

# £275m sale to US hotel group signals new future for BT Tower

Landmark 620ft tower in Fitzrovia to enjoy new life as luxury hotel

The iconic BT Tower has dominated London's skyline for many years – providing the heart of the broadcasting network that enabled the nation to watch the majority of live TV. But now, following a unique £275m deal, this 620ft Grade II listed tower and surrounding buildings are set to be reborn as a luxury hotel.



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## THE CHALLENGE

The landmark BT Tower, opened in 1965 by Prime Minister Harold Wilson, has long been seen as the jewel in the crown of the BT property portfolio, but the brick-and-mortar estate was outdated and ready to be streamlined. Simplifying its property portfolio was key to BT's strategy to modernise and migrate services to more technologically efficient platforms. But how do you sell a Grade II listed property that still carries around 90% of the signals for live TV broadcasts in the UK, as well as providing the hub for millions of customers' calls and messaging services?

BT had originally planned to sell BT Tower once it had fully decommissioned the complex platform of equipment and miles upon miles of network which could take years to relocate and/or decommission. The project was further complicated due to nationally critical infrastructure that required clearance from the UK government under the National Security and Infrastructure Act (NSIA). But then US hospitality conglomerate, MCR Hotels unexpectedly knocked on the door.

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## THE SOLUTION

As long-standing trusted real estate advisors to BT, we helped them negotiate an NSIA-approved deal in complete secrecy. Confidentiality was critical – so much so that no one outside of the involved parties, their advisors and the architects of the new hotel scheme knew about the transaction until it was announced to the world. This was a unique deal for a unique building under unique circumstances and was therefore not a transaction that could be marketed in a conventional way through real estate agents.

The deal saw MCR Hotels pay the substantial upfront costs of decommissioning the various live platforms and facilities (thereby relieving our client of a significant capital outlay) and then buy the property once the network has been relocated. For their part, BT will carry out the decommissioning and relocation work. They will also preserve the building's listed features and heritage equipment including antique phones, historic diagrams and large quantities of copper wire. The remainder of the £275m purchase price will be paid at agreed intervals, with the final payment due when BT is able to hand over a 'clean' building.

Given the long-term nature of the deal, the significant gap between exchange and completion and the huge amount of work needed to be done to the buildings in the intervening period, we worked with Herbert Smith Freehills to write a detailed and complex 'collaboration regime' into the contract. This set out how both parties need to work together over what could be as much as a six-year period to achieve their joint goals.

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## THE IMPACT

The deal enabled BT to accelerate the rationalisation of their property portfolio and gain significant value from a highly unusual building. They have the added benefit of defraying the decommissioning costs and the peace of mind of knowing that this property will have a new lease of life. Meanwhile, MCR Hotels have beaten the market to buy a slice of London's skyline. And all that old copper wire? The word is that this may enjoy a new life as hotel wallpaper!



**The long timescales meant anticipating lots of things that might go wrong during this period and ensuring that BT was sufficiently protected. We proactively identified and prevented potential pitfalls and forecasted future challenges.**

Miles Ede, Addleshaw Goddard partner, Real Estate

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**£275M**

REAL ESTATE DEAL

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**90%**

OF TV SIGNALS PASSED THROUGH BT TOWER

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**620FT**

ICONIC LONDON BUILDING WITH REVOLVING TOP FLOOR

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**16 YEARS**

AS LONDON'S TALLEST BUILDING

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