

Initiated 2026-09-25 · Price \$201.52 (close 2026-09-25, stockanalysis.com) · Mkt cap \$10.82bn · Real estate / industrial REIT · Model: verified

Rating: Hold — Conviction: Low

EastGroup is running well:

- Cash same-property NOI is growing ~7%, and management raised guidance in July.
- New leases still re-price 19% above expiring cash rents.
- Leverage is low: 3.2x debt/EBITDA, rated Baa2 with a positive outlook.

The problem is the price. At \$201.52 the market capitalizes the portfolio at ~4.7% of forward NOI, while the 10-year Treasury is at 5.18%. The model's base case lands a little below the price, the bull case only 14% above it, and the bear case a third below it. That skew keeps this a Hold rather than a Buy, and the quality of the operator keeps it from being a Sell.

MODEL VALUE RANGE VS PRICE



Business overview

EastGroup owns 61.6mm sq ft of shallow-bay (multi-tenant, smaller-suite) distribution buildings across the Sunbelt. By square footage, 34.8% is in Texas, 24.9% in Florida, 14.9% in California and 7.5% in Arizona. Tenants are mostly small and mid-sized regional distributors and service businesses on 3–5 year leases.

It also develops, adding ~\$250–325mm of new buildings a year; 17 projects (\$486.8mm) are under way. Property NOI was \$528.3mm in FY2025 (+13.6%) and grew 10.8% in H1 2026.

Three variables drive earnings:

- Re-leasing spreads and occupancy (96.8% leased, 95.6% occupied at June 30).
- How fast development deliveries convert to NOI.
- The cost of refinancing debt that currently carries a 3.43% average coupon.

Competition

- **Listed peers** in the same small-suite infill niche are Terreno (coastal markets) and First Industrial and Prologis (larger-box and national). Private developers compete for tenants in Texas and Florida.

- **Where pressure shows first:** in occupancy and first-generation lease-up, before it shows in renewal spreads. Average Q2 occupancy was 95.6% against 95.9% a year earlier, even as record leasing (3.9mm sq ft signed in Q2 2026) kept cash spreads at +19%.
- **Demand mix:** data-center-related tenants took ~40% of Q1 development leasing and ~20% of Q2's. That is a tailwind today and a concentration to watch.
- **Valuation:** on trailing P/FFO (stockanalysis, 2026-09-25), EGP trades at 21.7x, against 23.0x for Terreno, 20.3x for First Industrial and 19.7x for Prologis.

Bull case

1. **Mark-to-market runway.** GAAP spreads of +34% mean in-place rents sit well below market. Rolling ~15–20% of leases a year keeps same-property NOI growing 5–7% for several more years. Plays out if Sunbelt population and corporate-relocation demand holds, and if occupancy stays $\geq 96\%$. *Model: ss_noi_growth*
2. **The development engine.** Guided 2026 starts rose to \$325mm and acquisitions to \$215mm, and four projects transferred 100% leased in Q2. New buildings stabilize at yields above the cap rate the market applies to the portfolio. Plays out if development leasing keeps pace with starts. *Model: acq_noi*
3. **Scarcity holds private pricing.** Infill small-bay product is hard to build. CBRE's H1 2026 survey showed industrial cap rates flat to lower despite rate volatility. Plays out if private buyers keep bidding below 5%. *Model: cap_rate, terminal_p_affo*

Bear case

1. **Tenant demand cracks.** Small distributors are the most rate- and fuel-sensitive tenants, and the CEO named this as the main risk. A flat-to-down 2027 in occupancy and spreads would take same-property growth to 1–2%. Plays out if consumer spending slows and new supply in Dallas, Houston and Phoenix is still leasing up. *Model: ss_noi_growth*
2. **Rates reprice both sides.** \$315mm of 1.98–3.75% debt matures by end-2027 and refinances near 5%. A 10Y above 5% also pressures private cap rates toward 5.5–6%. Plays out if S3 or S4 persists. *Model: cost_of_debt, cap_rate*
3. **A premium multiple compresses.** EGP carries a ~2-turn FFO premium to First Industrial and Prologis. If growth normalizes toward peers, the premium goes. Plays out if 2027 FFO growth guides below ~5%. *Model: terminal_p_affo*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/FFO (TTM, aggregator)	21.7x · 21.0x 2026 guide (\$9.59)	n/a (unverified)	Terreno 23.0x · First Industrial 20.3x · Prologis 19.7x	stockanalysis.com, 2026-09-25; Q2 release
Implied cap rate (TTM PNOI / EV; EV = market cap + \$1,615mm debt – cash)	4.5% (4.7% on model Y1 NOI)	n/a (unverified)	n/a (not on one source)	model-inputs basis
Dividend yield (\$7.00 annualized)	3.5%	n/a (unverified)	Terreno 3.45% · First Industrial 3.27% · Prologis 3.22%	stockanalysis.com, 2026-09-25
EV/EBITDA (TTM, aggregator)	25.3x	n/a (unverified)	Terreno 26.7x · First Industrial 21.0x · Prologis 24.4x	stockanalysis.com, 2026-09-25

Model-implied value range (from `model-summary.json`; reit module, NAV at a cap rate and AFFO/share DCF with a terminal P/AFFO, midpoints): Bear \$133.96 · Base \$188.59 · Bull \$230.08 per share, i.e. implied returns of –33.5% / –6.4% / +14.2% vs \$201.52. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- **What the price implies.** It sits between base and bull, about a third of the way up. The market is paying for continued mark-to-market growth, and the remaining upside is small compared with the downside if rates hold.

- **Re-rating.** None. The base cap rate (5.0%) is above today's implied ~4.7%. The base terminal P/AFFO (24x) is a ~10% de-rating from ~26.7x on Y1 AFFO. The two methods agree within 3% (NAV \$191.19, AFFO DCF \$185.99).
- **The bear case is lopsided by method.** NAV falls to \$155.13 but the AFFO DCF falls to \$112.79, because the bear case stacks slower NOI growth, higher refinancing costs and a 19x exit multiple.
- **No tail sensitivity was run.** No tenant, market or product is ≥50% of NOI; Texas is the largest state at 34.8%.

Balance sheet:

- Leverage: 3.1x net debt/FY2025 EBITDA on the model basis (company: 3.2x, or 2.5x adjusted pro forma).
- Coverage: 9.1x EBITDA/interest on gross interest (company fixed-charge coverage 15.8x, after capitalized interest).
- Liquidity: \$656mm undrawn revolver, plus \$160mm of unsettled forward equity.
- Nearest maturity: \$100mm at 1.98% in October 2026.
- Ratings: Moody's Baa2, positive outlook.

Model note: tier `full`, status `built`, verification `verified` (1,988 formula cells matched in LibreOffice). No assumptions without basis. Scenario consistency is `OK` on all 14 rows; S6 was reconciled to ± after the model showed a small positive.

- **Unverified input:** `market.other_claims`, set to zero (est.).
- **Recurring capex (16% of NOI) is an estimate.** The source did not split growth capex from recurring capex.
- **The cap rate is analyst judgment.** CBRE's survey figures were not retrievable.
- **FFO.** Model Y1 FFO is ~\$9.29 per share (est. from model AFFO plus capex), ~3% below the \$9.59 guidance because the model charges gross interest rather than netting capitalized interest.

Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

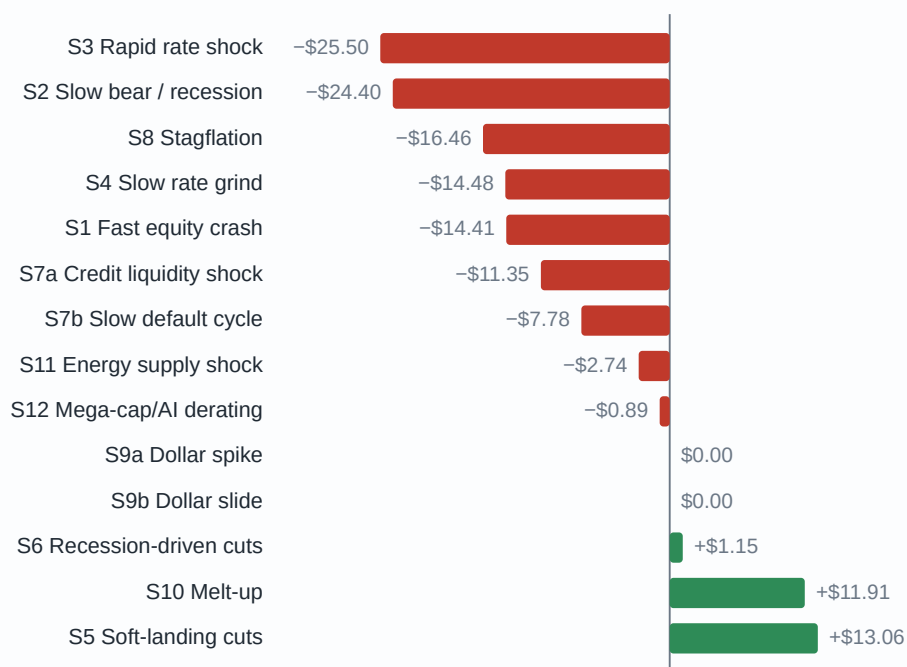
Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	REITs de-rate with equities; private cap rates barely move	Med	–\$14.41
S2 Slow bear / recession	–	Distribution tenants shed space, and occupancy and spreads fall. Milder than Base – Bear (\$54.63) because it lasts two years with no refinancing shock, whereas the bear case also reprices debt and the exit multiple	High	–\$24.40
S3 Rapid rate shock	–	Cap rates track real yields and refinancing costs jump; the most direct channel	High	–\$25.50
S4 Slow rate grind	–	Multi-year repricing of low-coupon debt; cap rates drift up	Med	–\$14.48
S5 Soft-landing cuts	+	Lower yields compress cap rates while demand holds	Med	+\$13.06
S6 Recession-driven cuts	±	Lower cap rates roughly offset weaker tenant demand	Low	+\$1.15
S7a Credit liquidity shock	–	Forced selling de-rates REITs; only \$140mm is due in 2026	Med	–\$11.35
S7b Slow default cycle	–	Small-tenant defaults in shallow-bay space	Low	–\$7.78
S8 Stagflation	–	Higher rates outweigh inflation-linked rent resets	Med	–\$16.46
S9a Dollar spike	0	No material effect, not modeled — domestic rents	—	\$0.00
S9b Dollar slide	0	No material effect, not modeled — as S9a	—	\$0.00

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S10 Melt-up	+	Risk appetite lifts REIT multiples and private bids	Med	+\$11.91
S11 Energy supply shock	-	Fuel costs squeeze distribution tenants (a CEO-flagged risk)	Low	-\$2.74
S12 Mega-cap/AI derating	-	Data-center-related tenants were 20–40% of 2026 development leasing	Low	-\$0.89

Currently active/on watch per the playbook:

- S3 is partially active per `state.md` ; the 2026-09-24 macro log flags all three legs as met. S3 is EGP's largest modeled risk.
- S8, S10 and S11 are on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- The price falls below the base-case value with guidance intact; or
- 2027 guidance keeps cash same-property NOI $\geq 6\%$ with occupancy $\geq 96.5\%$; or
- The October 2026 and 2027 maturities refinance below 4.5%.

Downgrades if:

- Cash re-leasing spreads fall below $\sim 12\%$; or
- Average occupancy drops below 95%; or
- The 10Y holds above 5.25% while the implied cap rate stays below 5%.

Watch items

- **W1:** Cash same-property NOI growth and average occupancy, against 2026 guidance of 6.3–7.3% and 95.3–96.1%. Source: Q3 2026 release (late October 2026). *Model: ss_noi_growth*
- **W2:** Cash and GAAP re-leasing spreads, against +19% and +34% in Q2. Source: Q3 2026 release. *Model: ss_noi_growth*
- **W3:** Refinancing rate on the \$100mm 1.98% October 2026 maturity. Source: Q3 10-Q or Q4 release. *Model: cost_of_debt*
- **W4:** Development leasing in the 17-project pipeline (22% leased at June 30) and 2027 starts guidance. Source: Q4 2026 release (early February 2027). *Model: acq_noi*

Sources

- EastGroup Properties Q2 2026 results — <https://investor.eastgroup.net/2026-07-22-EastGroup-Properties-Announces-Second-Quarter-2026-Results> — accessed 2026-09-25
- EastGroup Properties Q4 and FY2025 results (8-K ex. 99.1) — <https://www.sec.gov/Archives/edgar/data/0000049600/000004960026000003/exhibit9912426.htm> — accessed 2026-09-25
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- EastGroup Properties Q4 2025 supplemental information — https://www.sec.gov/Archives/edgar/data/49600/000004960026000003/supplementalinformation_.htm — accessed 2026-09-25
- EastGroup Properties Q2 earnings call highlights — <https://finance.yahoo.com/real-estate/articles/eastgroup-properties-q2-earnings-call-190726456.html> — accessed 2026-09-25
- EastGroup statistics and financials — <https://stockanalysis.com/stocks/egp/statistics/> · <https://stockanalysis.com/stocks/egp/financials/> — accessed 2026-09-25
- Peer statistics: First Industrial <https://stockanalysis.com/stocks/fr/statistics/> · Terreno <https://stockanalysis.com/stocks/trno/statistics/> · Prologis <https://stockanalysis.com/stocks/pld/statistics/> — accessed 2026-09-25
- CBRE U.S. Cap Rate Survey H1 2026 — <https://www.cbre.com/insights/reports/us-cap-rate-survey-h1-2026> — accessed 2026-09-25
- Daily macro log, 2026-09-24 (10Y 5.18%, S3 legs) — `logs/macro-2026-09.md`

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.