

# EMPIRE HOUSE

27 TO 57 SAUCHIEHALL ST &  
127 TO 131 WEST NILE ST  
GLASGOW G2 3AT





## INVESTMENT SUMMARY

- Rare opportunity to acquire an entire prime central Glasgow block
- Spread of commercial uses between retail, leisure and offices
- Total passing rent of £1,264,009 per annum
- Significant £1million premium paid by HBOS for new lease
- Annual footfall figures of almost 16 million
- Sauchiehall Street's monthly footfall figures are higher than both Buchanan Street and Argyle Street
- 100% of the retail tenants have a 5A1 Credit Rating, comprising almost 70% of the income
- Retail WAULT of 9.73 years to break
- Adjacent block to be redeveloped to form 140,000 sq ft of offices
- Offers in excess of £17,000,000 **(SEVENTEEN MILLION POUNDS)** exclusive of VAT
- A purchase at this level would reflect an attractive Net Initial Yield of 7% assuming purchaser's costs of 6.24%

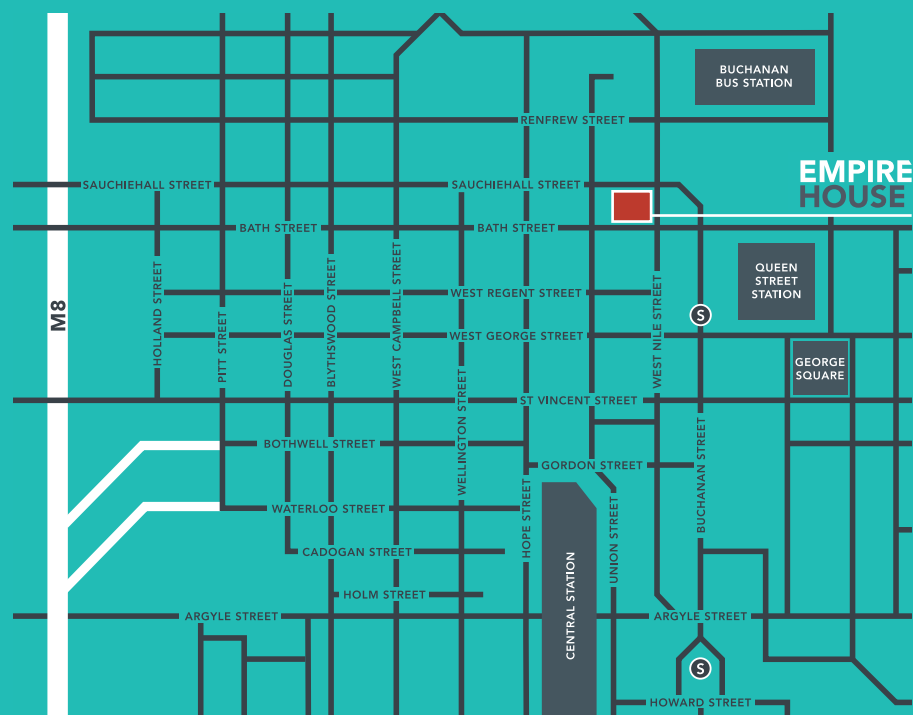




## LOCATION

Glasgow is the largest city in Scotland, the commercial and industrial capital of the country and the administrative centre for the West of Scotland. The city has an urban population of approximately 600,000 people and a catchment population of over 2.3 million people within a 40 minute drive, making Glasgow the third largest urban centre in the UK. The city benefits from 2 main train stations; Central Railway Station and Queen Street Railway Station, both of which provide regular services to London and link to the wider Scottish Railway Network.

Glasgow is Scotland's centre of employment and an economic powerhouse, generating £18 billion in gross value each year. There are 1.2 million working age people within a 45 minute commute of the city and 2 million within an hour. The city is home to an impressive list of blue chip companies and major global organisations across numerous sectors including Santander, Morgan Stanley, The Student Loans Company, KPMG, Ministry of Defence, BT, Aggreko, Scottish Power and Scottish & Southern Energy.



With over half a million square metres of retail space, Glasgow is the largest UK shopping destination outside London. It is also the most successful, ranking 2nd in CACI's UK Retail Ranking and placing it in the top 20 super league of major European shopping destinations by commercial expenditure. Within a 30 minute drive time from Glasgow, the comparison goods spend is £4.85 billion per annum whilst convenience expenditure is £5.23 billion per annum. The city is ranked as having the highest catchment spend available out of the top UK retailing centres.

Glasgow contains a particularly high proportion of people aged 15-44, reflecting a large student population at the four universities, Glasgow University, Strathclyde University, Glasgow Caledonian University and the University of the West of Scotland. Along with the indigenous population, this young age group has a very high propensity to spend.

## SITUATION

Sauchiehall Street is one of the strongest retailing pitches within Glasgow and the subject property comprises almost the entire block on the south side of the street between Renfield Street and West Nile Street. Glasgow City Council is committed to ensuring the success of Sauchiehall Street and has identified the area as the pilot regeneration framework district under the Glasgow City Centre Strategy & Action Plan 2014-2019. This will combine long term policy with short term initiatives/projects to create a 'high quality, people first place'.

The subjects comprise Sauchiehall Street's prime block on the pedestrianised section of the street, close to the corner of Buchanan Street and the Buchanan Galleries Shopping Centre.



## DESCRIPTION

The subjects comprise an entire building of prime, modern retail units on ground and basement floors with a modern five storey office block above. The retail units offer some of the best, open floor plates within Sauchiehall Street, with modern glazed full height frontages. The offices offer modern, open plan accommodation which have been split to form a number of individual office suites. There is basement car parking for 22 cars.





## GLASGOW RETAIL MARKET

Glasgow is the UK's largest and most successful retailing destination outside of London. It has an extended catchment population of 2.89 million people and an estimated shopping population of 680,000 people ranking the city 2nd in the UK behind London's West End. The city has a catchment spend of over £10 million, the highest of the top UK retailing sectors. Strong catchment spend is serviced by a very attractive and prosperous city centre. Glasgow's retailing core is based around Sauchiehall Street, Buchanan Street and Argyle Street which combined to form the famous Golden Z extended retail pitch. This is supported by the shopping centres Buchanan Galleries, (opposite the subject premises), St Enoch Centre and Princes Square.

There has been a recent period of strong rental growth within the Buchanan Street pitch taking Zone A rates onto a new tone of £280/sq ft Zone A. This makes the tone Zone A of the subject parade appear extremely modest with Zone A rates closer to £100/sq ft in a location close to the junction with Buchanan Street. We would suggest that the footfall levels in Sauchiehall Street would justify much stronger Zone A rates than that passing.



## GLASGOW OFFICE MARKET

The Glasgow office market performed well in 2015 with a total take up of 562,290 sq ft underpinned by robust occupier demand. The market was characterised by a strong Q4 with 36% of total Grade A take up for the year occurring (236,567 sq ft). Key lettings included KPMG who took 39,700 sq ft at St Vincent Plaza in what was the largest letting of 2015. Deals to CMS (22,000 sq ft) DWF (18,350 sq ft), Shepherd & Wedderburn (13,702 sq ft) and Deloitte (18,200 sq ft) also dominated this sector, with business services, banking and finance and the creative industries also showing high levels of activity.

Total supply as at October 2016 stands at 1,519,085 sq ft representing 8% reduction on the total available 12 months ago. Consequently approximately 310,850 sq ft of Grade A space is currently available in the city centre. The three new speculative schemes; St Vincent Plaza, 110 Queen Street and 1 West Regent Street having already let a significant amount of space. There are no new developments under construction creating an environment for rental growth and a reduction in tenants' incentives in the Grade A market, particularly as occupier demand remains strong. As at January 2016 live city centre requirements totalled over 600,000 sq ft (excluding requirements currently under offer). Prime rents in the city are now in excess of £30.00/sq ft.

## ACCOMMODATION & TENANCY

Address	Tenant	NIA (sq ft)	ITZA	Annual Rent	Rate (sq ft)	Lease Start	Lease End	Next Review	Break	Comments
127/129 West Nile Street	Coral Racing Limited	Ground Floor 1,064	972	£49,500	£46.52	15/09/92	14/09/27	22/09/20		
27 Sauchiehall Street	Starbucks Coffee Co (UK) Limited	Ground floor 895 Basement 278 First floor 783 Total NIA 1,956	910	£100,000	£109.89	01/02/14	31/01/24	01/02/19		
31 Sauchiehall Street	The Body Shop International plc	Ground floor 824 Basement 200 Total NIA 1,024	710	£95,000	£133.88	12/04/96	11/04/21			
35/39 Sauchiehall Street	Bank of Scotland plc	Ground floor 3,290 Basement 552 Total NIA 3,842	2,189	£255,000	£116.49	10/01/94	09/01/29	09/01/19		Rent is inclusive of 3 car spaces
47 Sauchiehall Street	Bella Italia Restaurants Ltd	Ground floor 2,889 Basement 723 Total GIA 3,612		£165,000	£45.68	14/03/16	13/03/31	14/03/21		RR minimum £175,000. Service charge cap at £8,750 per annum increasing annually in line with RPI
51 Sauchiehall Street	Hutchinson 3G UK Limited	Ground floor 898 Basement 283 Total NIA 1,181	765	£90,000	£117.64	14/11/11	13/11/21	14/11/16		
55/57 Sauchiehall Street	Ann Summers Limited	Ground floor 1,291 Basement 966 Total NIA 2,257	1,209	£120,000	£99.30	29/08/96	28/02/17			
1st Floor Empire House	CoStar UK Limited	12,247		£135,541	£10.25	13/04/07	12/04/18			Rent is inclusive of 4 car spaces. Service charge cap at £52,028.50 per annum increasing annually in line with RPI
Part 2nd Floor Empire House	T H March & Co Limited	749		£11,112	£12.17	01/06/99	28/05/24	29/05/19	T 29/5/19	Rent inclusive of a single car space. Service charge cap of £6 psf
Part 2nd Floor Empire House	National Deaf Children's Society	2,661		£28,000	£10.52	20/10/15	19/10/25		M 19/10/18	Extension of lease to 19/10/2025. Rent increasing to £30,000 on 20/10/2020. Service charge cap of £6 psf until 19/10/2020 and thereafter increasing annually in line with RPI
Part 2nd Floor Empire House	Medics Network Limited	1,001		£15,250	£11.25	01/10/13	12/04/18			Rent is inclusive of 2 car spaces
Part 3rd Floor Empire House	G D Lodge Architects LLP	2,092		£33,500	£12.15	15/05/87	14/05/22	14/05/17	T 14/5/17 with Penalty	Rent is inclusive of 3 car spaces
Part 3rd Floor corner suite Empire House	Vacant	807								
3rd Floor Rear Empire House	Foundation Scotland	1,785		£20,000	£11.20	11/08/14	16/08/24	17/08/19		Extension of lease fr 11/8/14 includes old Unit 15M
Part 4th Floor Empire House	The Trustees of Unison	3,365		£51,071	£15.18	18/01/08	17/01/18			
Part 4th Floor Front Empire House	YouTrain Ltd	1,396		£15,000	£10.74	08/08/16	07/08/18			New rent £15k @ 22-11-16 excludes rates, service charge. SC Capped at £5,600.00
Part 5th Floor Empire House	RNID t/a Action on Hearing Loss	2,243		£31,775	£12.38	14/11/05	13/11/21	14/11/16		Rent is inclusive of 2 car spaces. Tenant has not exercised their break and as a result will benefit from 6 months rent free which will be topped up by the vendor. Service charge cap of £6 psf
Part 5th Floor Empire House	British Transport Police Authority	2,818		£44,360	£14.32	07/07/08	06/01/17			Rent is inclusive of 2 car spaces. 2 year lease extension agreed
Sub-Station Empire House	ScottishPower					27/07/64	26/07/24			
Garage Space 15 & 21 Empire House	M Hollis			£3,900		01/06/09	01/06/17			Licence rolls yearly unless notice issued by either party
Garage Space 6 Empire House										
Garage Space 1 Empire House										
Roof Space	TCS Freehold Investment Ltd			£1		By completion	20 years			
Total Rent				£1,264,010						





Address	Tenant	D&B Rating	Accounts Filed	Sales Turnover	Profit/Loss Before Taxes	Tangible Net Worth	Net Current Assets
127/129 West Nile Street	Coral Racing Limited	5A1	26-09-15	£667,786,000	£81,106,000	£264,149,000	(£131,978,000)
27 Sauchiehall Street	Starbucks Coffee Co (UK) Limited	5A1	27-09-15	£405,641,634	£34,216,739	£57,705,649	£28,402,236
31 Sauchiehall Street	The Body Shop International plc	5A1	31-12-15	£404,100,000	£44,900,000	£321,300,000	£43,400,000
35/39 Sauchiehall Street	Bank of Scotland plc	5A1	31-12-15	£11,305,000,000	£2,653,000,000	£14,684,000,000	£20,737,000,000
47 Sauchiehall Street	Bella Italia Restaurants Ltd	5A1	31-05-15	£76,554,000	£6,030,000	£89,675,000	£54,724,000
51 Sauchiehall Street	Hutchinson 3G UK Limited	5A1	31-12-15	£2,153,401,000	(£778,132,000)	£2,782,900,000	£1,759,645,000
55/57 Sauchiehall Street	Ann Summers Limited	5A1	27-06-15	£104,818,310	£1,025,990	£47,844,808	£45,755,079
1st Floor Empire House	CoStar UK Limited	N3	31-12-15	£15,906,906	£1,405,235	(£24,814,560)	(£26,445,792)
Part 2nd floor Empire House	T H March & Co Limited	1A1	31-03-15	£8,061,000	£577,000	£715,000	£2,452,000
Part 2nd floor Empire House	National Deaf Children's Society	O1	Non Limited Company				
Part 2nd floor Empire House	Medics Network Limited	H3	31-03-15	-	-	£681	(£25,982)
Part 3rd floor Empire House	GD Lodge Architects LLP	E2	30-11-15	-	-	£60,000	£503,188
3rd floor rear Empire House	Foundation Scotland	4A1	31-03-15	£13,489,000	£3,947,000	£26,319,000	£4,894,000
Part 4th floor Empire House	The Trustees of Unison	A2	30-09-15	£6,881,913	£233,182	£558,310	£231,918
Part 4th floor front Empire House	YouTrain Limited	A2	31-03-15	-	-	£540,171	£475,291
Part 5th floor Empire House	RNID t/a Action on Hearing Loss	3A2	31-03-15	£37,134,000	(£1,148,000)	£10,495,000	£13,915,000
Part 5th floor Empire House	British Transport Police Authority	O1	Non Limited Company				
Sub-station	South of Scotland Electricity Board (now Scottish Power)	5A1	31-12-15	£6,590,400,000	£512,000,000	£4,333,600,000	(£3,349,600,000)



## TENURE

The properties are held on heritable title (Scottish equivalent to English freehold).

## EPC

We are advised that the Energy Performance Ratings of the units are as follows:

Empire House - Offices	D
27 Sauchiehall Street – Starbucks	G
31 Sauchiehall Street – Body Shop	D
35-39 Sauchiehall Street – HBOS	C
47 Sauchiehall Street – Bella Italia	G
51 Sauchiehall Street – 3G	D
55-57 Sauchiehall Street – Ann Summers	G
127-129 West Nile Street – Coral	G



## OPPORTUNITY

This is a rare opportunity to acquire one of Glasgow's prime retail blocks in its entirety. The quality of this pitch is no better illustrated than by the fact that every retail tenant has a 5A1 Dun & Bradstreet rating.

The high footfall figures for Sauchiehall Street, which have been the highest for central Glasgow every month since January 2012 until the present date prove how busy this location is. Typical monthly footfall is between 1.3 to 1.5 million people.



A further example of the strength of the pitch is the fact that HBOS paid a £1million premium for the lease over 35/39 Sauchiehall Street. This not only shows the strength of this pitch, but also the value in the non-retail consent for 35/39 and 47 Sauchiehall Street.

With the retail rents now showing a huge discount from nearby Buchanan Street which has a new tone of £280/sq ft, there is scope for real rental growth in prime Sauchiehall Street.

We are also of the opinion that the upper floors offer an excellent opportunity for growth in the extremely modest rental levels. As has been witnessed in the block opposite, there may also be scope for alternative uses for the uppers such as hotel, residential or PRS.

The subjects will also benefit from the planned redevelopment of the former BHS which will form 140,000 sq ft of new office space.



## Proposal

Offers in excess of £17,000,000 (SEVENTEEN MILLION POUNDS STERLING) exclusive of VAT.

A purchase at this level would reflect an attractive Net Initial Yield of 7% assuming purchaser's costs of 6.24%.

## VAT

Our clients have elected to waive exemption for VAT and accordingly VAT will be payable on the purchase price, although we anticipate the sale will be dealt with by way of a Transfer of Going Concern (TOGC).

## LEGAL COSTS

Each party will be responsible for their own legal costs incurred in connection with the transaction.



## VIEWING & FURTHER INFORMATION

Please contact the joint selling agents:



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