



## 2005 The Year In Review: A Flashback Filled With Achievement & Vision

It was the year of acquisitions, agreements, expansion and escrows, not to mention phase ones, grand openings, mixed use, long drives and late nights.

"2005 was a fantastic year," said CEO & President Steve Hopkins. "We not only achieved our goals, but we set up a great platform for HREG to continue to be a successful development company in the years to come."

Acquisition accomplishments included 40 prime Riverside County acres in Mira Loma, California, that will be home to 360,000-square-foot community shopping center Vernola Marketplace. A joint venture with Rockwood Capital, the center will serve residents of Eastvale, Mira Loma, Ontario, Norco and parts of Corona.

We also closed escrow on Verdemon Heights Towne Center, a 52-acre destination retail site in San Bernardino off the I-215 freeway. Verdemon is our fourth venture with

Rockwood Capital, on the heels of our third Rockwood project, Menifee Valley Crossroads. Located in Sun City, California, this 27-acre site will serve several existing markets, a master planned community and thousands of new homes in all directions, as a 270,000 square-foot community shopping center.

At home in Orange County, we acquired Imperial Promenade on Imperial Highway in La Habra, a significant 17.08-acre infill retail hub, formerly the site of a Big Kmart building. With partner Arnel Capital Partners, LLC, we will develop the site as a new 220,000-square-foot shopping center.

Marking another milestone, we obtained entitlements on the 168-acre Carson site, located on the west side of the 405 freeway, to develop a long-awaited mixed-use project with LNR Property Corporation. Carson Marketplace will include 1.4 million square feet of retail, 1,300 residential units

and a 200-room hotel. An additional venture with LNR – the demall and redevelopment of the Whittwood Town Center – resulted in the opening of phase one, including Target, PetSmart and Cost Plus, with phase two on track to open in the first quarter of this year. A second Target opening took place as we completed phase one of SouthBay Pavilion's demall, in partnership with Shamrock Capital Advisors. The densely populated trade area – off the 405 freeway and just east of the 110 freeway in Carson – also celebrated the reopening of SouthBay's new Big 5 Sporting Goods.

In Valencia, anchor Office Depot opened in our 70,000-square-foot Highridge Crossing with the balance of the center scheduled to open in the near future. We also opened Seco Canyon Village there in December, and hope to develop more projects in this desirable market.



Larry Weese, Dana Haynes, Steve Hopkins and Dennis Reyling at SouthBay Pavilion Demall Groundbreaking

Main Street Village in Corona, and The Hub in San Bernardino were both opened and sold in '05. Twenty-thousand-square-foot Main Street Village was overseen by Brian Hopkins, in a partnership with Arnel Capital named HTMC Corona. Integrated into more than 1 million square feet of mixed uses at the I-10 and Tippecanoe in San Bernardino, The Hub was a public/private

partnership with HREG and the city of San Bernardino Economic Development Agency.

Not only did we move our home office from Newport Beach to Irvine in '05, we opened a new Northern California office. The San Mateo office (headed up by Dean Isaacs) positions us to take advantage of development and redevelopment opportunities in northern and central California. The new Irvine office? That positions us one to a desk, after our tremendous growth spurt last year!

"All year, we been on fast-forward with every project on the table," said Steve Hopkins. "It's extremely satisfying to look back on the progress of each – to celebrate the milestones and all the partnership, city and retail relationships that made them possible."



## A Hopkins History

- 1972**  
Company founded, developing Newport Beach office site
- 1973**  
Steve Hopkins attends first ICSC conference "The ABC's Of Developing Retail" and builds first convenience center in Huntington Beach, developing relationships with supermarket chains
- 1979**  
Opened Corporate Plaza with home office in Newport Beach
- 1981**  
HREG works with HUD to acquire UDAG, and redevelops the Maywood project with Boys Market, Thrifty Drug and McDonald's
- 1985**  
Hopkins redevelops declining Lakewood site as thriving Lakewood Marketplace
- 1988**  
Hopkins converts La Mirada Mall to vibrant La Mirada Towne Center
- 1995**  
HREG "de-malls" in Long Beach, turning Los Altos Shopping Center into thriving new power center
- 2002**  
Hopkins named preferred developer by Newhall Land to develop 220,000 sq ft of retail in Valencia & celebrates 30-year anniversary
- 2004**  
HREG forms partnership with Rockwood Capital Corporation. With Rockwood, closes escrow on properties in Talega/San Clemente and Riverside County
- 2005**  
Corporate office moves from Newport Beach to Irvine, California

## P r e s i d e n t ' s   M e s s a g e

The last five or six years have been robust for the real estate market, specifically development – the question is what's in store for 2006? Many of the so-called experts don't agree:

Many think the current pace of residential activity may not continue so the question is – continued boom or will the bubble burst? Many in the real estate industry insist that there is no bubble in Southern California, noting that it's part of a natural cycle for home prices to rise and fall.

From a national standpoint, there are concerns over job creation and potential decrease in consumer spending, the post-Katrina effect and rising energy costs.

Discussion continues on whether cap rates are going to rise or stay the same. Many experts think they will rise while some surveys indicate there will be more capital spent on real estate this year than last.

Many investors believe that an unprecedented amount of capital coming into the U.S., especially for retail investment, will cause retail real estate to remain attractive, despite concerns over job growth and consumer spending.

With respect to U.S. capital, opportunity funds, other institutional investors, private capital and the REITs (who are looking for great development or acquisition opportunities) the bottom-line concern is that as interest rates rise (if they do), cap rates will follow (maybe?) and prices will soften.

In California, specifically Southern California, a great opportunity for the future used to be urban infill retail development and mixed-used combining retail with residential.

My opinion? I tend to personalize any type of forecast as it pertains to what our company is doing. HREG continues to develop, re-develop and invest in retail opportunities, and urban infill and specific growth areas. We are also involved in a number of mixed-use opportunities. I really feel that our business plan is very solid and development in these areas will attract equity, debt and, most importantly, opportunities for all retailers. The bottom line is, I am cautiously optimistic, and we will continue to execute our business plan to match this philosophy.

Steve Hopkins

## D I G G I N G   I N

### HREG Celebrates Closing Escrow On One Project And Grand Opening Another

Find a California housing boom in a community underserved in retail, and you'll find Hopkins developing the right center, from the perspective of both the consumer and retail tenant.

Mindful of the individual market, HREG strives to construct retail experiences that are convenient, convivial and fulfilling in two destinations where men, women and children are eager for shopping environments that deliver the greatest material goods, and the greatest good for their communities. We proudly present news of two.

#### An Auspicious Beginning in San Bernardino . . .

**Verdemont Heights Towne Center** – located at the highly visible intersection of the I-215 freeway and Palm Avenue in Verdemont – is HREG's fourth joint-venture project with San Francisco based Rockwood Capital.

This significant 52-acre destination retail site will serve an on-going housing boom in San Bernardino and northern Fontana with general merchandise, home improvement, soft goods (including fashion and linens), consumer electronics, sporting goods, a bookstore, cinema and possibly fitness.

Nearly 7,000 new residential units are under construction, or planned, in the center's trade area of 150,000 where the population is currently shopping more than 8-miles from home.

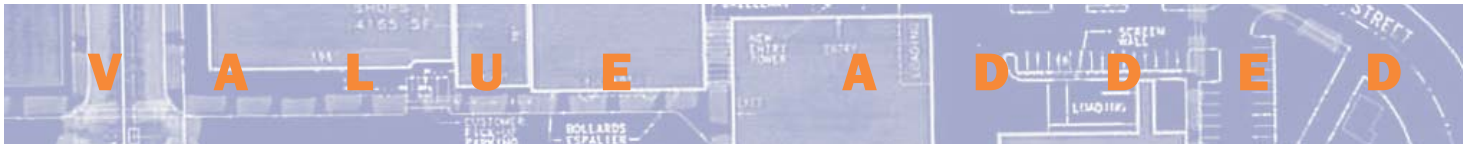


Larry Weese, Jeff Hopkins & Steve Hopkins at the Grand Opening of Seco Canyon Village.

#### ... and a Happy Ending in Valencia

**Seco Canyon Village** – located at the southwest corner of Seco Canyon Road and Copperhill Drive, and the last of six HREG pocket retail centers in Santa Clarita, opened in early December 2005 with a holiday themed ribbon cutting ceremony. The 38,000-square-foot Valencia center is one of four retail projects with Arnel Capital Partners.

"We're also continuing to pursue other properties for retail and a potential mixed-use project," said Steve Hopkins. "In my opinion, participation in development of master planned Santa Clarita is as significant and exciting as having a role in developing Mission Viejo years ago."



## Center Mix Master Sharon Courtway Has an Open Mind About Empty Space As She Fills Hopkins' Top Leasing Position With Experience and Vision

Perhaps the greatest secret to Sharon Courtway's stellar career in retail leasing is that she does not just fill space. She fulfills markets. When Costa Mesa needed strength and flexibility, she was there with Yoga Works. When the City of Industry couldn't get a decent cup of coffee, she served up Starbucks. And when Indio needed a good read, she put B. Dalton Books on the Mall In Indio's bestseller list.



Sharon Courtway, Director of Leasing

"Sharon has a talent for framing a market's diverse needs and wants within a shopping center," said Hopkins President and CEO Stephen C. Hopkins.

Sharon, who has worked in retail leasing for more than 25 years (holding direct responsibility for leasing The Festival Companies' 6,000 to 750,000-square-foot projects before joining HREG as director of leasing), began acquiring retail experience even before her first deal.

Like the rest of us, she started out shopping -- every Saturday, to be exact, when her entire family left the Kansas farm to shop for everything they used all week. She graduated from shopper to buyer, when as the eldest, she shopped for her three sisters as well. Experienced and ready, she and her friends moved on to larger small towns such as Condordia, Kansas or Salina, honing their skills to a level equal to teen girls anywhere.

As a working adult, she sidestepped her destiny briefly getting her broker's license and selling homes in San Diego, until a good man intervened.

She married husband Mike who worked in retail leasing, and gave up her weekend residential work so their schedules would be in sync. Interested in investments, she took the Coldwell Banker training program where she met someone looking for new people to lease neighborhood centers for Jim Watson in Seal Beach. She became one of those new people -- and the rest is history.

When pen hit paper on Sharon's first deal, it wasn't just a tenant signing -- it was her boss Jim Watson and his partners. While looking for tenants in Cerritos, she discovered Alpha Beta leaving a center, and the property's owner wanting to sell. With Bally's in mind for the vacated grocery space, and Watson in mind as the new owner, she made both deals, earning great first commissions.

That, and subsequent commissions, have gone to support many passions -- home, family, boating, nonprofit organizations -- and shoes.

One center owner, who requested that Sharon accompany him to a development meeting on a vacant lot, had to learn the value of her shoes the hard way. When Sharon, in a brand new pair of heels from Nordstrom, objected to sacrificing her stylish soles, the owner told her to send him the bill. She did, but never got over the wasted slings, and carries mud shoes in her car trunk to this day.

In between Jim Watson's company and HREG, Sharon has trekked a lot of new and existing property, representing both owners and retailers. While working for such companies as Terranomics, she represented new stores such as Anna's Linens, and expanding retailers such as Family Bargain Centers and Susies Deals.

*(continued on page 4)*

## Banking and Real Estate Veteran Mark Schultz Joins Hopkins Real Estate Group As Chief Financial Officer

At first glance, Mark Schultz's position as vice president at Deutsche Bank Berkshire Mortgage (Deutsche) got our attention. When we learned Mark was Deutsche's senior originator -- having started the company's west coast operation in Irvine -- we were hooked on his story. And, anxious to take a page from his book.

"He had just the experience we needed," said HREG's President/CEO Stephen C. Hopkins citing Mark's complex financial transactions at Deutsche, where he closed more than \$650 million in Fannie Mae, Freddie Mac, FHA, structured finance and bridge loans. "Mark's extensive background in finance, combined with his real estate management and development achievements, made it clear that he was the CFO for Hopkins."



Mark Schultz, CFO

Prior to Deutsche and a position as director of the tax-exempt bond group for GE Capital in Irvine, Mark worked in real estate management and development at Picerne Group in San Diego. There, as chief financial officer and chief operating officer, he oversaw acquisitions, finance, sales of properties, and the day-to-day operations of the 2,000+ multifamily portfolio.

Mark's path to CFO at HREG began in college where he earned bachelor's degree in accounting from the University of Iowa, and an M.B.A. in finance from DePaul University. He is a CPA.

Mark lives in Laguna Hills, California with his wife and two children.

The Hopkins team welcomes his financial leadership, with great confidence in his economic guidance as he assumes responsibility for finance, accounting and investor relations.

## Steve Hopkins' Top 10 List for Winter YOU CAN SURVIVE SHIFT CYCLES, STRUCTURAL CHANGES AND OTHER CHILLING CHALLENGES

1. Stay with your niche – develop the type of product you are used to and don't get into areas that you don't understand.
2. Stay within your geographical area – too many times people try to expand into other markets without specific knowledge.
3. Keep it simple – this pertains more to growth than anything else. Try not to grow too fast – follow a deliberately paced, simple step-by-step growth plan.
4. Match overhead with management fees or development fees, so that when you hit a bump, if you lack liquidity, you can survive. Have a certain amount of liquidity "in the bank" to give you staying power.
5. Have a go-to financial partner and bank that will stick with you even in tough times.
6. Have a good core group of people within your organization that will support you through the tough times.
7. Incentivize your key people – that will keep them with you during tough times.
8. Listen to the advice of others – either within your company or other people you respect outside your company if you do not have a board of directors.
9. Keep strong relationships with major retail tenants so they will be there for you when times are tough.
10. If it looks like things will be tough in the immediate future, stay with your short-term goals.

Sharon Courtway *continued from page 2*

She puts Costa Mesa Courtyards at the top of her Best Projects list, having invested her leasing efforts in the center for so many years. Close seconds are Brea Marketplace, Imperial Center East, and Orangefair in Fullerton.

One year into her lead role at HREG, she's putting her drive and drive-time into Carson, San Clemente, La Habra, Riverside County and San Bernardino, helping the company define this decade's hot properties. She confesses a special thrill in helping to shape a traffic-stopping retail epicenter from HREG's two Carson projects off the 405, and an obsession with playing a part in the Talega consumer's future collectibles and treasures by discovering great independent shops with inspired wares.

We at Hopkins have no doubt she will succeed, earning more shoes than See's has candies, and rightly taking her place in Hopkins retail history.

*(Editor's Note: Sharon and her husband Mike Courtway live in Huntington Beach, California, close to their "second home", Seagate Yacht Club where Mike is Commodore. Their three children, and grandchildren Alexis and Trevor, spend lots of time at their home which is run by two Abyssinian cats. When not working, Sharon is an avid reader, student of yoga and boat parade decorator.)*



*Jeff Hopkins and wife  
Darcy Hite were married  
in Santa Barbara on  
October 29, 2005. We  
look to Jeff for amazing  
results now that he is  
under new management!*



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