

## **HORIZON GROUP PROPERTIES FORMS JOINT VENTURE TO REDEVELOP EL PORTAL CENTER**

**(Chicago, Illinois – July 19, 2004)** -- Horizon Group Properties, Inc. (HGP) (OTC: HGPI.PK), an owner, operator and developer of factory outlet centers and land developer, announced that it has entered into a joint venture (the "Joint Venture") with Morgan Stern Realty Holdings, L.L.C. to redevelop El Portal Center, a 400,000 square foot enclosed shopping center in Laredo, Texas, formerly known as Riverdrive Mall. HGP will be responsible for managing and leasing the project which will be marketed primarily to factory outlet tenants. The extensive redevelopment of the center is expected to be complete in time for a fall 2005 opening.

The existing center is located in a redevelopment district in downtown Laredo on the Rio Grande River. It is situated at the foot of the only bridge that accommodates pedestrians as well as vehicles crossing between Mexico and the U.S. Over 14 million vehicles and nine million pedestrians cross the bridge annually.

Horizon El Portal, LLC ("Horizon El Portal"), a partnership of which HGP is the managing member and 51% owner, owns 50% of the Joint Venture with Morgan Stern, L.L.C. The remaining 49% of Horizon El Portal is owned by an affiliate of Howard Amster, a director and significant shareholder of HGP, and Gary J. Skoien, Chairman, President and CEO of HGP. Horizon El Portal made a capital contribution in cash for its 50% interest in the Joint Venture and assumed existing financing secured by the shopping center. Horizon El Portal also agreed to provide second mortgage financing to the Joint Venture to fund renovation and operating expenses of the Joint Venture.

In connection with the transaction, an affiliate of Mr. Amster made two loans to Horizon El Portal. The first loan is for \$2.4 million, has a two-year term, bears interest at Libor plus 300 basis points with a floor of 6% and is proportionately guaranteed by each partner of Horizon El Portal. The second loan is for up to \$3 million, has a two-year term and bears interest at 10%. \$1.5 million of this loan is proportionately guaranteed by each partner in Horizon El Portal. Each loan is also secured by assets jointly owned by HGP and an affiliate of Mr. Amster. The proceeds from the loans will be used to fund renovation and operating expenses of the Joint Venture and also funded a portion of Horizon El Portal's capital contribution to the Joint Venture.

Commenting on the Joint Venture, HGP's Chairman, President and Chief Executive Officer, Gary J. Skoien, said, "We're convinced that Laredo is perfectly situated to draw from the eight million people within a two hour drive of the center." Mr. Skoien added, "There is not a better site that has this kind of accessibility and visibility on the border. It is perfectly positioned to tap into Monterrey, Mexico, the highest income area of the country and the brand-conscious Mexican consumer. Renovating the existing building will allow us to have the center operating in a much shorter timeframe than we could with a conventional greenfield site."

"This is such an exciting announcement for Laredo and I know that I am joined by the members of the City Council and City staff, as I congratulate Morgan Stern Realty and Horizon Group Properties on their joint venture partnership in the El Portal Center," said Mayor Betty Flores.

"We also welcome the opportunity with open arms as we move forward with all of the exciting plans for revitalization of our community's historic downtown business sector. As you know the City Council and I have committed millions to the redevelopment of downtown Laredo. We have also been working on a proposed southern flyway exit from Interstate 35 that will bring traffic directly into downtown and the El Portal Center. This private sector investment complements public projects to elevate Laredo to a new level of shopping in this community known as a two nation vacation destination."

Based in Chicago, Illinois, Horizon Group Properties, Inc. has interests in ten factory outlet centers in eight states totaling approximately 2.2 million square feet and is the developer of a master planned community in suburban Chicago.

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*Safe Harbor Statement: The statements contained herein, which are not historical facts, are forward-looking statements based upon economic forecasts, budgets, and other factors which, by their nature, involve known risks, uncertainties and other factors which may cause the actual results, performance or achievements of Horizon Group Properties, Inc. to be materially different from any future results implied by such statements. In particular, among the factors that could cause actual results to differ materially are the following: business conditions and the general economy, competitive factors, interest rates and other risks inherent in the real estate*