the restricted period for awards no longer subject to contingencies, the Company accrues dividends and holds the certificates for the shares; however, the employee can vote the shares. For shares subject to contingencies, dividends are accrued based upon the number of shares expected to be awarded. Share certificates and dividends are delivered to the employee as they vest. As of December 31, 2014, there was \$6,833,000 of unrecognized compensation cost related to unvested restricted stock compensation that is expected to be recognized over a weighted average period of 2.26 years.

Following is a summary of the total restricted shares granted, forfeited and delivered (vested) to employees with the related weighted average grant date fair value share prices for 2014, 2013 and 2012. Of the shares that vested in 2014, 2013 and 2012, 31,673 shares, 9,412 shares and 36,195 shares, respectively, were withheld by the Company to satisfy the tax obligations for those employees who elected this option as permitted under the applicable equity plan. The fair value of shares that were granted during 2014, 2013 and 2012 was \$4,439,000, \$6,364,000 and \$5,451,000, respectively. As of the vesting date, the fair value of shares that vested during 2014, 2013 and 2012 was \$5,712,000, \$1,700,000 and \$6,630,000, respectively.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
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Restricted Stock Activity:	Years Ended December 31, 2014		2013		2012	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested at beginning of year	293,989	\$47.17	212,206	\$42.84	235,929	\$38.90
Granted	71,642	61.96	112,099	56.77	111,732	48.79
Forfeited	(2,375)	52.72	—	—	—	—
Vested	(97,345)	50.76	(30,316)	52.32	(135,455)	40.88
Unvested at end of year	265,911	49.79	293,989	47.17	212,206	42.84

Following is a vesting schedule of the total unvested shares as of December 31, 2014:

Unvested Shares Vesting Schedule	Number of Shares
2015	88,678
2016	93,320
2017	28,918
2018	18,995
2019	16,200
2020	19,800
Total Unvested Shares	265,911

Employee Stock Options

The Company has not granted stock options to employees since 2002. Outstanding employee stock options vested equally over a two-year period; accordingly, all options are now vested. There were no employee stock option exercises during 2014, 2013 or 2012.

Directors Equity Awards

The Company previously had a directors equity plan that was approved by stockholders and adopted in 2005 (the "2005 Plan"), which authorized the issuance of up to 50,000 shares of common stock through awards of shares and restricted shares granted to non-employee directors of the Company. The 2005 Plan was further amended by the Board of Directors in May 2006, May 2008, May 2011 and May 2012. The 2005 Plan was replaced by the 2013 Equity Plan effective May 29, 2013, and the Board of Directors has adopted a policy under the 2013 Equity Plan pursuant to which awards will be made to non-employee Directors. The current policy provides that the Company shall automatically award an annual retainer share award to each non-employee Director who has been elected or reelected as a member of the Board of Directors at the Annual Meeting. The number of shares shall be equal to \$70,000 divided by the fair market value of a share on the date of such election. If a non-employee Director is elected or appointed to the Board of Directors other than at an Annual Meeting of the Company, the annual retainer share award shall be pro rated. The policy also provides that each new non-employee Director appointed or elected will receive an automatic award of restricted shares of Common Stock on the effective date of election or appointment equal to \$25,000 divided by the fair market value of the Company's Common Stock on such date. These restricted shares will vest over a four-year period upon the performance of future service as a Director, subject to certain exceptions.

Directors were issued 7,742 shares, 7,469 shares and 7,326 shares of common stock as annual retainer awards for 2014, 2013 and 2012, respectively. In addition, during 2013, 417 shares were granted to a newly elected

non-employee Director subject only to continued service as of the vesting date. The shares, which have a grant date fair value of \$59.97 per share, vested 25% on December 6, 2014 and will vest 25% per year on December 6 in years 2015, 2016 and 2017. As of the vesting date, the fair value of shares that vested during 2014 was \$7,000. Stock-based compensation expense for directors was \$490,000, \$395,000 and \$330,000 for 2014, 2013 and 2012, respectively.

There were no director stock options exercised in 2014. The intrinsic value realized by directors from the exercise of options was \$172,000 and \$116,000 for 2013 and 2012, respectively. There were no director stock options granted or expired during the years presented below. Following is a summary of the total director stock options exercised with related weighted average exercise share prices for 2014, 2013 and 2012.

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	Years Ended December 31,				2012	
	2014	2013	2012	2011	2010	2009
Stock Option Activity:	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	—	\$—	4,500	\$26.60	9,000	\$25.31
Exercised	—	—	(4,500)	26.60	(4,500)	24.02
Outstanding at end of year	—	—	—	—	4,500	26.60
Exercisable at end of year	—	\$—	—	\$—	4,500	\$26.60

(12) COMPREHENSIVE INCOME

Total Comprehensive Income is comprised of net income plus all other changes in equity from non-owner sources and is presented on the Consolidated Statements of Income and Comprehensive Income. The components of Accumulated Other Comprehensive Income (Loss) for 2014, 2013 and 2012 are presented in the Company's Consolidated Statements of Changes in Equity and are summarized below. See Note 13 for additional information on the Company's interest rate swaps.

	Years Ended December 31,		
	2014	2013	2012
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):	(In thousands)		
Balance at beginning of year	\$1,629	(392)	—
Change in fair value of interest rate swaps	(3,986)	2,021	(392)
Balance at end of year	\$(2,357)	1,629	(392)

(13) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

As of December 31, 2014, the Company had four interest rate swaps outstanding, all of which are used to hedge the variable cash flows associated with unsecured loans. The Company executed an \$80,000,000 interest rate swap

associated with an \$80,000,000 unsecured loan during the third quarter of 2012. The interest rate swap converts the loan's LIBOR rate component to a fixed interest rate for the entire term of the loan, and the Company has concluded that the hedging relationship is highly effective. During the third quarter of 2013, the Company entered into two forward starting interest rate swaps totaling \$75,000,000 which are hedging an unsecured loan which closed in December 2013; the interest rate swaps convert the loan's LIBOR rate component to a fixed interest rate for the entire term of the loan, and the Company has concluded that the hedging relationships are highly effective. During the third quarter of 2014, EastGroup executed a \$75,000,000 interest rate swap associated with a \$75,000,000 unsecured loan. The interest rate swap converts the loan's LIBOR rate component to a fixed interest rate for the entire term of the loan, and the Company has concluded that the hedging relationship is highly effective.

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

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in Other Comprehensive Income (Loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives, which is immaterial for the periods reported, is recognized directly in earnings (included in Other on the Consolidated Statements of Income and Comprehensive Income).

Amounts reported in Other Comprehensive Income (Loss) related to derivatives will be reclassified to Interest Expense as interest payments are made on the Company's variable-rate debt. The Company estimates that an additional \$3,038,000 will be reclassified from Other Comprehensive Income as an increase to Interest Expense over the next twelve months.

As of January 1, 2013, the Company changed its valuation methodology for over-the-counter ("OTC") derivatives to discount cash flows based on Overnight Index Swap ("OIS") rates. Uncollateralized or partially-collateralized trades are discounted at OIS, but include appropriate economic adjustments for funding costs (i.e., a LIBOR-OIS basis adjustment to approximate uncollateralized cost of funds) and credit risk. The Company made the changes to better align its inputs, assumptions, and pricing methodologies with those used in its principal market by most dealers and major market participants. The changes in valuation methodology were applied prospectively as a change in accounting estimate and are immaterial to the Company's financial statements.

As of December 31, 2014 and 2013, the Company had the following outstanding interest rate derivatives that are designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Notional Amount as of December 31, 2014	Notional Amount as of December 31, 2013
Interest Rate Swap	\$80,000,000	\$80,000,000
Interest Rate Swap	\$75,000,000	—
Interest Rate Swap	\$60,000,000	\$60,000,000
Interest Rate Swap	\$15,000,000	\$15,000,000

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of December 31, 2014 and 2013. See Note 18 for additional information on the fair value of the Company's interest rate swaps.

	Derivatives As of December 31, 2014		Derivatives As of December 31, 2013	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest rate swap assets	Other Assets	\$812,000	Other Assets	\$1,692,000
Interest rate swap liabilities	Other Liabilities	3,314,000	Other Liabilities	244,000

The table below presents the effect of the Company's derivative financial instruments on the Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2014, 2013 and 2012:

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS			
Interest Rate Swaps:	\$ (6,777)	1,350	(593)

Amount of income (loss) recognized in Other Comprehensive Income on derivatives

Amount of loss reclassified from Accumulated Other Comprehensive

Income (Loss) into Interest Expense (2,791) (671) (201)

MARK TO MARKET DERIVATIVES

Interest Rate Swaps:

Amount of loss recognized in earnings — — (242)

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

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

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

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

As of December 31, 2014, the fair value of derivatives in an asset position related to these agreements was \$812,000, and the fair value of derivatives in a liability position related to these agreements was \$3,314,000. If the Company breached any of the contractual provisions of the derivative contract, it would be required to settle its obligation under the agreements at the swap termination value. As of December 31, 2014, the swap termination value of derivatives in an asset position was an asset in the amount of \$822,000, and the swap termination value of derivatives in a liability position was a liability in the amount of \$3,324,000.

(14) EARNINGS PER SHARE

The Company applies ASC 260, Earnings Per Share, which requires companies to present basic and diluted EPS. Reconciliation of the numerators and denominators in the basic and diluted EPS computations is as follows:

	2014	2013	2012
	(In thousands)		
BASIC EPS COMPUTATION FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Numerator – net income attributable to common stockholders	\$47,941	32,615	32,384
Denominator – weighted average shares outstanding	31,341	30,162	28,577
DILUTED EPS COMPUTATION FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS			
Numerator – net income attributable to common stockholders	\$47,941	32,615	32,384
Denominator:			
Weighted average shares outstanding	31,341	30,162	28,577
Common stock options	—	1	3
Unvested restricted stock	111	106	97
Total Shares	31,452	30,269	28,677

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

(15) QUARTERLY RESULTS OF OPERATIONS – UNAUDITED

	2014 Quarter Ended				2013 Quarter Ended			
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
	(In thousands, except per share data)							
Revenues	\$53,128	54,037	63,693	59,148	48,424	49,351	51,427	53,918
Expenses	(44,614)	(44,795)	(45,832)	(46,292)	(41,117)	(41,596)	(42,932)	(45,137)
Income from continuing operations	8,514	9,242	17,861	12,856	7,307	7,755	8,495	8,781
Income from discontinued operations	—	—	—	—	1	35	19	832
Net income	8,514	9,242	17,861	12,856	7,308	7,790	8,514	9,613
Net income attributable to noncontrolling interest in joint ventures	(142)	(124)	(132)	(134)	(154)	(147)	(151)	(158)
Net income attributable to EastGroup Properties, Inc. common stockholders	\$8,372	9,118	17,729	12,722	7,154	7,643	8,363	9,455
BASIC PER SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS ⁽¹⁾								
Net income attributable to common stockholders	\$0.27	0.29	0.56	0.40	0.24	0.25	0.28	0.31
Weighted average shares outstanding	30,806	31,137	31,515	31,892	29,809	29,991	30,281	30,556
DILUTED PER SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS ⁽¹⁾								
Net income attributable to common stockholders	\$0.27	0.29	0.56	0.40	0.24	0.25	0.28	0.31
Weighted average shares outstanding	30,886	31,244	31,644	32,043	29,890	30,096	30,400	30,699

(1) The above quarterly earnings per share calculations are based on the weighted average number of common shares outstanding during each quarter for basic earnings per share and the weighted average number of outstanding common shares and common share equivalents during each quarter for diluted earnings per share. The annual earnings per share calculations in the Consolidated Statements of Income and Comprehensive Income are based on

the weighted average number of common shares outstanding during each year for basic earnings per share and the weighted average number of outstanding common shares and common share equivalents during each year for diluted earnings per share. The sum of quarterly financial data may vary from the annual data due to rounding.

(16)DEFINED CONTRIBUTION PLAN

EastGroup maintains a 401(k) plan for its employees. The Company makes matching contributions of 50% of the employee's contribution (limited to 10% of compensation as defined by the plan) and may also make annual discretionary contributions. The Company's total expense for this plan was \$457,000, \$550,000 and \$425,000 for 2014, 2013 and 2012, respectively.

(17)LEGAL MATTERS

The Company is not presently involved in any material litigation nor, to its knowledge, is any material litigation threatened against the Company or its properties, other than routine litigation arising in the ordinary course of business.

(18) FAIR VALUE OF FINANCIAL
INSTRUMENTS

ASC 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also provides guidance for using fair value to measure financial assets and liabilities. The Codification requires disclosure of the level within the fair value hierarchy in which the fair value measurements fall, including measurements using quoted prices in active markets for identical assets or liabilities (Level 1), quoted prices for similar instruments in active markets or quoted prices for identical or

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

similar instruments in markets that are not active (Level 2), and significant valuation assumptions that are not readily observable in the market (Level 3).

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments in accordance with ASC 820 at December 31, 2014 and 2013.

	December 31, 2014		2013	
	Carrying Amount ⁽¹⁾	Fair Value	Carrying Amount ⁽¹⁾	Fair Value
	(In thousands)			
Financial Assets:				
Cash and cash equivalents	\$ 11	11	8	8
Cash held in escrow for 1031 exchange	698	698	—	—
Mortgage loans receivable, net of discount	4,991	5,055	8,870	9,040
Interest rate swap assets	812	812	1,692	1,692
Financial Liabilities:				
Secured debt	453,776	478,659	499,793	519,390
Unsecured debt	380,000	380,082	305,000	294,860
Unsecured bank credit facilities	99,401	99,638	88,952	89,140
Interest rate swap liabilities	3,314	3,314	244	244

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

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

Cash and cash equivalents: The carrying amounts approximate fair value due to the short maturity of those instruments.

Cash held in escrow for 1031 exchange (included in Other Assets on the Consolidated Balance Sheets): The carrying amounts approximate fair value due to the short maturity of those instruments.

Mortgage loans receivable, net of discount (included in Other Assets on the Consolidated Balance Sheets): The fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities (Level 2 input).

Interest rate swap assets (included in Other Assets on the Consolidated Balances Sheets): The instruments are recorded at fair value based on models using inputs, such as interest rate yield curves, LIBOR swap curves and OIS curves, observable for substantially the full term of the contract (Level 2 input). See Note 13 for additional information on the Company's interest rate swaps.

Secured debt: The fair value of the Company's secured 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 (Level 2 input).

Unsecured debt: The fair value of the Company's unsecured 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 (Level 2 input).

Unsecured bank credit facilities: The fair value of the Company's unsecured bank credit facilities is estimated by discounting expected cash flows at current market rates (Level 2 input).

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

(19) SUBSEQUENT EVENTS

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%.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULES

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

Under date of February 17, 2015, we reported on 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, which are included in the 2014 Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules as listed in Item 15(a)(2) of Form 10-K. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

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

As discussed in note 1(f) to the consolidated financial statements, the Company has elected to change its method of accounting for discontinued operations in 2014.

(Signed) KPMG LLP

Jackson, Mississippi
February 17, 2015

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition		Gross Amount Carried at Close of Period		Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Total			
Real Estate Properties (c):										
Industrial:										
FLORIDA										
Tampa										
56th Street Commerce Park	\$ —	843	3,567	4,146	843	7,713	8,556	5,278	1993	1981/86/97
Jetport Commerce Park	—	1,575	6,591	5,029	1,575	11,620	13,195	7,202	1993-99	1974-85
Westport Commerce Center	—	980	3,800	2,509	980	6,309	7,289	4,099	1994	1983/87
Benjamin Distribution Center I & II	—	843	3,963	1,478	883	5,401	6,284	3,323	1997	1996
Benjamin Distribution Center III	—	407	1,503	471	407	1,974	2,381	1,452	1999	1988
Palm River Center	—	1,190	4,625	2,405	1,190	7,030	8,220	4,102	1997/98	1990/97/98
Palm River North I & III	—	1,005	4,688	2,275	1,005	6,963	7,968	3,705	1998	2000
Palm River North II	—	634	4,418	381	634	4,799	5,433	3,146	1997/98	1999
Palm River South I	—	655	3,187	570	655	3,757	4,412	1,504	2000	2005
Palm River South II	—	655	—	4,360	655	4,360	5,015	1,848	2000	2006
Walden Distribution Center I	—	337	3,318	450	337	3,768	4,105	1,818	1997/98	2001
Walden Distribution Center II	—	465	3,738	932	465	4,670	5,135	2,385	1998	1998
Oak Creek Distribution Center I	—	1,109	6,126	1,364	1,109	7,490	8,599	3,237	1998	1998
Oak Creek Distribution Center II	—	647	3,603	1,046	647	4,649	5,296	2,000	2003	2001
	—	439	—	3,178	556	3,061	3,617	941	2005	2007

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Oak Creek Distribution Center III										
Oak Creek Distribution Center IV	—	805	6,472	660	805	7,132	7,937	2,064	2005	2001
Oak Creek Distribution Center V	—	724	—	5,816	916	5,624	6,540	1,764	2005	2007
Oak Creek Distribution Center VI	—	642	—	5,039	812	4,869	5,681	1,160	2005	2008
Oak Creek Distribution Center IX	—	618	—	4,925	780	4,763	5,543	917	2005	2009
Oak Creek Distribution Center A	—	185	—	1,428	185	1,428	1,613	346	2005	2008
Oak Creek Distribution Center B	—	227	—	1,485	227	1,485	1,712	334	2005	2008
Airport Commerce Center	—	1,257	4,012	846	1,257	4,858	6,115	2,327	1998	1998
Westlake Distribution Center	—	1,333	6,998	2,122	1,333	9,120	10,453	4,577	1998	1998/99
Expressway Commerce Center I	—	915	5,346	1,028	915	6,374	7,289	2,785	2002	2004
Expressway Commerce Center II	—	1,013	3,247	383	1,013	3,630	4,643	1,643	2003	2001
Silo Bend Distribution Center	—	4,131	27,497	954	4,131	28,451	32,582	3,305	2011	1987/90
Tampa East Distribution Center	—	791	4,758	53	791	4,811	5,602	736	2011	1984

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized	Gross Amount Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Subsequent to Acquisition	Land	Buildings and Improvements	Total			
Tampa West Distribution Center	—	2,139	8,502	866	2,139	9,368	11,507	1,245	2011	1975/93/94
Madison Distribution Center	—	495	2,779	254	495	3,033	3,528	389	2012	2007
Orlando Chancellor Center	—	291	1,711	241	291	1,952	2,243	1,064	1996/97	1996/97
Exchange Distribution Center I	—	603	2,414	2,049	603	4,463	5,066	2,944	1994	1975
Exchange Distribution Center II	—	300	945	298	300	1,243	1,543	612	2002	1976
Exchange Distribution Center III	—	320	997	399	320	1,396	1,716	741	2002	1980
Sunbelt Distribution Center	—	1,474	5,745	5,368	1,474	11,113	12,587	7,361	1989/97/98	1974/87/97/98
John Young Commerce Center I	—	497	2,444	870	497	3,314	3,811	1,690	1997/98	1997/98
John Young Commerce Center II	—	512	3,613	399	512	4,012	4,524	2,312	1998	1999
Altamonte Commerce Center I	—	1,498	2,661	2,474	1,498	5,135	6,633	3,366	1999	1980/82
Altamonte Commerce Center II	—	745	2,618	1,140	745	3,758	4,503	1,776	2003	1975
Sunport Center I	—	555	1,977	671	555	2,648	3,203	1,297	1999	1999
Sunport Center II	—	597	3,271	1,460	597	4,731	5,328	3,071	1999	2001
Sunport Center III	—	642	3,121	769	642	3,890	4,532	1,814	1999	2002
Sunport Center IV	—	642	2,917	1,426	642	4,343	4,985	1,742	1999	2004

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Sunport Center V	—	750	2,509	2,145	750	4,654	5,404	2,374	1999	2005
Sunport Center VI	—	672	—	3,434	672	3,434	4,106	1,095	1999	2006
Southridge Commerce Park I	—	373	—	4,708	373	4,708	5,081	2,421	2003	2006
Southridge Commerce Park II	—	342	—	4,417	342	4,417	4,759	1,887	2003	2007
Southridge Commerce Park III	—	547	—	5,424	547	5,424	5,971	1,630	2003	2007
Southridge Commerce Park IV (h)	3,274	506	—	4,561	506	4,561	5,067	1,448	2003	2006
Southridge Commerce Park V (h)	3,015	382	—	4,284	382	4,284	4,666	1,696	2003	2006
Southridge Commerce Park VI	—	571	—	5,182	571	5,182	5,753	1,347	2003	2007
Southridge Commerce Park VII	—	520	—	6,333	520	6,333	6,853	1,736	2003	2008
Southridge Commerce Park VIII	—	531	—	6,343	531	6,343	6,874	1,413	2003	2008
Southridge Commerce Park IX	—	468	—	6,401	468	6,401	6,869	601	2003	2012
Southridge Commerce Park X	—	414	—	4,826	414	4,826	5,240	231	2003	2012
Southridge Commerce Park XI	—	513	—	5,870	513	5,870	6,383	398	2003	2012
Southridge Commerce Park XII	—	2,025	—	16,930	2,025	16,930	18,955	3,268	2005	2008

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs	Gross Amount Carried at			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Capitalized	Close of Period					
				Subsequent to Acquisition	Land	Buildings and Improvements	Total			
Jacksonville										
Deerwood Distribution Center	—	1,147	1,799	2,886	1,147	4,685	5,832	2,333	1989	1978
Phillips Distribution Center	—	1,375	2,961	4,283	1,375	7,244	8,619	4,686	1994	1984/95
Lake Pointe Business Park (i)	12,218	3,442	6,450	7,366	3,442	13,816	17,258	9,289	1993	1986/87
Ellis Distribution Center	—	540	7,513	1,087	540	8,600	9,140	4,027	1997	1977
Westside Distribution Center	—	1,170	12,400	4,889	1,170	17,289	18,459	9,114	1997	1984
12th Street Distribution Center	—	841	2,974	1,455	841	4,429	5,270	906	2008	1985
Beach Commerce Center	—	476	1,899	615	476	2,514	2,990	1,203	2000	2000
Interstate Distribution Center	—	1,879	5,700	1,563	1,879	7,263	9,142	3,144	2005	1990
Fort Lauderdale/Palm Beach area										
Linpro Commerce Center	—	613	2,243	1,597	616	3,837	4,453	2,885	1996	1986
Cypress Creek Business Park	—	—	2,465	1,700	—	4,165	4,165	2,565	1997	1986
Lockhart Distribution Center	—	—	3,489	2,655	—	6,144	6,144	3,577	1997	1986
Interstate Commerce Center	—	485	2,652	783	485	3,435	3,920	2,038	1998	1988
Executive Airport Commerce Ctr (m)	8,419	1,991	4,857	5,101	1,991	9,958	11,949	3,981	2001	2004/06
Sample 95 Business Park	—	2,202	8,785	3,040	2,202	11,825	14,027	6,857	1996/98	1990/99
Blue Heron Distribution Center	—	975	3,626	1,751	975	5,377	6,352	3,084	1999	1986
Blue Heron Distribution Center	884	1,385	4,222	809	1,385	5,031	6,416	2,121	2004	1988
II										
Blue Heron Distribution Center	—	450	—	2,663	450	2,663	3,113	633	2004	2009
III										
Fort Myers										

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SunCoast Commerce Center	—	911	—	4,768	928	4,751	5,679	1,346	2005	2008
I SunCoast Commerce Center	—	911	—	4,952	928	4,935	5,863	1,547	2005	2007
II SunCoast Commerce Center	—	1,720	—	6,376	1,763	6,333	8,096	1,462	2006	2008
III CALIFORNIA San Francisco area Wiegman Distribution Center	10,163	2,197	8,788	1,836	2,308	10,513	12,821	5,234	1996	1986/87
I (j) Wiegman Distribution Center	—	2,579	4,316	2	2,579	4,318	6,897	303	2012	1998
II Huntwood Distribution Center	17,083	3,842	15,368	2,324	3,842	17,692	21,534	9,007	1996	1988
(j) San Clemente Distribution Center	—	893	2,004	852	893	2,856	3,749	1,489	1997	1978
Yosemite Distribution Center	—	259	7,058	1,022	259	8,080	8,339	4,003	1999	1974/87

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Initial Cost to the Company		Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at Close of Period		Buildings and Improvements Total	Accumulated Depreciation	Year Acquired	Year Constructed
	Encumbrances	Land			Land					
Los Angeles area										
Kingsview Industrial Center (e)	2,812	643	2,573	615	643	3,188	3,831	1,652	1996	1980
Dominguez Distribution Center (e)	8,222	2,006	8,025	1,170	2,006	9,195	11,201	4,930	1996	1977
Main Street Distribution Center	—	1,606	4,103	787	1,606	4,890	6,496	2,401	1999	1999
Walnut Business Center (e)	6,848	2,885	5,274	1,170	2,885	6,444	9,329	3,294	1996	1966/90
Washington Distribution Center (e)	5,281	1,636	4,900	658	1,636	5,558	7,194	2,688	1997	1996/97
Chino Distribution Center (f)	9,489	2,544	10,175	1,623	2,544	11,798	14,342	6,509	1998	1980
Industry Distribution Center I (e)	18,039	10,230	12,373	1,970	10,230	14,343	24,573	7,013	1998	1959
Industry Distribution Center III (e)	2,096	—	3,012	(157)	—	2,855	2,855	2,854	2007	1992
Chestnut Business Center	—	1,674	3,465	209	1,674	3,674	5,348	1,630	1998	1999
Los Angeles Corporate Center	—	1,363	5,453	2,940	1,363	8,393	9,756	4,837	1996	1986
Ramona Distribution Center	2,846	3,761	5,751	—	3,761	5,751	9,512	13	2014	1984
Santa Barbara University Business Center	—	5,517	22,067	5,095	5,519	27,160	32,679	14,436	1996	1987/88
Castilian Research Center	—	2,719	1,410	4,840	2,719	6,250	8,969	1,264	2005	2007
Fresno	13,672	2,465	11,627	4,532	2,465	16,159	18,624	9,101	1998	1978/81/87

Shaw Commerce Center (e) San Diego Eastlake Distribution Center (l) Ocean View Corporate Center (m) TEXAS Dallas Interstate Distribution Center I & II (g) Interstate Distribution Center III (g) Interstate Distribution Center IV Interstate Distribution Center V, VI & VII (h) Venture Warehouses (g) Stemmons Circle (g) Ambassador Row Warehouses North Stemmons II	7,160	3,046	6,888	1,732	3,046	8,620	11,666	4,567	1997	1989
	10,019	6,577	7,105	539	6,577	7,644	14,221	1,881	2010	2005
	6,019	1,746	4,941	2,403	1,746	7,344	9,090	5,312	1988	1978
	2,322	519	2,008	980	519	2,988	3,507	1,528	2000	1979
	—	416	2,481	405	416	2,886	3,302	1,217	2004	2002
	4,667	1,824	4,106	1,294	1,824	5,400	7,224	1,903	2009	1979/80/81
	5,041	1,452	3,762	2,399	1,452	6,161	7,613	4,354	1988	1979
	1,998	363	2,014	640	363	2,654	3,017	1,612	1998	1977
	—	675	2,701	1,340	675	4,041	4,716	2,689	1998	1958/65
	—	150	583	435	150	1,018	1,168	460	2002	1971

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition		Gross Amount Carried at Close of Period		Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Total			
North Stemmons III	—	380	2,066	48	380	2,114	2,494	507	2007	1974
Shady Trail Distribution Center	—	635	3,621	857	635	4,478	5,113	1,816	2003	1998
Valwood Distribution Center	—	4,361	34,405	1,364	4,361	35,769	40,130	3,300	2012	1986/87/97/98
Northfield Distribution Center	—	12,471	50,713	377	12,471	51,090	63,561	4,542	2013	1999-2001/03/04/08
Houston Northwest Point Business Park	—	1,243	5,640	4,659	1,243	10,299	11,542	6,519	1994	1984/85
Lockwood Distribution Center	—	749	5,444	1,985	749	7,429	8,178	4,004	1997	1968/69
West Loop Distribution Center (g)	5,040	905	4,383	2,324	905	6,707	7,612	3,942	1997/2000	1980
World Houston Int'l Business Ctr 1 & 2 (f)	5,186	660	5,893	1,285	660	7,178	7,838	4,008	1998	1996
World Houston Int'l Business Ctr 3, 4 & 5 (g)	5,669	1,025	6,413	1,123	1,025	7,536	8,561	3,860	1998	1998
World Houston Int'l Business Ctr 6 (g)	2,179	425	2,423	442	425	2,865	3,290	1,598	1998	1998
World Houston Int'l Business Ctr 7 & 8 (g)	6,227	680	4,584	4,139	680	8,723	9,403	4,661	1998	1998
World Houston Int'l Business Ctr 9 (g)	4,462	800	4,355	1,584	800	5,939	6,739	2,364	1998	1998
World Houston Int'l Business Ctr 10	—	933	4,779	327	933	5,106	6,039	2,074	2001	1999
	—	638	3,764	1,191	638	4,955	5,593	2,344	1999	1999

World Houston										
Int'l Business										
Ctr 11										
World Houston										
Int'l Business	—	340	2,419	387	340	2,806	3,146	1,413	2000	2002
Ctr 12										
World Houston										
Int'l Business	—	282	2,569	350	282	2,919	3,201	1,718	2000	2002
Ctr 13										
World Houston										
Int'l Business	—	722	2,629	535	722	3,164	3,886	1,528	2000	2003
Ctr 14										
World Houston										
Int'l Business	4,047	731	—	5,863	731	5,863	6,594	2,756	2000	2007
Ctr 15 (l)										
World Houston										
Int'l Business	3,659	519	4,248	1,144	519	5,392	5,911	2,531	2000	2005
Ctr 16 (k)										
World Houston										
Int'l Business	—	373	1,945	785	373	2,730	3,103	1,074	2000	2004
Ctr 17										
World Houston										
Int'l Business	—	323	1,512	251	323	1,763	2,086	690	2005	1995
Ctr 18										
World Houston										
Int'l Business	2,511	373	2,256	916	373	3,172	3,545	1,706	2000	2004
Ctr 19 (i)										
World Houston										
Int'l Business	3,017	1,008	1,948	1,307	1,008	3,255	4,263	1,657	2000	2004
Ctr 20 (i)										
World Houston										
Int'l Business	2,587	436	—	3,474	436	3,474	3,910	1,093	2000/03	2006
Ctr 21 (f)										
World Houston										
Int'l Business	2,945	436	—	4,362	436	4,362	4,798	1,549	2000	2007
Ctr 22 (l)										
World Houston										
Int'l Business	5,251	910	—	7,026	910	7,026	7,936	2,187	2000	2007
Ctr 23 (f)										
World Houston										
Int'l Business	—	837	—	5,473	837	5,473	6,310	1,911	2005	2008
Ctr 24										
World Houston										
Int'l Business	—	508	—	3,676	508	3,676	4,184	1,036	2005	2008
Ctr 25										

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Initial Cost to the Company			Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed
	Encumbrances	Land	Buildings and Improvements		Land	Buildings and Improvements	Total			
World Houston Int'l Business Ctr 26 (m)	2,564	445	—	3,194	445	3,194	3,639	898	2005	2008
World Houston Int'l Business Ctr 27	—	837	—	4,964	837	4,964	5,801	1,181	2005	2008
World Houston Int'l Business Ctr 28 (m)	3,259	550	—	4,075	550	4,075	4,625	960	2005	2009
World Houston Int'l Business Ctr 29 (m)	3,466	782	—	4,138	974	3,946	4,920	934	2007	2009
World Houston Int'l Business Ctr 30 (m)	4,702	981	—	5,693	1,222	5,452	6,674	1,532	2007	2009
World Houston Int'l Business Ctr 31A	—	684	—	3,910	684	3,910	4,594	774	2008	2011
World Houston Int'l Business Ctr 31B	—	546	—	3,344	546	3,344	3,890	310	2008	2012
World Houston Int'l Business Ctr 32 (h)	4,357	1,225	—	5,519	1,526	5,218	6,744	618	2007	2012
World Houston Int'l Business Ctr 33	—	1,166	—	7,860	1,166	7,860	9,026	543	2011	2013
World Houston Int'l Business Ctr 34	—	439	—	3,338	439	3,338	3,777	219	2005	2012
World Houston Int'l Business Ctr 35	—	340	—	2,475	340	2,475	2,815	131	2005	2012
World Houston Int'l Business Ctr 36	—	685	—	4,851	685	4,851	5,536	274	2011	2013
World Houston Int'l Business Ctr 37	—	759	—	6,051	759	6,051	6,810	188	2011	2013
World Houston Int'l Business	—	1,053	—	7,246	1,053	7,246	8,299	383	2011	2013

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Ctr 38 World Houston Int'l Business	—	1,072	—	9,213	1,072	9,213	10,285	83	2011	2014
Ctr 40 America Plaza (g)	4,177	662	4,660	987	662	5,647	6,309	2,973	1998	1996
Central Green Distribution Center (g)	3,130	566	4,031	130	566	4,161	4,727	2,091	1999	1998
Glenmont Business Park (g)	6,359	936	6,161	2,506	936	8,667	9,603	4,592	1998	1999/2000
Techway Southwest I	—	729	3,765	2,280	729	6,045	6,774	3,024	2000	2001
Techway Southwest II (i)	3,908	550	3,689	1,282	550	4,971	5,521	2,065	2000	2004
Techway Southwest III (l)	3,785	597	—	5,570	751	5,416	6,167	2,241	1999	2006
Techway Southwest IV (m)	4,372	535	—	5,670	674	5,531	6,205	1,532	1999	2008
Beltway Crossing I	—	458	5,712	1,686	458	7,398	7,856	3,406	2002	2001
Beltway Crossing II (l)	1,973	415	—	2,799	415	2,799	3,214	1,019	2005	2007
Beltway Crossing III (l)	2,181	460	—	3,093	460	3,093	3,553	1,140	2005	2008
Beltway Crossing IV (l)	2,144	460	—	3,034	460	3,034	3,494	1,127	2005	2008
Beltway Crossing V (m)	3,835	701	—	4,742	701	4,742	5,443	1,567	2005	2008
Beltway Crossing VI (h)	4,287	618	—	6,017	618	6,017	6,635	1,311	2005	2008
Beltway Crossing VII (h)	4,279	765	—	5,859	765	5,859	6,624	1,649	2005	2009
Beltway Crossing VIII	—	721	—	4,576	721	4,576	5,297	703	2005	2011
Beltway Crossing IX	—	418	—	2,113	418	2,113	2,531	193	2007	2012

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Initial Cost to the Company			Costs Capitalized Subsequent to Acquisition		Gross Amount Carried at Close of Period		Accumulated Depreciation	Year Acquired	Year Constructed
	Encumbrances	Land	Buildings and Improvements	Land	Buildings and Improvements	Total				
Beltway Crossing X	—	733	—	3,871	733	3,871	4,604	329	2007	2012
Beltway Crossing XI	—	690	—	4,101	690	4,101	4,791	208	2007	2013
Ten West Crossing 1	—	566	—	2,980	566	2,980	3,546	197	2012	2013
Ten West Crossing 2	—	829	—	4,384	833	4,380	5,213	191	2012	2013
Ten West Crossing 3	—	609	—	4,349	613	4,345	4,958	212	2012	2013
Ten West Crossing 4	—	694	—	4,390	699	4,385	5,084	111	2012	2014
Ten West Crossing 5	—	933	—	5,829	940	5,822	6,762	73	2012	2014
West Road II El Paso	—	981	—	5,217	981	5,217	6,198	46	2012	2014
Butterfield Trail	—	—	20,725	7,629	—	28,354	28,354	15,891	1997/2000	1987/95
Rojas Commerce Park (g)	4,956	900	3,659	2,925	900	6,584	7,484	4,544	1999	1986
Americas Ten Business Center I	—	526	2,778	1,159	526	3,937	4,463	2,034	2001	2003
San Antonio Alamo Downs Distribution Center (k)	5,495	1,342	6,338	1,197	1,342	7,535	8,877	3,745	2004	1986/2002
Arion Business Park (k)	25,391	4,143	31,432	5,445	4,143	36,877	41,020	14,727	2005	1988-2000/06
Arion 14 (k)	2,364	423	—	3,397	423	3,397	3,820	1,133	2005	2006
Arion 16 (f)	2,594	427	—	3,493	427	3,493	3,920	944	2005	2007
Arion 17 (k)	2,835	616	—	3,964	616	3,964	4,580	1,774	2005	2007
Arion 18 (h)	1,771	418	—	2,324	418	2,324	2,742	886	2005	2008
Wetmore Business Center (l)	9,288	1,494	10,804	2,835	1,494	13,639	15,133	5,877	2005	1998/99
Wetmore Phase II, Building A (m)	2,671	412	—	3,379	412	3,379	3,791	1,267	2006	2008

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Wetmore Phase II, Building B (m)	2,874	505	—	3,574	505	3,574	4,079	1,126	2006	2008
Wetmore Phase II, Building C (m)	3,089	546	—	3,838	546	3,838	4,384	621	2006	2008
Wetmore Phase II, Building D (m)	6,045	1,056	—	7,524	1,056	7,524	8,580	1,767	2006	2008
Fairgrounds Business Park (l)	7,273	1,644	8,209	1,997	1,644	10,206	11,850	3,996	2007	1985/86
Rittiman Distribution Center	—	1,083	6,649	275	1,083	6,924	8,007	722	2011	2000
Thousand Oaks 1	—	607	—	4,286	607	4,286	4,893	398	2008	2012
Thousand Oaks 2	—	794	—	4,719	794	4,719	5,513	405	2008	2012
Thousand Oaks 3	—	772	—	4,457	772	4,457	5,229	149	2008	2013
Austin Colorado Crossing Distribution Center	—	4,602	19,757	61	4,602	19,818	24,420	625	2014	2009

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs	Gross Amount Carried at			Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Capitalized	Close of Period					
				Subsequent to Acquisition	Land	Buildings and Improvements	Total			
ARIZONA										
Phoenix area										
Broadway Industrial Park I	—	837	3,349	895	837	4,244	5,081	2,395	1996	1971
Broadway Industrial Park II	—	455	482	161	455	643	1,098	395	1999	1971
Broadway Industrial Park III	—	775	1,742	531	775	2,273	3,048	1,189	2000	1983
Broadway Industrial Park IV	—	380	1,652	783	380	2,435	2,815	1,310	2000	1986
Broadway Industrial Park V	—	353	1,090	120	353	1,210	1,563	607	2002	1980
Broadway Industrial Park VI (f)	2,044	599	1,855	636	599	2,491	3,090	1,289	2002	1979
Broadway Industrial Park VII	—	450	650	120	450	770	1,220	96	2011	1999
Kyrene Distribution Center	—	1,490	4,453	1,387	1,490	5,840	7,330	3,344	1999	1981/2001
Southpark Distribution Center	—	918	2,738	621	918	3,359	4,277	1,395	2001	2000
Santan 10 Distribution Center I (k)	2,336	846	2,647	282	846	2,929	3,775	1,239	2001	2005
Santan 10 Distribution Center II (f)	4,106	1,088	—	5,119	1,088	5,119	6,207	1,813	2004	2007
Metro Business Park	—	1,927	7,708	6,085	1,927	13,793	15,720	8,645	1996	1977/79
35th Avenue Distribution Center	—	418	2,381	412	418	2,793	3,211	1,360	1997	1967
51st Avenue Distribution	—	300	2,029	805	300	2,834	3,134	1,684	1998	1987

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Center East University Distribution	4,600	1,120	4,482	1,350	1,120	5,832	6,952	3,229	1998	1987/89
Center I & II (f) East University Distribution	—	444	698	99	444	797	1,241	156	2010	1981
Center III 55th Avenue Distribution	3,671	912	3,717	919	917	4,631	5,548	2,652	1998	1987
Center (f) Interstate Commons Dist Ctr I	—	798	3,632	1,663	798	5,295	6,093	2,619	1999	1988
Interstate Commons Dist Ctr II	—	320	2,448	421	320	2,869	3,189	1,292	1999	2000
Interstate Commons Dist Ctr III	—	242	—	2,977	242	2,977	3,219	779	2000	2008
Airport Commons 40th Avenue Distribution	—	1,000	1,510	1,240	1,000	2,750	3,750	1,309	2003	1971
Center (m) Sky Harbor Business Park	—	5,839	—	21,205	5,839	21,205	27,044	4,974	2006	2008
Chandler Freeways Tucson	—	1,525	—	7,381	1,525	7,381	8,906	212	2012	2013
Country Club I (i)	4,420	506	3,564	2,173	693	5,550	6,243	2,177	1997/2003	1994/2003
Country Club II	—	442	3,381	37	442	3,418	3,860	978	2007	2000
Country Club III & IV	—	1,407	—	11,771	1,575	11,603	13,178	2,864	2007	2009

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at Close of Period		Total	Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements		Land	Buildings and Improvements				
Airport Distribution Center	—	1,103	4,672	1,549	1,103	6,221	7,324	3,395	1998	1995
Southpointe Distribution Center	—	—	3,982	2,950	—	6,932	6,932	3,752	1999	1989
Benan Distribution Center	—	707	1,842	626	707	2,468	3,175	1,212	2005	2001
NORTH CAROLINA										
Charlotte area										
NorthPark Business Park (f)	14,731	2,758	15,932	3,578	2,758	19,510	22,268	7,072	2006	1987-89
Lindbergh Business Park	—	470	3,401	332	470	3,733	4,203	1,261	2007	2001/03
Commerce Park 1 (l)	3,522	765	4,303	671	765	4,974	5,739	1,541	2007	1983
Commerce Park 2 (h)	1,424	335	1,603	266	335	1,869	2,204	396	2010	1987
Commerce Park 3 (h)	2,344	558	2,225	845	558	3,070	3,628	593	2010	1981
Nations Ford Business Park (l)	13,944	3,924	16,171	2,627	3,924	18,798	22,722	6,962	2007	1989/94
Airport Commerce Center	—	1,454	10,136	1,248	1,454	11,384	12,838	2,948	2008	2001/02
Interchange Park I	—	986	7,949	472	986	8,421	9,407	1,988	2008	1989
Interchange Park II	—	746	1,456	55	746	1,511	2,257	70	2013	2000
Ridge Creek Distribution Center I	—	1,284	13,163	779	1,284	13,942	15,226	2,933	2008	2006
Ridge Creek Distribution Center II (h)	10,753	3,033	11,497	2,115	3,033	13,612	16,645	1,183	2011	2003
Ridge Creek Distribution Center III	—	2,459	11,147	380	2,459	11,527	13,986	265	2014	2013
	—	654	3,392	470	654	3,862	4,516	751	2008	2000

Waterford Distribution Center Lakeview Business Center (h)	4,391	1,392	5,068	336	1,392	5,404	6,796	739	2011	1996
Steele Creek I LOUISIANA New Orleans	—	993	—	4,301	1,010	4,284	5,294	174	2013	2014
Elmwood Business Park	—	2,861	6,337	4,085	2,861	10,422	13,283	6,802	1997	1979
Riverbend Business Park COLORADO Denver	—	2,592	17,623	5,669	2,592	23,292	25,884	11,855	1997	1984
Rampart Distribution Center I (k)	3,913	1,023	3,861	1,438	1,023	5,299	6,322	3,717	1988	1987
Rampart Distribution Center II (k)	2,704	230	2,977	1,162	230	4,139	4,369	2,524	1996/97	1996/97
Rampart Distribution Center III (k)	3,948	1,098	3,884	1,396	1,098	5,280	6,378	2,581	1997/98	1999
Concord Distribution Center (h)	4,030	1,051	4,773	414	1,051	5,187	6,238	1,641	2007	2000
Centennial Park (m)	4,062	750	3,319	1,697	750	5,016	5,766	1,393	2007	1990

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Initial Cost to the Company		Costs Capitalized	Gross Amount Carried at Close of Period			Accumulated Depreciation	Year Acquired	Year Constructed	
	Encumbrance Land	Buildings and Improvements	Subsequent to Acquisition	Land	Buildings and Improvements	Total				
NEVADA										
Las Vegas Arville Distribution Center	—	4,933	5,094	314	4,933	5,408	10,341	1,354	2009	1997
MISSISSIPPI										
Jackson area Interchange Business Park	—	343	5,007	2,786	343	7,793	8,136	4,576	1997	1981
Tower Automotive Metro	—	—	9,958	1,215	17	11,156	11,173	4,034	2001	2002
Airport Commerce Center I	—	303	1,479	1,012	303	2,491	2,794	1,376	2001	2003
TENNESSEE										
Memphis Air Park Distribution Center I	—	250	1,916	1,426	250	3,342	3,592	1,734	1998	1975
Industrial Development (d):	449,286	280,801	944,800	669,372	283,116	1,611,857	1,894,973	600,287		
FLORIDA										
Oak Creek land	—	1,946	—	3,365	2,375	2,936	5,311	—	2005	n/a
Madison II & III	—	624	—	3,056	624	3,056	3,680	—	2012	n/a
Madison land	—	565	—	308	565	308	873	—	2012	n/a
Horizon Commerce Park I	—	991	—	6,121	991	6,121	7,112	64	2008	2014
Horizon Commerce Park II	—	1,111	—	6,549	1,111	6,549	7,660	43	2008	2014
Horizon Commerce Park land	—	11,248	—	12,603	11,248	12,603	23,851	—	2008/09	n/a
SunCoast land	—	10,892	—	6,966	11,104	6,754	17,858	—	2006	n/a
TEXAS										
	—	537	—	276	537	276	813	—	2001	n/a

North

Stemmons land

ParkView

Commerce Center 1-3	—	2,663	—	1,413	2,663	1,413	4,076	—	2014	n/a
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ParkView

Commerce Center land	—	400	—	—	405	(5)	400	—	2014	n/a
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Valwood land

World Houston Int'l Business Ctr 39	—	416	—	20	416	20	436	—	2012	n/a
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World Houston

Int'l Business Ctr 41	—	620	—	4,436	620	4,436	5,056	—	2011	2014
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World Houston

Int'l Business Ctr land	—	649	—	4,697	649	4,697	5,346	—	2011	2014
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World Houston

Int'l Business Ctr land - expansion	—	1,628	—	1,082	1,628	1,082	2,710	—	2000/06	n/a
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World Houston

Int'l Business Ctr land - expansion	—	4,069	—	5,840	7,479	2,430	9,909	—	2011	n/a
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Ten West

Crossing 6	—	640	—	3,602	644	3,598	4,242	10	2012	2014
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Ten West

Crossing 7	—	584	—	2,586	589	2,581	3,170	—	2012	n/a
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Ten West

Crossing land	—	1,127	—	639	1,135	631	1,766	—	2012	n/a
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REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2014 (In thousands, except footnotes)

Description	Encumbrances	Initial Cost to the Company		Costs Capitalized Subsequent to Acquisition		Gross Amount Carried at Close of Period		Accumulated Depreciation	Year Acquired	Year Constructed
		Land	Buildings and Improvements	Land	Buildings and Improvements	Total				
Lee Road land	—	2,989	—	2,119	3,723	1,385	5,108	—	2007	n/a
West Road I	—	621	—	3,656	621	3,656	4,277	4	2012	2014
West Road III	—	597	—	3,268	597	3,268	3,865	—	2012	n/a
West Road land	—	1,104	—	1,113	1,105	1,112	2,217	—	2012	n/a
Americas Ten Business Center II & III land	—	1,365	—	1,079	1,365	1,079	2,444	—	2001	n/a
Alamo Ridge I	—	623	—	4,852	623	4,852	5,475	—	2007	n/a
Alamo Ridge II	—	402	—	2,964	402	2,964	3,366	—	2007	n/a
Alamo Ridge land	—	1,263	—	1,559	1,262	1,560	2,822	—	2007	n/a
Thousand Oaks 4	—	753	—	2,190	753	2,190	2,943	—	2013	n/a
ARIZONA										
Airport Distribution Center II land	—	300	—	117	300	117	417	—	2000	n/a
Kyrene land	—	2,180	—	1,283	2,180	1,283	3,463	—	2011	n/a
Kyrene 202 I	—	653	—	5,286	653	5,286	5,939	7	2011	2014
Kyrene 202 II	—	387	—	3,022	387	3,022	3,409	—	2011	2014
Sky Harbor 6	—	807	—	813	807	813	1,620	—	2014	n/a
NORTH CAROLINA										
Steele Creek II	—	941	—	3,982	957	3,966	4,923	64	2013	2014
Steele Creek III	—	1,464	—	5,856	1,469	5,851	7,320	47	2013	2014
Steele Creek IV	—	684	—	2,776	687	2,773	3,460	—	2013	n/a
Steele Creek land	—	2,518	—	939	2,529	928	3,457	—	2013/14	n/a
Airport Commerce Center III land	—	855	—	671	855	671	1,526	—	2008	n/a
COLORADO										
	4,300	590	—	6,357	590	6,357	6,947	—	2012	2014

Rampart
IV (k)
MISSISSIPPI

Metro										
Airport	—	307	—	399	307	399	706	—	2001	n/a
Commerce										
Center II land										
	4,300	62,113	—	117,860	66,955	113,018	179,973	239		
Total real										
estate owned	\$453,776	342,914	944,800	787,232	350,071	1,724,875	2,074,946	600,526		

(a)(b)

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

(a) Changes in Real Estate Properties follow:

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Balance at beginning of year	\$1,927,326	1,768,032	1,662,593
Purchases of real estate properties	47,477	65,387	48,934
Development of real estate properties	97,696	76,240	55,404
Improvements to real estate properties	19,862	21,438	18,164
Carrying amount of investments sold	(17,049)	(3,475)	(16,756)
Write-off of improvements	(366)	(296)	(307)
Balance at end of year ⁽¹⁾	\$2,074,946	1,927,326	1,768,032

(1) Includes 20% noncontrolling interests in Castilian Research Center of \$1,794,000 at December 31, 2014 and \$1,794,000 at December 31, 2013 and in University Business Center of \$6,536,000 and \$6,496,000, respectively.

Changes in the accumulated depreciation on real estate properties follow:

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Balance at beginning of year	\$550,113	496,247	451,805
Depreciation expense	57,303	54,284	51,564
Accumulated depreciation on assets sold	(6,525)	(126)	(6,819)
Other	(365)	(292)	(303)
Balance at end of year	\$600,526	550,113	496,247

(b) The estimated aggregate cost of real estate properties at December 31, 2014 for federal income tax purposes was approximately \$2,044,327,000 before estimated accumulated tax depreciation of \$385,355,000. The federal income tax return for the year ended December 31, 2014, has not been filed and accordingly, this estimate is based on preliminary data.

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

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

(e) EastGroup has a \$56,970,000 limited recourse first mortgage loan with an insurance company secured by Dominguez, Industry Distribution Center I & III, Kingsview, Shaw, Walnut, and Washington. The loan has a recourse liability of \$5 million which will be released based on the secured properties generating certain base rent amounts.

(f) EastGroup has a \$54,259,000 non-recourse first mortgage loan with an insurance company secured by Arion 16, Broadway VI, Chino, East University I & II, Northpark I-IV, Santan 10 II, 55th Avenue, and World Houston 1 & 2 and 21 & 23.

(g)

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EastGroup has a \$57,579,000 non-recourse first mortgage loan with an insurance company secured by America Plaza, Central Green, Glenmont I & II, Interstate I, II & III, Rojas, Stemmons Circle, Venture, West Loop I & II, and World Houston 3-9.

EastGroup has a \$48,592,000 non-recourse first mortgage loan with an insurance company secured by Arion 18, (h) Beltway VI & VII, Commerce Park II & III, Concord Distribution Center, Interstate Distribution Center V, VI & VII, Lakeview Business Center, Ridge Creek Distribution Center II, Southridge IV & V and World Houston 32.

(i) EastGroup has a \$26,074,000 non-recourse first mortgage loan with an insurance company secured by Country Club I, Lake Pointe, Techway Southwest II, and World Houston 19 & 20.

(j) EastGroup has a \$27,246,000 non-recourse first mortgage loan with an insurance company secured by Huntwood and Wiegman I-IV.

(k) EastGroup has a \$56,945,000 non-recourse first mortgage loan with an insurance company secured by Alamo Downs, Arion 1-15 & 17, Rampart I, II, III & IV, Santan 10, and World Houston 16.

EastGroup has a \$58,262,000 non-recourse first mortgage loan with an insurance company secured by Beltway II, (l) III & IV, Commerce Park 1, Eastlake, Fairgrounds I-IV, Nations Ford I-IV, Techway Southwest III, Wetmore I-IV, and World Houston 15 & 22.

EastGroup has a \$64,119,000 non-recourse first mortgage loan with an insurance company secured by 40th (m) Avenue, Beltway V, Centennial Park, Executive Airport, Ocean View, Techway Southwest IV, Wetmore V-VIII, and World Houston 26, 28, 29 & 30.

SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
December 31, 2014

	Number of Loans	Interest Rate	Maturity Date	Periodic Payment Terms
First mortgage loans:				
JCB Limited - California	1	5.25 %	10/2017	Principal and interest due monthly
JCB Limited - California	1	5.25 %	10/2017	Principal and interest due monthly
Total mortgage loans (a)	2			

	Face Amount of Mortgages Dec. 31, 2014 (In thousands)	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest (b)
First mortgage loans:			
JCB Limited - California	\$2,024	2,024	—
JCB Limited - California	2,967	2,967	—
Total mortgage loans	\$4,991	4,991	(c)(d) —

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

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

(c) Changes in mortgage loans follow:

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Balance at beginning of year	\$8,870	9,323	4,110
Advances on mortgage loans receivable	—	—	5,223
Payments on mortgage loans receivable	(3,902)	(463)	(20)
Amortization of discount on mortgage loan receivable	23	10	10
Balance at end of year	\$4,991	8,870	9,323

(d) The aggregate cost for federal income tax purposes is approximately \$4.99 million. The federal income tax return for the year ended December 31, 2014, has not been filed and, accordingly, the income tax basis of mortgage loans as of December 31, 2014, is based on preliminary data.

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

SIGNATURES

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

EASTGROUP PROPERTIES, INC.

By: /s/ DAVID H. HOSTER II

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

February 17, 2015

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

*

D. Pike Aloian, Director
February 17, 2015

*

H. C. Bailey, Jr., Director
February 17, 2015

*

H. Eric Bolton, Jr., Director
February 17, 2015

*

Hayden C. Eaves III, Director
February 17, 2015

*

Fredric H. Gould, Director
February 17, 2015

*

Mary Elizabeth McCormick, Director
February 17, 2015

*

David M. Osnos, Director
February 17, 2015

*

Leland R. Speed, Chairman of the Board
February 17, 2015

/s/ N. KEITH MCKEY

* By N. Keith McKey, Attorney-in-fact
February 17, 2015

/s/ DAVID H. HOSTER II

David H. Hoster II, Chief Executive Officer,
President & Director
(Principal Executive Officer)
February 17, 2015

/s/ BRUCE CORKERN

Bruce Corkern, Sr. Vice-President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)
February 17, 2015

/s/ N. KEITH MCKEY

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

(Principal Financial Officer)

February 17, 2015

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EXHIBIT INDEX

(3) Exhibits:

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

Number	Description
(3)	Articles of Incorporation and Bylaws
(a)	Articles of Incorporation (incorporated by reference to Appendix B to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 5, 1997).
(b)	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).
- (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.