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

FORM 10-Q

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

FOR THE QUARTER ENDED JUNE 30, 2007 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.)

300 ONE JACKSON PLACE 188 EAST CAPITOL STREET JACKSON, MISSISSIPPI	39201
(Address of principal executive offices)	(Zip code)

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

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

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

Large Accelerated Filer (x) Accelerated Filer ( ) Non-accelerated Filer ( )

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ( ) NO (x)

The number of shares of common stock, $.0001 par value, outstanding as of August 6, 2007 was 23,767,565.

EASTGROUP PROPERTIES, INC.

FORM 10-Q

TABLE OF CONTENTS
FOR THE QUARTER ENDED JUNE 30, 2007

Pa

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

	June 30, 2007 (Unaudited)
ASSETS	
Real estate properties	$ 1,073,754
Development	116,530
	1,190,284
Less accumulated depreciation	(250,354)
	939,930
Unconsolidated investment	2,594
Cash	1,417
Other assets	50,849
TOTAL ASSETS	$ 994,790

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES	
Mortgage notes payable..	$ 397,059
Notes payable to banks..	145,487
Accounts payable & accrued expenses.......................................	28,176
Other liabilities...	13,611
	584,333
Minority interest in joint ventures.......................................	2,242
STOCKHOLDERS' EQUITY	
Series C Preferred Shares; $.0001 par value; 600,000 shares authorized; no shares issued..	-
Series D 7.95% Cumulative Redeemable Preferred Shares and additional paid-in capital; $.0001 par value; 1,320,000 shares authorized and issued; stated liquidation preference of $33,000.......................	32,326
Common shares; $.0001 par value; 68,080,000 shares authorized; 23,765,565 shares issued and outstanding at June 30, 2007 and 23,701,275 at December 31, 2006..	2
Excess shares; $.0001 par value; 30,000,000 shares authorized; no shares issued..	-
Additional paid-in capital on common shares...............................	464,804
Distributions in excess of earnings.......................................	(89,279)
Accumulated other comprehensive income....................................	362
	408,215
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY...........................	$ 994,790

See accompanying notes to consolidated financial statements.

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

	Three Months E June 30,
	2007
REVENUES	
Income from real estate operations.......................	$ 37,165
Other income...	20
	37,185
EXPENSES	

Expenses from real estate operations	10,232
Depreciation and amortization	12,026
General and administrative	1,846
	24,104
OPERATING INCOME	13,081
OTHER INCOME (EXPENSE)	
Equity in earnings of unconsolidated investment	73
Interest income	34
Interest expense	(6,905)
Minority interest in joint ventures	(158)
INCOME FROM CONTINUING OPERATIONS	6,125
DISCONTINUED OPERATIONS	
Income from real estate operations	-
Gain on sale of real estate investments	7
INCOME FROM DISCONTINUED OPERATIONS	7
NET INCOME	6,132
Preferred dividends-Series D	656
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$ 5,476
BASIC PER COMMON SHARE DATA	
Income from continuing operations	$ .23
Income from discontinued operations	-
Net income available to common stockholders	$ .23
Weighted average shares outstanding	23,550
DILUTED PER COMMON SHARE DATA	
Income from continuing operations	$ .23
Income from discontinued operations	-
Net income available to common stockholders	$ .23
Weighted average shares outstanding	23,776
Dividends declared per common share	$ .50

See accompanying notes to consolidated financial statements.

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

	Preferred Stock	Common Stock	Additional Paid-In Capital	Distribut In Exce Of Earni
BALANCE, DECEMBER 31, 2006......................	$ 32,326	2	463,170	(77,01
Comprehensive income				
Net income..................................	-	-	-	12,71
Net unrealized change in fair value of interest rate swap..........................	-	-	-	
Total comprehensive income..............				
Common dividends declared - $1.00 per share....	-	-	-	(23,67
Preferred stock dividends declared - $.9938 per share............................	-	-	-	(1,31
Stock-based compensation, net of forfeitures...	-	-	1,348	
Issuance of 21,950 shares of common stock, options exercised............................	-	-	479	
Issuance of 3,058 shares of common stock, dividend reinvestment plan....................	-	-	144	
6,312 shares withheld to satisfy tax withholding obligations in connection with the vesting of restricted stock..............	-	-	(337)	
BALANCE, JUNE 30, 2007.........................	$ 32,326	2	464,804	(89,27

See accompanying notes to consolidated financial statements.

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

OPERATING ACTIVITIES
Net income..
Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization from continuing operations...........................
Depreciation and amortization from discontinued operations.........................
Minority interest depreciation and amortization....................................
Amortization of mortgage loan premiums...

Gain on sale of real estate investments
Stock-based compensation expense
Equity in earnings of unconsolidated investment net of distributions
Changes in operating assets and liabilities:
Accrued income and other assets
Accounts payable, accrued expenses and prepaid rent
NET CASH PROVIDED BY OPERATING ACTIVITIES
INVESTING ACTIVITIES
Real estate development
Purchases of real estate
Real estate improvements
Proceeds from sale of real estate investments
Changes in other assets and other liabilities
NET CASH USED IN INVESTING ACTIVITIES
FINANCING ACTIVITIES
Proceeds from bank borrowings
Repayments on bank borrowings
Principal payments on mortgage notes payable
Debt issuance costs
Distributions paid to stockholders
Proceeds from exercise of stock options
Proceeds from dividend reinvestment plan
Other
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD
CASH AND CASH EQUIVALENTS AT END OF PERIOD
SUPPLEMENTAL CASH FLOW INFORMATION
Cash paid for interest, net of amount capitalized of $2,853 and $1,976 for 2007 and 2006, respectively
Fair value of common stock awards issued to employees and directors, net of forfeitures

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) BASIS OF PRESENTATION

The accompanying unaudited financial statements of EastGroup Properties, Inc. ("EastGroup" or "the Company") have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The financial statements should be read in conjunction with the financial statements contained in the 2006 annual report on Form 10-K and the notes thereto.

(2) 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, 2006 and June 30, 2007, the Company had a controlling interest in two joint ventures: the 80% owned University Business Center and the 80% owned Castilian Research Center. The Company records 100% of the joint ventures' assets, liabilities, revenues and expenses with minority interests provided for in accordance with the joint venture agreements. The equity method of accounting is used for the Company's 50% undivided tenant-in-common interest in Industry Distribution Center II. All significant intercompany transactions and accounts have been eliminated in consolidation.

(3) USE OF ESTIMATES

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

(4) RECLASSIFICATIONS

Certain reclassifications have been made in the 2006 financial statements to conform to the 2007 presentation. These amounts include reclassifications in the accompanying consolidated statements of cash flows. The reclassifications for the six months ended June 30, 2006 resulted in a decrease of $688,000 in cash flows from operating activities and an increase of $688,000 in financing activities. These reclassifications were immaterial to the prior period presented.

(5) REAL ESTATE PROPERTIES

EastGroup has one reportable segment - industrial properties. These properties are concentrated in major Sunbelt markets of the United States, primarily in the states of Florida, Texas, Arizona and California, have similar economic characteristics and also meet the other criteria that permit the properties to be aggregated into one reportable segment. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Real estate properties held for investment are reported at the lower of the carrying amount or fair value. Depreciation of buildings and other improvements, including personal property, is computed using the straight-line method over estimated useful lives of generally 40 years for buildings and 3 to 15 years for improvements and personal property. Building improvements are capitalized, while maintenance and repair expenses are charged to expense as incurred. Significant renovations and improvements that extend the useful life of or improve the assets are capitalized. Depreciation expense for continuing and discontinued operations was $9,938,000 and $19,249,000 for the three and six months ended June 30, 2007, respectively and $8,703,000 and $17,506,000 for the same periods in 2006. The Company's real estate properties at June 30, 2007 and December 31, 2006 were as follows:

	June 30, 2007	Dece
	(In thousands	
Real estate properties:		
Land...	$ 168,755	
Buildings and building improvements................	739,778	
Tenant and other improvements......................	165,221	
Development...	116,530	
	1,190,284	
Less accumulated depreciation......................	(250,354)	
	$ 939,930	

(6) DEVELOPMENT

During the period when a property is under development, costs associated with development (i.e., land, construction costs, interest expense during construction and lease-up, property taxes and other direct and indirect costs associated with development) are aggregated into the total capitalized costs of the property. Included in these costs are management's estimates for the portions of internal costs (primarily personnel costs) that are deemed directly or indirectly related to such development activities. As the property becomes occupied, interest, depreciation, property taxes and other costs for the percentage occupied only are expensed as incurred. When the property becomes 80% occupied or one year after completion of the shell construction, whichever comes first, the property is no longer considered a development property and becomes an industrial property. Once the property becomes classified as an industrial property, all interest and property taxes are expensed and depreciation commences on the entire property (excluding the land).

(7) BUSINESS COMBINATIONS AND ACQUIRED INTANGIBLES

Upon acquisition of real estate properties, the Company applies the principles of Statement of Financial Accounting Standards (SFAS) No. 141 to determine the allocation of the purchase price among the individual components of both the tangible and intangible assets based on their respective fair values. The Company determines whether any financing assumed is above or below market based upon comparison to similar financing terms for similar properties. The cost of the properties acquired may be adjusted based on indebtedness assumed from the seller that is determined to be above or below market rates. Factors considered by management in allocating the cost of the properties acquired include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The allocation to tangible assets (land, building and improvements) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models.

The remaining purchase price is allocated among three categories of intangible assets consisting of the above or below market component of in-place leases, the value of in-place leases and the value of customer relationships. The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above and below market leases are included in Other Assets and Other Liabilities, respectively, on the consolidated balance sheets and are amortized to rental income over the remaining terms of the respective leases. The total amount of intangible assets is further allocated to in-place lease values and to customer relationship values based upon management's assessment of their respective values. These intangible assets are included in Other Assets on the consolidated balance sheets and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable. Amortization expense for in-place lease intangibles was $889,000 and $1,593,000 for the three and six months ended June 30, 2007, respectively and $634,000 and $1,374,000 for the same periods in 2006. Amortization of above and below market leases was immaterial for all periods presented.

The Company acquired six operating properties during the six months ended June 30, 2007 for a total cost of $51,120,000, of which $48,142,000 was allocated to real estate properties. In accordance with SFAS No. 141, intangibles associated with the purchase of real estate were allocated as follows: $3,226,000 to in-place lease intangibles and $246,000 to above market leases (both included in Other Assets on the consolidated balance sheet) and $494,000 to below market leases (included in Other Liabilities on the consolidated balance sheet). These costs are amortized over the remaining lives of the associated leases in place at the time of acquisition.

The Company periodically reviews (at least annually) the recoverability of goodwill and (on a quarterly basis) the recoverability of other intangibles for possible impairment. In management's opinion, no material impairment of goodwill and other intangibles existed at June 30, 2007 and December 31, 2006.

(8) REAL ESTATE HELD FOR SALE/DISCONTINUED OPERATIONS

Real estate properties that are held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale. In accordance with the guidelines established under SFAS No. 144, the results of operations for the properties sold or held for sale during the reported periods are shown under Discontinued Operations on the consolidated income statements. Interest expense is not generally allocated to the properties that are held for sale or whose operations are included under Discontinued Operations unless the mortgage is required to be paid in full upon the sale of the property.

(9) OTHER ASSETS

A summary of the Company's Other Assets follows:

	June 3
Leasing costs (principally commissions), net of accumulated amortizaiton.....	$
Straight-line rent receivable, net of allowance for doubtful accounts........	
Accounts receivable, net of allowance for doubtful accounts..................	
Acquired in-place lease intangibles, net of accumulated amortization of $4,782 and $4,294 for 2007 and 2006, respectively	
Goodwill...	
Prepaid expenses and other assets...	
	$

(10) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	June 3
Property taxes payable..	$
Development costs payable..	
Dividends payable..	
Other payables and accrued expenses......................................	
	$

(11) OTHER LIABILITIES

A summary of the Company's Other Liabilities follows:

	June 3
Security deposits..	$
Prepaid rent and other deferred income...................................	
Other liabilities..	
	$

(12) COMPREHENSIVE INCOME

Comprehensive income is comprised of net income plus all other changes in equity from nonowner sources. The components of accumulated other comprehensive income for the six months ended June 30, 2007 are presented in the Company's consolidated statement of changes in stockholders' equity and for the three and six months ended June 30, 2007 and 2006 are summarized below.

	Three Months End June 30,	
	2007	200
		(I
ACCUMULATED OTHER COMPREHENSIVE INCOME:		
Balance at beginning of period................................	$ 251	45
Change in fair value of interest rate swap................	111	9
Balance at end of period......................................	$ 362	54

(13) EARNINGS PER SHARE

Basic earnings per share (EPS) represents the amount of earnings for the period available to each share of common stock outstanding during the reporting period. The Company's basic EPS is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding.

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

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

	Three Months End June 30,	
	2007	200
		(
BASIC EPS COMPUTATION		
Numerator-net income available to common stockholders.............	$ 5,476	4,
Denominator-weighted average shares outstanding..................	23,550	21,
DILUTED EPS COMPUTATION		
Numerator-net income available to common stockholders.............	$ 5,476	4,
Denominator:		
Weighted average shares outstanding............................	23,550	21,
Common stock options...	94	
Nonvested restricted stock.....................................	132	
Total Shares..	23,776	22,

(14) STOCK-BASED COMPENSATION

The Company adopted SFAS No. 123 (Revised 2004) (SFAS No. 123R), Share-Based Payment, on January 1, 2006. The rule requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements and that the cost be measured on the fair value of the equity or liability instruments issued. The Company's adoption of SFAS No. 123R had no material impact on its overall financial position or results of operations. Prior to the adoption of SFAS No. 123R, the Company adopted the fair value recognition provisions of SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123, Accounting for Stock-Based Compensation, prospectively to all awards granted, modified, or settled after January 1, 2002.

MANAGEMENT INCENTIVE PLAN

The Company has a management incentive plan which was approved by the shareholders and adopted in 2004 (the 2004 Plan), which authorizes the issuance of up to 1,900,000 shares of common stock to employees in the form of options, stock appreciation rights, restricted stock (limited to 570,000 shares), deferred stock units, performance shares, stock bonuses, and stock. Total shares available for grant were 1,713,281 at June 30, 2007. Typically, the Company issues new shares to fulfill stock grants or upon the exercise of stock options.

Stock-based compensation was $651,000 and $1,196,000 for the three and six months ended June 30, 2007, respectively, of which $218,000 and $435,000 were capitalized as part of the Company's development costs. For the three and six months ended June 30, 2006, stock-based compensation was $505,000 and $1,089,000, respectively, of which $198,000 and $350,000 were capitalized as part of the Company's development costs.

Restricted Stock

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

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

In the second quarter of 2007, the Company granted shares to executive officers contingent upon the attainment of certain annual performance goals. These goals are for the period ending December 31, 2007 , so any shares issued upon attainment of these goals will be issued after that date. The number of shares to be issued could range from zero to 34,973. These shares will vest 20% on the date shares are determined and awarded and 20% per year on each January 1 for the subsequent four years. Also in the second quarter of 2007, 8,150 shares were

granted to non-executive officers subject only to continued service as of the vesting date. These shares vest 1/3 on January 1, 2008, 2009, and 2010.

In the second quarter of 2006, the Company granted shares to executive officers contingent upon the attainment of certain annual performance goals and multi-year market conditions. In March 2007, 36,196 shares were awarded under the 2006 annual performance goals at a weighted average grant date fair value of $43.83 per share. These shares vested 20% on March 8, 2007, and will vest 20% per year over the next four years. The weighted average grant date fair value for shares to be awarded under the multi-year market conditions was $26.34 per share with a total cost of approximately $2.1 million. These shares will vest over four years following the three-year performance measurement period which ends on December 31, 2008.

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 June 30, 2007, there was $3,370,000 of unrecognized compensation cost related to nonvested 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. The table does not include the shares granted in 2006 that are contingent on market conditions or shares granted in 2007 that are subject to the satisfction of annual performance goals. Of the shares that vested in the first quarter of 2007, 6,312 shares were withheld by the Company to satisfy the tax obligations for those employees who elected this option as permitted under the applicable equity plan. As of the vesting date, the fair value of shares that vested during the first quarter of 2007 was $1,743,000. There were no shares that vested in the second quarter of 2007.

Restricted Stock Activity:	Three Months Ended June 30, 2007		Six Months Ended June 30, 2007	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period....	198,376	$ 30.04	196,671	$ 28.66
Granted (1)........................	8,150	44.29	44,346	43.91
Forfeited..........................	-	-	(1,800)	22.82
Vested.............................	-	-	(32,691)	37.40
Nonvested at end of period..........	206,526	30.60	206,526	30.60

(1) Consists of 36,196 shares issued in March 2007 that were granted in 2006 subject to the satisfaction of annual performance goals and 8,150 shares granted in June 2007 subject to service requirements only.

Following is a vesting schedule of the total nonvested shares as of June 30, 2007:

Nonvested Shares Vesting Schedule	Number of Shares
Remainder of 2007.......................	62,437
2008....................................	83,170
2009....................................	43,727
2010....................................	9,956
2011....................................	7,236
Total Nonvested Shares..................	206,526

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 options granted, forfeited, or expired during the three or six months ended June 30, 2007. The intrinsic value realized by employees was $150,000 from the exercise of 5,200 options during the three months ended June 30, 2007 and $498,000 from the exercise of 15,200 options for the six months ended June 30, 2007.

Employee outstanding stock options at June 30, 2007, all exercisable:

Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$ 18.50-25.30	119,856	1.5 years	$ 21.00

DIRECTORS EQUITY PLAN

The Company has a directors equity plan that was approved by shareholders and adopted in 2005 (the 2005 Plan), which authorizes the issuance of up to 50,000 shares of common stock through awards of shares and restricted shares granted to nonemployee directors of the

Company. The 2005 Plan replaced prior plans under which directors were granted stock option awards. Outstanding grants under prior plans will be fulfilled under those plans.

In 2005, 481 shares of restricted stock at $41.57 were granted, of which 240 shares were vested as of June 30, 2007. The restricted stock vests 25% per year for four years. As of June 30, 2007, there was $10,000 of unrecognized compensation cost related to nonvested restricted stock compensation that is expected to be recognized over a weighted average period of 2.0 years. In 2007, 3,048 common shares of stock were issued to directors. There were 41,869 shares available for grant under the 2005 Plan at June 30, 2007.

Stock-based compensation expense for directors was $39,000 and $77,000 for the three and six months ended June 30, 2007, respectively, and $13,000 and $27,000 for the same periods in 2006. The intrinsic value realized by directors was $186,000 from the exercise of 6,750 options during the three and six months ended June 30, 2007. There were no options granted or expired during the six months ended June 30, 2007.

Director outstanding stock options at June 30, 2007, all exercisable:

Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$ 20.25-26.60	44,750	3.88 years	$ 23.10

(15) NEWLY ADOPTED ACCOUNTING PRINCIPLES

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 was effective January 1, 2007. With few exceptions, the Company's 2002 and earlier tax years are closed for examination by U.S. federal, state and local tax authorities. The adoption of FIN 48 had no impact on the Company's overall financial position or results of operations during the first six months of 2007.

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

OVERVIEW

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

The Company's primary revenue is rental income; as such, EastGroup's greatest challenge is leasing space. During the six months ended June 30, 2007, leases on 2,364,000 square feet (10.1%) of EastGroup's total square footage of 23,449,000 expired, and the Company was successful in renewing or re-leasing 92% of that total. In addition, EastGroup leased 544,000 square feet of other vacant space during this period. During the six months ended June 30, 2007, average rental rates on new and renewal leases increased by 10.8%.

EastGroup's total leased percentage increased to 97.6% at June 30, 2007 from 94.8% at June 30, 2006. Leases scheduled to expire for the remainder of 2007 were 6.1% of the portfolio on a square foot basis at June 30, 2007, and this figure was reduced to 5.1% as of August 6, 2007. Property net operating income from same properties increased 3.5% for the quarter ended June 30, 2007 and 3.9% for the six months as compared to the same periods in 2006. The second quarter of 2007 was EastGroup's sixteenth consecutive quarter of positive same property comparisons.

The Company generates new sources of leasing revenue through its acquisition and development programs. During 2007, EastGroup purchased six operating properties (1,001,000 square feet in 14 buildings), one property for redevelopment (68,000 square feet) and 10.1 acres of land for a total of $56.7 million. Two of the properties are in Charlotte, North Carolina, a new market for EastGroup in late 2006; the Company now owns almost one million square feet in Charlotte. The other four operating properties are located in Tucson, Arizona; City of Industry, California; and Dallas and San Antonio, Texas. San Antonio was a new market for EastGroup in 2004 with current square footage of over 1.5 million including properties under development. The third new market for EastGroup in the last few years is Fort Myers, Florida, where the Company is currently constructing two buildings. The property purchased for redevelopment is located in Denver, Colorado, and will complement our current presence there.

EastGroup continues to see targeted development as a major contributor to the Company's growth. The Company mitigates risks associated with development through a Board-approved maximum level of land held for development and by adjusting development start dates according to leasing activity. During 2007, the Company transferred nine properties (641,000 square feet) with aggregate costs of $42.3 million at the date of transfer from development to real estate properties. These properties are located in Chandler, Arizona; Orlando and Tampa, Florida; and Houston and San Antonio, Texas. All of the properties are 100% leased except for the one in Houston (63,000 square feet) that is 88% leased. In late March, the Company executed a ten-year lease for a 404,000 square foot build-to-suit development in its Southridge Commerce Park in Orlando. The projected cost of this development is approximately $20 million; construction began in June with occupancy projected in the second quarter of 2008.

The Company primarily funds its acquisition and development programs through a $175 million line of credit (as discussed in Liquidity and Capital Resources). As market conditions permit, EastGroup issues equity, including preferred equity, and/or employs fixed-rate, nonrecourse first mortgage debt to replace the short-term bank borrowings.

In May 2007, the Company signed an application on a $75 million, nonrecourse first mortgage loan secured by properties containing 1,448,000 square feet. The loan is expected to close in mid August 2007 and will have a fixed interest rate of 5.57%, a ten-year term and an amortization schedule of 20 years. The proceeds of this note will be used to reduce variable rate bank borrowings.

Tower Automotive, Inc. (Tower) filed for Chapter 11 reorganization in early 2005. Tower leases 210,000 square feet from EastGroup under a lease expiring in December 2010 and has been current with their lease payments since declaring bankruptcy. In July 2007, the Bankruptcy Court approved the affirmation of Tower's lease with EastGroup. On July 31, 2007, Tower announced that it had completed the sale of substantially all of its assets to Tower Automotive, LLC, an affiliate of Cerberus Capital Management, L.P. The sale concluded Towers's restructuring process and finalized its emergence from Chapter 11.

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

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

Real estate income is comprised of rental income, pass-through income and other real estate income including lease termination fees. Property operating expenses are comprised of property taxes, insurance, utilities, repair and maintenance expenses, management fees, other

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

The Company believes FFO is an appropriate measure of performance for equity real estate investment trusts. The Company believes that excluding depreciation and amortization in the calculation of FFO is appropriate since real estate values have historically increased or decreased based on market conditions. FFO is not considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance, nor is it a measure of the Company's liquidity or indicative of funds available to provide for the Company's cash needs, including its ability to make distributions. The Company's key drivers affecting FFO are changes in PNOI (as discussed above), interest rates, the amount of leverage the Company employs and general and administrative expense. The following table presents on a comparative basis for the three and six months ended June 30, 2007 and 2006 reconciliations of PNOI and FFO Available to Common Stockholders to Net Income. The Company analyzes the following performance trends in evaluating the progress of the Company:

	Three Months En June 30,	
	2007	2
	(In thousa	
Income from real estate operations	$ 37,165	3
Expenses from real estate operations	(10,232)	(
PROPERTY NET OPERATING INCOME	26,933	2
Equity in earnings of unconsolidated investment (before depreciation)	106	
Income from discontinued operations (before depreciation and amortization)	-	
Interest income	34	
Other income	20	
Interest expense	(6,905)	(
General and administrative expense	(1,846)	(
Minority interest in earnings (before depreciation and amortization)	(199)	
Gain on sale of nondepreciable real estate investments	7	
Dividends on Series D preferred shares	(656)	
FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS	17,494	1
Depreciation and amortization from continuing operations	(12,026)	(1
Depreciation and amortization from discontinued operations	-	
Depreciation from unconsolidated investment	(33)	
Minority interest depreciation and amortization	41	
Gain on sale of depreciable real estate investments	-	
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	5,476	
Dividends on preferred shares	656	
NET INCOME	$ 6,132	
Net income available to common stockholders per diluted share	$ .23	
Funds from operations available to common stockholders per diluted share	.74	
Diluted shares for earnings per share and funds from operations	23,776	2

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

- The FFO change per share represents the increase or decrease in FFO per share from the same quarter in the current year compared to the prior year. FFO per share for the second quarter of 2007 was $.74 per share compared with $.69 per share for the same period of 2006, an increase of 7.2%. The increase in FFO was mainly due to a PNOI increase of $3,380,000, or 14.4%. The increase in PNOI was primarily attributable to $1,325,000 from newly developed properties, $1,287,000 from 2006 and 2007 acquisitions and $818,000 from same property growth. The second quarter of 2007 was the twelfth consecutive quarter of increased FFO as compared to the previous year's quarter.

  For the six months ended June 30, 2007, FFO was $1.46 per share compared with $1.39 for the same period of 2006, an increase of 5.0% per share; excluding land sales, the increase was 7.4% per share. The six months ended June 30, 2006 included a $.03 per share gain on land sales. The increase in FFO was mainly due to higher PNOI of $6,162,000 (a 13.2% increase in PNOI). This increase in PNOI was primarily attributable to $2,421,000 from newly developed properties, $2,014,000 from 2006 and 2007 acquisitions and $1,802,000 from same property growth.

- Same property net operating income change represents the PNOI increase or decrease for operating properties owned during the entire current period and prior year reporting period. PNOI from same properties increased 3.5% for the second quarter. The second quarter of 2007 was the sixteenth consecutive quarter of improved same property operations. For the six months ended June 30, 2007, PNOI from same properties increased 3.9%.

- Occupancy is the percentage of total leasable square footage for which the lease term has commenced as of the close of the reporting period. Occupancy at June 30, 2007 was 95.6%, slightly down from the two previous quarters but improved by 160 basis points from a year ago. Occupancy has ranged from 91.0% to 96.1% for seventeen consecutive quarters.

- Rental rate change represents the rental rate increase or decrease on new and renewal leases compared to the prior leases on the same space. Rental rate increases on new and renewal leases (6.5% of total square footage) averaged 10.3% for the second quarter of 2007; for the six months, rental rate increases on new and renewal leases (11.6% of total square footage) averaged 10.8%.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Real Estate Properties

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

During the industrial development stage, costs associated with development (i.e., land, construction costs, interest expense during construction and lease-up, property taxes and other direct and indirect costs associated with development) are aggregated into the total capitalization of the property. Included in these costs are management's estimates for the portions of internal costs (primarily personnel costs) that are deemed directly or indirectly related to such development activities.

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

Valuation of Receivables

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

Tax Status

EastGroup, a Maryland corporation, has qualified as a real estate investment trust under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the Company is required to distribute at least 90% of its ordinary taxable income to its stockholders. The Company has the option of (i) reinvesting the sales price of properties sold through tax-deferred exchanges, allowing for a deferral of capital gains on the sale, (ii) paying out capital gains to the stockholders with no tax to the Company, or (iii) treating the capital gains as having been distributed to the stockholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the stockholders. The Company distributed all of its 2006 taxable income to its stockholders and expects to distribute all of its taxable income in 2007. Accordingly, no provision for income taxes was necessary in 2006, nor is it expected to be necessary for 2007.

FINANCIAL CONDITION

EastGroup's assets were $994,790,000 at June 30, 2007, an increase of $83,003,000 from December 31, 2006. Liabilities increased $93,491,000 to $584,333,000 and stockholders' equity decreased $10,582,000 to $408,215,000 during the same period. The paragraphs that follow explain these changes in detail.

ASSETS

Real Estate Properties

Real estate properties increased $99,844,000 during the six months ended June 30, 2007 primarily due to the purchase of six properties and the transfer of nine properties from development, as detailed below.

Real Estate Properties Acquired in 2007	Location	Size	Ac
		(Square feet)	
Westinghouse and Lindbergh I & II......	Charlotte, NC	181,000	01
North Stemmons III....................	Dallas, TX	60,000	01
Fairgrounds Business Park.............	San Antonio, TX	231,000	03
Nations Ford Distribution Center.......	Charlotte, NC	456,000	03
Country Club Commerce Center II........	Tucson, AZ	45,000	05
Industry Distribution Center III.......	City of Industry, CA	28,000	06
Total Acquisitions..............		1,001,000	

(1) Total cost of the properties acquired was $51,120,000, of which $48,142,000 was allocated to real estate properties as indicated above. Intangibles associated with the purchases of real estate were allocated as follows: $3,226,000 to in-place lease intangibles and $246,000 to above market leases (both included in Other Assets on the consolidated balance sheet) and $494,000 to below market leases (included in Other Liabilities on the consolidated balance sheet). All of these costs are amortized over the remaining lives of the associated leases in place at the time of acquisition.

Real Estate Properties Transferred from Development in 2007	Location	Size	Tra
		(Square feet)	
Santan 10 II..........................	Chandler, AZ	85,000	01
Oak Creek III.........................	Tampa, FL	61,000	03
Southridge VI.........................	Orlando, FL	81,000	04
Arion 16..............................	San Antonio, TX	64,000	04
Southridge III........................	Orlando, FL	81,000	04
Southridge II.........................	Orlando, FL	41,000	05
World Houston 15......................	Houston, TX	63,000	05
World Houston 23......................	Houston, TX	125,000	05
Arion 17..............................	San Antonio, TX	40,000	06

Total Developments Transferred....	641,000

The Company made capital improvements of $6,760,000 on existing and acquired properties (included in the Capital Expenditures table under Results of Operations). Also, the Company incurred costs of $2,603,000 on development properties that had transferred to real estate properties; the Company records these expenditures as development costs on the consolidated statements of cash flows during the 12-month period following transfer.

Development

The investment in development at June 30, 2007 was $116,530,000 compared to $114,986,000 at December 31, 2006. Total capital invested for development during 2007 was $46,486,000. In addition to the costs of $43,883,000 incurred for the six months ended June 30, 2007 as detailed in the development activity table, the Company incurred costs of $2,603,000 on developments during the 12-month period following transfer to real estate properties.

In the first quarter of 2007, EastGroup acquired Centennial Park Distribution Center in Denver for $4,131,000. The building, which was built in 1990, contains 68,000 square feet and is located near Centennial Airport in southeast Denver. The business distribution property is currently vacant, and EastGroup plans to redevelop it as a multi-tenant facility. Costs associated with this acquisition are included in the development activity table.

In addition, the Company executed a ten-year lease with United Stationers Supply Co. for a 404,000 square foot build-to-suit development in its Southridge Commerce Park in Orlando. The projected cost of this development is approximately $20 million; construction began in June 2007 with occupancy projected in the second quarter of 2008. As part of this transaction, EastGroup entered into contracts with United Stationers to purchase two of its existing properties (278,000 square feet) in Jacksonville and Tampa, Florida, for approximately $9 million. These acquisitions are expected to close in mid-2008, in line with completion of the build-to-suit development.

The Company transferred nine developments to real estate properties during 2007 with a total investment of $42,339,000 as of the date of transfer.

		Costs Incu	
DEVELOPMENT	Size	Costs Transferred in 2007(1)	For the Six Month Ended 6/30/
	(Square feet)		(I
LEASE-UP			
Oak Creek V, Tampa, FL........................	100,000	$ -	381
Beltway Crossing II, III & IV, Houston, TX.....	160,000	-	1,685
World Houston 22, Houston, TX.................	68,000	-	1,051
Interstate Commons III, Phoenix, AZ...........	38,000	-	2,142
Oak Creek A & B, Tampa, FL(3).................	35,000	-	1,966
Total Lease-up.................................	401,000	-	7,225
UNDER CONSTRUCTION			
Castilian Research Center, Santa Barbara, CA...	35,000	-	3,265

Southridge VII, Orlando, FL..................	92,000	3,312	1,747
SunCoast I & II, Fort Myers, FL...............	126,000	-	4,067
World Houston 24, Houston, TX.................	93,000	-	2,619
40th Avenue Distribution Center, Phoenix, AZ...	89,000	-	2,252
Centennial Park, Denver, CO...................	68,000	-	4,301
World Houston 25, Houston, TX.................	66,000	-	1,633
Wetmore II, Bldg A, San Antonio, TX...........	34,000	504	569
Wetmore II, Bldgs B & C, San Antonio, TX.......	124,000	1,269	1,510
Beltway Crossing V, Houston, TX...............	83,000	1,077	-
Sky Harbor, Phoenix, AZ.......................	261,000	6,946	-
Southridge XII, Orlando, FL...................	404,000	4,089	-
Total Under Construction........................	1,475,000	17,197	21,963
PROSPECTIVE DEVELOPMENT (PRIMARILY LAND)			
Phoenix, AZ...................................	-	(6,946)	431
Tucson, AZ....................................	205,000	-	1,446
Tampa, FL.....................................	329,000	-	776
Orlando, FL...................................	156,000	(7,401)	3,496
West Palm Beach, FL...........................	20,000	-	81
Fort Myers, FL................................	752,000	-	899
El Paso, TX...................................	251,000	-	-
Houston, TX...................................	853,000	(1,077)	1,024
San Antonio, TX...............................	145,000	(1,773)	478
Jackson, MS...................................	28,000	-	-
Total Prospective Development...................	2,739,000	(17,197)	8,631
	4,615,000	$ -	37,819
DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL ESTATE PROPERTIES DURING 2007			
Santan 10 II, Chandler, AZ....................	85,000	$ -	-
Oak Creek III, Tampa, FL.....................	61,000	-	119
Southridge VI, Orlando, FL....................	81,000	-	323
Arion 16, San Antonio, TX.....................	64,000	-	1,411
Southridge III, Orlando, FL...................	81,000	-	713
Southridge II, Orlando, FL....................	41,000	-	244
World Houston 15, Houston, TX.................	63,000	-	276
World Houston 23, Houston, TX.................	125,000	-	2,888
Arion 17, San Antonio, TX.....................	40,000	-	90
Total Transferred to Real Estate Properties......	641,000	$ -	6,064

(1) Represents costs transferred from Prospective Development (principally land) to Under Construction during the period.
(2) The information provided above includes forward-looking data based on current construction schedules, the status of lease negotiations with potential tenants and other relevant factors currently available to the Company. There can be no assurance that any of these factors will not change or that any change will not affect the accuracy of such forward-looking data. Among the factors that could affect the accuracy of the forward-looking statements are weather or other natural occurrence, default or other failure of performance by contractors, increases in the price of construction materials or the availability of such materials, failure to obtain necessary permits or approvals from government entities, changes in local and/or national economic conditions, increased competition for tenants or other occurrences that could depress rental rates, and other factors not within the control of the Company.

(3) These buildings are being developed for sale.
(4) Represents cumulative costs at the date of transfer.

Accumulated depreciation on real estate properties increased $19,248,000 due to depreciation expense on real estate properties. A summary of Other Assets is presented in Note 9 in the Notes to the Consolidated Financial Statements.

LIABILITIES

Mortgage notes payable decreased $20,381,000 during the six months ended June 30, 2007 as a result of the repayment of two mortgage loans of $14,220,000, regularly scheduled principal payments of $6,103,000, and mortgage loan premium amortization of $58,000.

Notes payable to banks increased $116,421,000 as a result of advances of $206,326,000 exceeding repayments of $89,905,000. The Company's credit facilities are described in greater detail under Liquidity and Capital Resources.

See Note 10 in the Notes to the Consolidated Financial Statements for a summary of Accounts Payable and Accrued Expenses. See Note 11 in the Notes to the Consolidated Financial Statements for a summary of Other Liabilities.

STOCKHOLDERS' EQUITY

Distributions in excess of earnings increased $12,264,000 as a result of dividends on common and preferred stock of $24,983,000 exceeding net income for financial reporting purposes of $12,719,000. See Note 14 in the Notes to the Consolidated Financial Statements for information related to the changes in additional paid-in capital resulting from stock-based compensation.

RESULTS OF OPERATIONS

(Comments are for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006.)

Net income available to common stockholders for the three and six months ended June 30, 2007 was $5,476,000 ($.23 per basic and diluted share) and $11,407,000 ($.48 per basic and diluted share) compared to $4,920,000 ($.22 per basic and diluted share) and $10,425,000 ($.48 per basic and $.47 per diluted share) for the three and six months ended June 30, 2006.

PNOI for the three months increased by $3,380,000, or 14.4%. The increase was primarily attributable to $1,325,000 from newly developed properties, $1,287,000 from 2006 and 2007 acquisitions and $818,000 from same property growth.

PNOI for the six months increased by $6,162,000, or 13.2%. The increase was primarily attributable to $2,421,000 from newly developed properties, $2,014,000 from 2006 and 2007 acquisitions and $1,802,000 from same property growth.

Expense to revenue ratios were about the same for both comparative periods. The Company's percentage leased and occupied were 97.6% and 95.6%, respectively, at June 30, 2007 compared to 94.8% and 94.0%, respectively, at June 30, 2006. The increases in PNOI were offset by increased depreciation and amortization expense and other costs as discussed below.

The following table presents the components of interest expense for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		
	2007	2006	Increase (Decrease)
	(In thousands, exc		

Average bank borrowings....................................	$ 116,697	123,218	(6,521)
Weighted average variable interest rates..................	6.41%	6.07%	
VARIABLE RATE INTEREST EXPENSE			
Variable rate interest (excluding loan cost amortization)...	$ 1,865	1,866	(1)
Amortization of bank loan costs...........................	89	89	-
Total variable rate interest expense......................	1,954	1,955	(1)
FIXED RATE INTEREST EXPENSE			
Fixed rate interest (excluding loan cost amortization)......	6,231	5,381	850
Amortization of mortgage loan costs.......................	133	118	15
Total fixed rate interest expense.........................	6,364	5,499	865
Total interest..	8,318	7,454	864
Less capitalized interest.................................	(1,413)	(1,057)	(356)
TOTAL INTEREST EXPENSE....................................	$ 6,905	6,397	508

Interest costs incurred during the period of construction of real estate properties are capitalized and offset against interest expense. The Company's weighted average variable interest rates in the first six months of 2007 were higher than in 2006; however, average bank borrowings were significantly lower.

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

NEW MORTGAGES	INTEREST RATE	DATE	
Huntwood and Wiegman Distribution Centers..............	5.680%	08/08/06	$
Alamo Downs, Arion 1-15 & 17, Rampart I, II & III, Santan 10 and World Houston 16.......................	5.970%	10/17/06	
Weighted Average/Total Amount........................	5.875%		$

These increases were offset by regularly scheduled principal payments and the repayments of five mortgages in 2006 and 2007 as shown in the following table:

MORTGAGE LOANS REPAID IN 2006 AND 2007	INTEREST RATE	DATE REPAID	P A
Huntwood Distribution Center......................	7.990%	08/08/06	$ 10,
Wiegman Distribution Center.......................	7.990%	08/08/06	4,
Arion Business Park...............................	4.450%	10/16/06	20,

World Houston 1 & 2	7.770%	04/12/07	4,
E. University I & II, Broadway VI, 55th Avenue and Ethan Allen	8.060%	05/25/07	10,
Weighted Average/Total Amount	6.539%		$ 50,

Depreciation and amortization for continuing operations increased $1,844,000 and $2,718,000 for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006. This increase was primarily due to properties acquired and transferred from development during 2006 and 2007.

NAREIT has recommended supplemental disclosures concerning straight-line rent, capital expenditures and leasing costs. Straight-lining of rent for continuing operations increased income by $258,000 and $400,000 for the three and six months ended June 30, 2007, respectively, compared to $344,000 and $703,000 in the same periods in 2006.

Capital Expenditures

Capital expenditures for the three and six months ended June 30, 2007 and 2006 were as follows:

	Estimated Usefule Life	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006
		(In thou	
Upgrade on Acquisitions	40 yrs	$ 20	45
Tenant Improvements:			
New Tenants	Lease Life	1,876	1,842
New Tenants (first generation) (1)	Lease Life	37	128
Renewal Tenants	Lease Life	426	244
Other:			
Building Improvements	5-40 yrs	533	341
Roofs	5-15 yrs	796	353
Parking Lots	3-5 yrs	304	32
Other	5 yrs	17	15
Total capital expenditures		$ 4,009	3,000

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

Capitalized Leasing Costs

The Company's leasing costs (principally commissions) are capitalized and included in Other Assets. The costs are amortized over the terms of the associated leases and are included in depreciation and amortization expense. Capitalized leasing costs for the three and six months ended June 30, 2007 and 2006 were as follows:

Three Months Ended S

	Estimated Useful Life	June 30, 2007	2006	20
			(In thousands)	
Development........................	Lease Life	$ 725	524	1,
New Tenants........................	Lease Life	738	678	1,
New Tenants (first generation) (1)...	Lease Life	50	35	
Renewal Tenants....................	Lease Life	523	447	
Total capitalized leasing costs...		$ 2,036	1,684	4,
Amortization of leasing costs (2)....		$ 1,199	998	2,

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

Discontinued Operations

The results of operations, including interest expense (if applicable), for the properties sold or held for sale during the periods reported are shown under Discontinued Operations on the consolidated income statements. The following table presents the components of revenue and expense for the properties sold during the three and six months ended June 30, 2006. There were no sales of properties or properties classified as held for sale during 2007; however, the Company recognized a deferred gain from a previous sale.

Discontinued Operations	Three Months Ended June 30, 2007	2006
		(In thousa
Income from real estate operations................................	$ -	519
Operating expenses from real estate operations.....................	-	(109)
Property net operating income from discontinued operations.........	-	410
Depreciation and amortization......................................	-	(153)
Income from real estate operations................................	-	257
Gain on sale of real estate investments...........................	7	16
Income from discontinued operations...............................	$ 7	273

A summary of gains on sale of real estate investments for the six months ended June 30, 2006 follows:

Real Estate Properties	Location	Size	Date Sold	Net Sales Pri

2006				
Madisonville land..................	Madisonville, KY	1.2 Acres	01/05/06	$ 804
Senator I & II/Southeast Crossing...	Memphis, TN	534,000 SF	03/09/06	14,870
Dallas land........................	Dallas, TX	0.1 Acre	03/16/06	66
Lamar Distribution Center I.........	Memphis, TN	125,000 SF	06/30/06	2,979
Deferred gain recognized from previous sale..................				
				$ 18,719

NEW ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and

measurement of a tax position taken or expected to be taken in a tax return. FIN 48 was effective January 1, 2007. With few exceptions, the Company's 2002 and earlier tax years are closed for examination by U.S. federal, state and local tax authorities. The adoption of FIN 48 had no impact on the Company's overall financial position or results of operations during the first six months of 2007.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, which provides guidance for using fair value to measure assets and liabilities. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. The provisions of Statement 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. EastGroup accounts for its stock-based compensation costs at fair value on the dates of grant as required under SFAS No. 123R. Also, as required under SFAS No. 133, the Company accounts for its interest rate swap cash flow hedge on the Tower Automotive mortgage at fair value. The Company expects that the adoption of Statement 157 in 2008 will have little or no impact on its overall financial position or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $40,947,000 for the six months ended June 30, 2007. The primary other source of cash was from bank borrowings. The Company distributed $23,691,000 in common and $1,312,000 in preferred stock dividends during the six months ended June 30, 2007. Other primary uses of cash were for bank debt repayments, purchases of real estate, construction and development of properties, mortgage note repayments and capital improvements at various properties.

Total debt at June 30, 2007 and December 31, 2006 is detailed below. The Company's bank credit facilities have certain restrictive covenants, and the Company was in compliance with all of its debt covenants at June 30, 2007 and December 31, 2006.

	June 30, 2007	December 31, 2006
	(In thousands)	
Mortgage notes payable - fixed rate.........	$ 397,059	417,440
Bank notes payable - floating rate..........	145,487	29,066
Total debt.............................	$ 542,546	446,506

The Company has a three-year, $175 million unsecured revolving credit facility with a group of nine banks that matures in January 2008. The Company customarily uses this line of credit for acquisitions and developments. The interest rate on the facility is based on the LIBOR index and varies according to debt-to-total asset value ratios (as defined in the credit agreement), with an annual facility fee of 20 basis points. EastGroup's current interest rate under this facility is LIBOR plus 95 basis points, except that it may be lower based upon the competitive bid option in the note. The line of credit can be expanded by $100 million and has a one-year extension at EastGroup's option. At June 30, 2007, the weighted average interest rate was 6.12% on a balance of $138,700,000. The interest rate on each tranche is currently reset on a monthly basis. At August 7, 2007, the balance on this line was comprised of three tranches totaling $107 million, all at 6.27%, and $43.7 million in competitive bid loans at a weighted average rate of 5.81%.

The Company has a one-year $20 million unsecured revolving credit facility with PNC Bank, N.A. that matures in November 2007. This credit facility is customarily used for working capital needs. The interest rate on the facility is based on LIBOR and varies according to debt-to-total asset value ratios (as defined in the credit agreement); it is currently LIBOR plus 110 basis points. At June 30, 2007, the interest rate was 6.42% on $6,787,000.

The Company expects to renew or replace the credit facilites mentioned above. As market conditions permit, EastGroup issues equity, including preferred equity, and/or employs fixed-rate, nonrecourse first mortgage debt to replace the short-term bank borrowings.

In May 2007, the Company signed an application on a $75 million, nonrecourse first mortgage loan secured by properties containing 1,448,000 square feet. The loan is expected to close in mid August 2007 and will have a fixed interest rate of 5.57%, a ten-year term and an amortization schedule of 20 years. The proceeds of this note will be used to reduce variable rate bank borrowings.

Contractual Obligations

EastGroup's fixed, noncancelable obligations as of December 31, 2006 did not materially change during the six months ended June 30, 2007 except for the increase in bank borrowings discussed above and the purchase of the properties in Charlotte that were under contract at year end. In addition, in late March, the Company executed a ten-year lease with United Stationers Supply Co. for a 404,000 square foot build-to-suit development in its Southridge Commerce Park in Orlando. The projected cost of this development is approximately $20 million, and construction began in June 2007 with occupancy projected in the second quarter of 2008. In connection with this build-to-suit development, EastGroup entered into contracts with United Stationers to purchase two of its existing properties (278,000 square feet) in Jacksonville and Tampa, Florida, for approximately $9 million. These acquisitions are expected to close in mid-2008, in line with completion of the build-to-suit development.

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

INFLATION

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 addition, the Company's leases typically have three to five year terms, which may enable the Company to replace existing leases with new leases at a higher base if rents on the existing leases are below the then-existing market rate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

	Jul-Dec 2007	2008	2009	2010	2011	T
Fixed rate debt(1) (in thousands).......	$ 6,174	12,967	43,157	11,680	77,908	
Weighted average interest rate..........	6.26%	6.26%	6.62%	6.03%	7.05%	
Variable rate debt (in thousands).......	$ 6,787	138,700	-	-	-	
Weighted average interest rate..........	6.42%	6.12%	-	-	-	

(1) The fixed rate debt shown above includes the Tower Automotive mortgage, which has a variable interest rate based on the one-month LIBOR. EastGroup has an interest rate swap agreement that fixes the rate at 4.03% for the 8-year term. Interest and related fees result in an annual effective interest rate of 5.3%.
(2) The fair value of the Company's fixed rate debt is estimated based on the quoted market prices for similar issues or by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company's bankers.

As the table above incorporates only those exposures that existed as of June 30, 2007, it does not consider those exposures or positions that could arise after that date. The ultimate impact of interest rate fluctuations on the Company will depend on the exposures that arise during subsequent periods. If the weighted average interest rate on the variable rate bank debt as shown above changes by 10% or approximately 61 basis points, interest expense and cash flows would increase or decrease by approximately $893,000 annually.

The Company has an interest rate swap agreement to hedge its exposure to the variable interest rate on the Company's $9,875,000 Tower Automotive Center recourse mortgage, which is summarized in the table below. Under the swap agreement, the Company effectively pays a fixed rate of interest over the term of the agreement without the exchange of the underlying notional amount. This swap is designated as a cash flow hedge and is considered to be fully effective in hedging the variable rate risk associated with the Tower mortgage loan. Changes in the fair value of the swap are recognized in accumulated other comprehensive income. The Company does not hold or issue this type of derivative contract for trading or speculative purposes.

Type of Hedge	Current Notional Amount	Maturity Date	Reference Rate	Fixed Rate
	(In thousands)			
Swap	$9,875	12/31/10	1 month LIBOR	4.03%

FORWARD-LOOKING STATEMENTS

The Company's assumptions and financial projections in this report are based upon "forward-looking" information and are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are inherently subject to known and unknown risks and uncertainties, many of which the Company cannot predict, including, without limitation: changes in general economic conditions; the extent of tenant defaults or of any early lease terminations; the Company's ability to lease or re-lease space at current or anticipated rents; changes in the supply of and demand for industrial/warehouse properties; increases in interest rate levels; increases in operating costs; the availability of financing; natural disasters and the Company's ability to obtain adequate insurance; changes in governmental regulation, tax rates and similar matters; and other risks associated with the development and acquisition of properties, including risks that development projects may not be completed on schedule or that development or operating costs may be greater than anticipated. Although the Company believes that the expectations reflected in the forward-looking statements are based upon reasonable assumptions at the time made, the Company can give no assurance that such expectations will be achieved. The Company assumes no obligation whatsoever to publicly update or revise any forward-looking statements. See also the Company's reports to be filed from time to time with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

ITEM 4. CONTROLS AND PROCEDURES.

(i) Disclosure Controls and Procedures.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2007, the Company's disclosure controls and procedures were effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

(ii) Changes in Internal Control Over Financial Reporting.

There was no change in the Company's internal control over financial reporting during the Company's second fiscal quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, the

Company's internal control over financial reporting.

PART II. OTHER INFORMATION.

ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors disclosed in EastGroup's Form 10-K for the year ended December 31, 2006.

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

On May 30, 2007, the Registrant held its Annual Meeting of Shareholders. At the Annual Meeting, D. Pike Aloian, H.C. Bailey, Jr., Hayden C. Eaves III, Fredric H. Gould, David H. Hoster II, Mary E. McCormick, David M. Osnos and Leland R. Speed were elected directors of the Registrant, each to serve until the 2008 Annual Meeting. The following is a summary of the voting for directors:

	Common Stock	
Nominee	Vote For	Vote Withheld
D. Pike Aloian	22,143,893	68,021
H.C. Bailey, Jr.	21,832,870	379,044
Hayden C. Eaves III	22,154,496	57,418
Fredric H. Gould	22,148,943	62,971
David H. Hoster II	22,077,581	134,333
Mary E. McCormick	22,145,734	66,180
David M. Osnos	21,837,835	374,079
Leland R. Speed	22,051,163	160,751

In addition, the stockholders voted to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the 2007 fiscal year. The results of the voting are set forth below:

	Vote For	Vote Against	Vote Abstained
Ratification of Independent Public Accounting Firm	22,064,026	113,865	34,023

ITEM 6. EXHIBITS.

(a) Form 10-Q Exhibits:

(3) Articles of Incorporation and Bylaws

(a) Bylaws of the Company (incorporated by reference to Appendix C to the Company's Proxy Statement for its Annual Meeting of Stockholders held on June 5, 1997).

(b) Amendment to Bylaws of the Company dated as of April 11, 2007 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed April 12, 2007).

(c) Amendment to Bylaws of the Company dated as of July 16, 2007 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed July 16, 2007).

(4) Instruments Defining the Rights of Security Holders

(a) Second Amendment to Rights Agreement dated as of July 23, 2007, between the Company and Wells Fargo Bank, National Association, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed July 23, 2007).

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

(a) Performance Goals for the 2007 Annual Cash Incentive and Bonus Compensation and the 2007 Annual Long-Term Equity Incentive Awards (a written description thereof is set forth in Item 1.01 of the Company's Form 8-K filed June 5, 2007).*

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

(a) David H. Hoster II, Chief Executive Officer

(b) N. Keith McKey, Chief Financial Officer

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

(a) David H. Hoster II, Chief Executive Officer

(b) N. Keith McKey, Chief Financial Officer

SIGNATURES

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

Date: August 8, 2007

EASTGROUP PROPERTIES, INC.

By: /s/ BRUCE CORKERN

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

By: /s/ N. KEITH MCKEY

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