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Morgans Hotel Group, Normandy Real Estate Partners and Ames Hotel Partners Announce Joint Venture to Develop The Ames in Boston

MORGANS HOTEL GROUP CORP

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NEW YORK, MORRISTOWN, N.J. & BOSTON, Jun 17, 2008 (BUSINESS WIRE) -

Morgans Hotel Group Co. (NASDAQ: MHGC) ("MHG"), Normandy Real Estate Partners ("Normandy"), one of the largest real estate owners and operators in the Boston to Washington, D.C. corridor, and local partner Ames Hotel Partners today announced a new joint venture to develop The Ames Hotel in Boston, MA. The Ames, located near Government Center, Boston Common and Faneuil Hall, will be operated by MHG under a long-term management contract and is expected to open in the third quarter of 2009. The Ames will represent a new addition to the MHG brand portfolio.

The project will redevelop a historic Byzantine and Romanesque-style office building known as The Ames Building, which was constructed in 1889 and is listed on the National Register of Historic Places. The building was Boston's first skyscraper and remains one of the tallest masonry buildings on the East Coast. The property is located just off Washington Street Mall and near the desirable residential neighborhood of Beacon Hill, and has significant outdoor space for food and beverage operations in a heavily trafficked pedestrian walkway. Upon completion of the project, The Ames is expected to have approximately 115 guest rooms, a restaurant, bar and exercise facility.

"The Ames marks our entry into Boston, a highly desirable market that matches MHG's target demographic for its metropolitan properties," said Marc Gordon, Chief Investment Officer of MHG. "This landmark building, conveniently located near Boston Common and other tourist destinations such as Faneuil Hall, made history as Boston's first skyscraper and, together with Normandy, we expect to make history again by introducing innovative design, surprising amenities, a compelling social scene, and a staff committed to always exceeding our guests' expectations. Work on the property is already underway and we look forward to bringing the MHG experience to one of the oldest cities in the U.S."

"A major element of MHG's growth strategy is the identification and development of new hotels in attractive, gateway cities," said Fred Kleisner, President and Chief Executive Officer of MHG. "Boston has been high on our list and we are thrilled to announce our plan to develop The Ames into a brand new MHG hotel in one of the most desirable locations in the city. The Ames will attract tastemakers of all ages who especially appreciate the vibe created by our hotels because they are passionate about their guest experience. From a financial perspective, we expect The Ames, once completed, to contribute quickly to MHG's EBITDA."

"We are extremely pleased to be partnering with MHG on this exciting project," said David Welsh, a founder and Managing Principal of Normandy. "We are more


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confident than ever that The Ames will become Boston's premier boutique hotel, befitting its treasured place in the city's history."

"Normandy appreciates the cooperation and role that both Mayor Menino and the Boston Redevelopment Authority continue to play in returning this landmark property to its former glory," said Justin D. Krebs, a Normandy Principal responsible for the firm's New England portfolio.

The total development budget for the project is approximately \$75 million with MHG committing \$10 million for a 35% interest in the joint venture. The project is expected to qualify for federal and state historic rehabilitation tax credits. Normandy has closed on a development loan from UBS for up to \$46.5 million.

About Morgans Hotel Group

Morgans Hotel Group Co. (NASDAQ: MHGC) operates and owns, or has an ownership interest in, Morgans, Royalton and Hudson in New York, Delano and The Shore Club in Miami, Mondrian in Los Angeles and Scottsdale, Clift in San Francisco, and Sanderson and St Martins Lane in London. MHG and an equity partner also own the Hard Rock Hotel & Casino in Las Vegas and related assets. MHG has other property transactions in various stages of completion, including projects in Miami Beach, Florida; Chicago, Illinois; SoHo, New York; Las Vegas, Nevada; and Palm Springs, California. For more information please visit www.morganshotelgroup.com.

About Normandy Real Estate Partners

Normandy Real Estate Partners is a fully integrated real estate investment management firm headquartered in Morristown, N.J., with offices in Boston, New York and Washington, D.C. The privately held firm owns and operates one of the largest diversified portfolios in the Boston to Washington, D.C. corridor. Normandy targets investments in a broad range of real estate assets, portfolios and companies consisting of office, industrial, multifamily, hotel and retail. Normandy's most recent discretionary real estate fund has approximately \$1.8 billion in total purchasing power. For more information visit www.normandyrealty.com.

About Ames Hotel Partners

Eamon O'Marah, Richard Kilstock and Seth Greenberg formed Ames Hotel Partners for the acquisition and development of the historic Ames building into a boutique hotel in 2007. Mr. O'Marah is a Boston based developer having originally planned the Ames Hotel project in 1999; Mr. Kilstock is an international real estate investor and developer; Mr. Greenberg owns and operates food, beverage and function facilities in Boston and New York City among other ventures. . For more information visit www.ameshotelpartners.com.

Forward-Looking and Cautionary Statements

Statements contained in this press release which are not historical facts are forward-looking statements as the term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by the use of words such as "expects," "plans," "estimates," "projects," "intends," "believes," "guidance," and similar expressions that do not relate to historical matters. These forward-looking statements are subject to risks and uncertainties which can cause actual results to differ materially from those currently anticipated, due to a number of factors which include, but are not limited to, downturns in economic and market conditions, particularly levels of spending in the business, travel and leisure industries; hostilities, including future terrorist attacks, or fear of hostilities that affect travel; risks related to natural disasters, such as earthquakes and hurricanes; risks associated with the acquisition, development and integration of properties; the seasonal nature of the hospitality business; changes in the tastes of our customers; increases in real property tax rates; increases in interest rates and operating costs; the impact of any material litigation; the loss of key members of our senior management; general volatility of the capital markets and our ability to access the capital markets; and changes in the competitive environment in our industry and the markets where we invest, and other risk factors discussed in MHG's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and other documents filed by MHG with the Securities and Exchange Commission from time to time. All forward-looking statements in this press release are made as of the date hereof, based upon information known to management as of the date hereof,

and MHG assumes no obligations to update or revise any of its forward-looking statements even if experience or future changes show that indicated results or events will not be realized.

SOURCE: Morgans Hotel Group Co.

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