

# Cape Advisors Partners with Morgans Hotel Group to Transform 150 Lafayette St. in the NYC SoHo Area into a 270 room Mondrian Hotel

NEW YORK June 28, 2007 - Morgans Hotel Group Co. (NASDAQ: MHGC) today announced a new joint venture with Cape Advisors Inc., a New York-based developer, to develop a Mondrian hotel in SoHo, Manhattan. Mondrian SoHo will be operated by MHG under a long-term management contract and is expected to open during the second half of 2009. The hotel is the sixth announced Mondrian, including Los Angeles, Scottsdale, and properties under development in Las Vegas, Miami and Chicago.

The joint venture will convert a property currently owned by Cape Advisors on Lafayette Street into Mondrian SoHo. The hotel is anticipated to have over 270 rooms, a bar and restaurant, as well as other amenities.

"Mondrian SoHo will be highly complementary to our existing portfolio of New York properties," said Marc Gordon, Chief Investment Officer of MHG. "Due to the popularity of the SoHo market, sites for new hotels are extremely rare, and we look forward to establishing a presence in one of the most desirable downtown areas. Furthermore, we expect Mondrian SoHo to benefit from cost savings, labor efficiencies and other synergies of the centralized operation of our three other Manhattan hotels: Morgans, Royalton and Hudson."

Ed Scheetz, President and Chief Executive Officer of MHG, said, "SoHo is downtown's most attractive location--a mix of fashion, industry, culture and nightlife set in the historic cast-iron buildings and cobble-stoned streets. Boutique hotels have performed extremely well in SoHo, and we are pleased to partner with Cape Advisors to open our first property in lower Manhattan."

Mondrian SoHo is expected to have significant space for a restaurant, bar, ballroom, meeting rooms, exercise facility and a penthouse suite with outdoor space that can be used as a guest room or for private events. The hotel is also expected to boast a street-courtyard, which would serve as the hotel entrance and outdoor dining space.

MHG contributed approximately \$5 million for a 20% interest in the joint venture. Upon completion, MHG is expected to operate the hotel under a 10-year management contract with two 10-year extension options.

## ABOUT MORGANS HOTEL GROUP

Morgans Hotel Group Co. (NASDAQ: MHGC), which is widely credited with establishing and developing the rapidly expanding boutique hotel sector, owns and

operates Morgans, Royalton and Hudson in New York, Delano and The Shore Club in Miami, Mondrian in Los Angeles, Scottsdale and South Beach, Clift in San Francisco, and Sanderson and St Martins Lane in London. In February 2007, MHG and an equity partner acquired 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 and Las Vegas, Nevada, and continues to vigorously pursue its strategy of developing unique properties at various price points in international gateway cities. For more information please visit [www.morganshotelgroup.com](http://www.morganshotelgroup.com).

#### ABOUT CAPE ADVISORS, INC.

Cape Advisors, Inc. is a New York City-based development company formed in 1995 by Curtis Bashaw and Craig Wood. At present time, Cape Advisors has over \$1 billion of projects in various stages of development in New York, New Jersey and Utah. Cape Advisors' experience includes office and mixed use projects, single and multi-family residential projects, warehouse and light industrial buildings, hotels and conference centers, land development, retail and festive retail projects, historic preservation, adaptive re-use, and environmentally sensitive projects, with deal sizes ranging from \$5 to over \$275 million. This broad product background allows Cape to draw on a wide range of executive experience and promotes creativity in solving problems. Cape Advisors strives for a restorative development approach, seeking to integrate community needs and investor requirements with superior design and environmental stewardship. For more information please visit [www.capeadvisors.com](http://www.capeadvisors.com).