
Former M&S Store, 184 Sauchiehall Street, Glasgow

Agency Review



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1. Introduction

- 1.1. Rigorous due diligence is presented within the wider suite of submission documents which clearly demonstrates the difficulties of delivering new uses within the former Marks & Spencer store at 184 Sauchiehall Street from a physical/design perspective.
- 1.2. This report presents the rationale for the redevelopment of the former Marks & Spencer, the marketing efforts undertaken and consideration of the market scope for alternative uses at the subject site.
- 1.3. The associated market review demonstrates and concludes the binary comparison of reuse for retail within the existing building fabric as 'existing' versus as 'proposed' is misrepresentative of the reality of the future of 184 Sauchiehall Street and is not viable in the current and future retailing climate

2. Existing Building Position

- 2.1. The site is located at 184 Sauchiehall Street and was formally operated as a full line department store selling clothing, homewares and food by Marks & Spencer .
- 2.2. The site is contained within an urban block bound by Renfrew Street to the north, Sauchiehall Street to the south and with Cambridge Street located nearby to the west.

Marks & Spencer Rationale for Closing

- 2.3. Within Glasgow, it is clear that the retail need within the City has changed from the historic Golden Z to a more concentrated focus around Buchanan Street.
- 2.4. Due to the accelerated growth of online shopping and contraction of bricks and mortar non-food retail along with the reduced footfall along Sauchiehall Street as a result of homeworking post pandemic, it was an unsustainable retailing model for Marks & Spencer to run two Full Line stores within Glasgow City Centre due to the high operating costs within an inefficient floor plate as presented at 184 Sauchiehall Street with its high level of fallow back of house storage space.
- 2.5. Taking account of the above within a national review by Marks & Spencer of their UK property portfolio of inefficient high cost operating stores across the UK, the Sauchiehall Street store was closed by in April 2022. Marks & Spencer now support the sustainable redevelopment of the site and this will enable the long term reinvestment in the Marks & Spencer brand within the Glasgow region.

3. Marketing Overview

- 3.1. The following commentary has been prepared by Stuart Moncur who is a Director and Head of National Retail at Savills. His role oversees numerous aspects of the retail team including shopping centre leasing, high street, development, repurposing and occupational advisory. He has over 20 years' experience in advising clients within all sectors of the retail and leisure market across the UK.
- 3.2. With regards to Savills involvement, we were instructed by Marks & Spencer to prepare and implement a marketing strategy for their store at 184 Sauchiehall Street, Glasgow following their decision to close the Sauchiehall store and is part of a wider Scotland and UK initiative to respond to reshaping their store estate in the face of changing shopping habits.
- 3.3. Given the sensitivity attached to the unique context of the store (i.e. available floorspace, prominence and location) it was advised and agreed that a targeted off-market launch would be progressed. This off market exercise involved the following actions:
- Preparation of the relevant property information so this could be sent to specific target occupiers and purchasers;
 - List of targeted retail/F+B/leisure occupiers and agents who we felt were capable of considering the property;
 - Circulating the information to the target occupiers and purchasers;
 - Held interim discussions with interested parties; and
 - Invited proposals from interested parties for consideration by the vendor.
- 3.4. Despite the targeted marketing approach, the main issues raised by prospective retail/F+B/leisure occupiers included:
- **Retailing Context on Sauchiehall** – viewed by many prospective occupiers as an area which is currently diminishing as a core retail destination with lack of key anchors to help drive footfall. This follows the closures of BHS, Marks & Spencer, Dunnes and Watt Brothers.
 - **Quality of Retail / Commercial Offer on Sauchiehall Street** – the prevalence of temporary occupiers on Sauchiehall Street is perceived to have a negative effect on the image of the streetscape and undermines its retail function, outward and inward perceptions and, retailer/investment confidence.
 - **Major Vacancies & Gap Sites** – there is a number of prominent retail buildings on Sauchiehall Street which are currently vacant or have temporary occupiers. This includes the former BHS unit (67-81 Sauchiehall Street), the Watt Brothers Department Store (119-21 Sauchiehall Street), the former Marks & Spencer store (184 Sauchiehall Street) and former Dunnes (218-224 Sauchiehall Street). In addition, there is two prominent gap sites on Sauchiehall Street following respective fires at Victoria's Nightclub in 2018 and the former O2 ABC venue in 2019.
 - **Location on Sauchiehall Street** – the clear preference by occupiers was to be as close to Buchanan Street as possible. Most considered the store as too peripheral from the core footfall driving area within Glasgow City Centre.

- **Viability** – there is a substantial cost associated with retrofitting the former department store into a retail or leisure operation and this was considered to be insurmountable and prohibitive due to the relative turnover models they operate.
 - **Scale of Floorspace** – the quantum of floorspace available within the existing building was considered to be too large and prohibitive for modern retail/leisure operators and their respective operation. Typical traditional retail demand is for units between c. 929 – 1,858 sq.m in Glasgow City Centre. The former Marks & Spencer at 184 Sauchiehall Street is approximately 10,000 sq.m.
 - **Internal Layout** – due to the historic development pattern and amalgamation of the buildings there is now too many columns located across the floor plates. The existing floor to ceiling heights are also considered prohibitive and do not reflect modern requirements. These issues are particularly pertinent for leisure operators who typically require open plan floorplates and typically require a minimum of 6.5m floor to ceiling heights.
 - **Shopfront / Sauchiehall Street Entrance** – the existing entrances are considered to be compromised due to the scale of existing entrances/openings and limit the scope to have meaningful activity, at the necessary scale, along the frontage.
- 3.5. From our involvement in other locations throughout the UK (including London, Manchester, Edinburgh etc) we are seeing demand coming through from non-traditional end users for retail space including leisure operators, artisan food halls, bar operators, gym operators, new offices and fitness operators but despite this market interest it rarely extends to the scale on offer at the former Marks & Spencer store. This was reflected by the lack of concrete and viable interest and offers received from these sectors following the targeted marketing efforts.
- 3.6. Along with targeted off market email campaigns to specific retail/F+B/leisure occupiers, the marketing information was circulated continuously to Scottish and English agents.
- 3.7. This exercise demonstrated there was a significant level of interest from the developers considering some of the following types of end uses:
- Hotel;
 - Purpose Built Student Accommodation;
 - Build to Rent; and
 - Educational Facility.
- 3.8. In all, we received 6 enquiries from potential operators including retailers, leisure operators, hoteliers and student developers. Unfortunately none of the occupier interest was willing to progress their interests for a variety of the reasons highlighted earlier.
- 3.9. We received 2 financial proposals to purchase the freehold with vacant possession. Both of these were to completely redevelop the site for an alternative use i.e. hotel or student accommodation.
- 3.10. In summary, a targeted off market campaign was undertaken which failed to attract any sustainable retail or leisure interest due to the principally failing nature of Sauchiehall Street as a viable retail and/or leisure destination as highlighted above.

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- 3.11. The viable interest received was for alternative development options including hotel or student accommodation.
- 3.12. The building is now vacant and has been since April 2022 when Marks & Spencer departed 13 months ago. The continued vacant status will inevitably result in further deterioration of the premises internal and external fabric.

4. Retail/Leisure Market Overview

- 4.1. Sauchiehall Street was experiencing poor occupier demand pre-Covid-19. During the pandemic, the vacancy rate increased to 18%. Footfall recovery has been slow, showing c.40% of pre Covid-19 levels. This is due in part to Sauchiehall Street's reliance on footfall emanating from office workers.
- 4.2. There are currently 11 vacant units (14.47%) on the pedestrianised section of Sauchiehall Street as of May 2023. The vacancy rate has decreased from 17.1% in December 2021.
- 4.3. Despite the above vacancy rate, it is important to understand that this figure includes a number of prominent retail buildings on Sauchiehall Street which are vacant who have significant areas of floorspace on the street. This includes the former BHS unit (67-81 Sauchiehall Street) which has lain vacant since the chain went into administration in 2016, the Watt Brothers Department Store (119-21 Sauchiehall Street) which has been vacant since 2019 and Dunnes Store (218-224 Sauchiehall Street) which is a retail building arranged over 6 floors.
- 4.4. These prominent vacancies are now joined by 184 Sauchiehall Street following confirmation by Marks & Spencer of their departure. With the closure of Marks & Spencer on 30 April 2022, the loss of another key anchor along Sauchiehall Street has undoubtedly had further seismic impacts on the street and the ability of the street to attract new occupiers which make a meaningful contribution to the vitality and viability of the street.
- 4.5. These significant alternative interventions are demonstrated at the former BHS store on Sauchiehall Street where redevelopment proposals were progressed for a mixed use development. This comprised office (Class 4), retail (Class 1) with various commercial uses including Class 2, Class 3, Class 11 and Sui Generis (Public House and Hot Food Takeaway) and associated works. This was approved by Glasgow City Council in October 2017 (Ref: 16/02028/DC). Despite planning permission being approved, redevelopment of this vacant building has not commenced and the consent lapsed at the end of March 2023. Consequently, there is unlikely to be any immediate change in position at this prominent site.
- 4.6. A fundamental consideration when assessing the current retail context on Sauchiehall Street is its historic reliance on key anchor stores. The primary anchor occupiers previously comprised BHS, Dunnes, Watt Brothers and Marks & Spencer. Department stores across the UK have closed at an unprecedented rate over the past 10 years given the changed nature of retailing, with some 83% having been reported in August 2021 to have closed down (Various news sources, for example BBC). As shown in the Council's own studies, Glasgow has not been immune to his trend, with numerous City Centre vacancies existing on account of department store closures including those named above on Sauchiehall Street. Moreover, as acknowledged by Ryden's in their Glasgow City Centre Property Market Recovery and Support Interventions Report to Glasgow Chamber of Commerce (May 2022):

"These types of larger vacancy are less likely to be addressed by a new letting and will typically require more significant alternative uses in order to secure their futures." (p.26)

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- 4.7. Currently, following on from the effects of key anchors departing or closing, Sauchiehall Street is characterised and has been for a long time by temporary occupiers. This has a negative effect on the image of the streetscape and undermines its retail function, outward and inward perceptions and, retailer/investment confidence. These units often have low quality frontages which detracts from the surrounding retail offer and overall visual amenity. This is clearly demonstrated through the current occupation of 108-110 Sauchiehall Street by Pound Shop on a short term rolling lease whereby the former tenants signage can still be seen.
- 4.8. Furthermore, the extent of temporary occupiers who are on short term lease agreements means the current vacancy rate of 14.47% is an artificial figure which does not truly reflect the challenges facing Sauchiehall Street and the retailing function it serves. It is estimated that up to 20% of the occupied units on Sauchiehall Street are currently let to temporary occupiers on rolling monthly leases which provides limited security on the vitality and vibrancy of the street moving forward.
- 4.9. This perception of Sauchiehall Street was corroborated by the feedback received from prospective occupiers during the market campaign for the former Marks & Spencer store discussed above. This presents a significant challenge for re-energising the street given the existing brands and temporary retailers which dominate the street today are not fit to meet the demands of what is needed from the city centre.

5. Alternative Use Opportunities

Office Occupation

- 5.1. The following commentary has been prepared by Alistair Reid who is a Director in the National Office Agency Team at JLL with 17 years' experience in the office market across Glasgow.
- 5.2. Sauchiehall Street is not a traditional office location. A limited number of buildings have been successful but mainly offering small, flexible suites not larger floor-plates. Beyond this location not traditionally being viewed as an office location, re-positioning the existing building into office accommodation presents a series of clear challenges.
- 5.3. Firstly, leasing ground floor space to an office occupier would pose a difficult challenge on Sauchiehall Street. Leasing ground floor offices in general in the City can be challenging, but with the high footfall on Sauchiehall Street it would be even more difficult. Office tenants have concerns over security, privacy and disturbance when it comes to considering ground floor accommodation. This could subsequently lead to the loss of an opportunity to established an active frontage on Sauchiehall Street.
- 5.4. The mid-block position also severely restricts the aspect and outlook of any created office floorspace within the existing building. Renfrew Street is not considered an appealing outlook for office occupiers due to its typically traffic and service intensive use.
- 5.5. Physically, the building has a very deep-floor plate which extends back from Sauchiehall Street to Renfrew Street. The floorplate is poorly configured due to the age of the building and the number of structural alterations that have taken place since it was originally constructed in the 1930's. This has resulted in numerous columns across the floorplates and an inefficient core configuration.
- 5.6. The ceiling heights are currently constrained and there would be a requirement for a new central core to locate lift access and toilets. In addition, the need for natural light around the perimeter on all floorplates would require significant alterations in conjunction with those to locate a new central core. Even with this level of alteration it is considered the product created would remain compromised and inferior in comparison to similar size floorplates in Glasgow City Centre. Consequently, it is not considered a viable option for the existing building.
- 5.7. Based on the figures provided, the potential Net Internal Area of a floor-plate at the existing buildings could range from 4,500 – 7,100 sq.ft (Marks & Spencer block) and three floors of c. 8,500 sq.ft (Woolworths block). This is a large floor-plate offering for Sauchiehall Street with limited occupiers seeking this type of compromised space.

Hotel Use

- 5.8. The following commentary has been prepared by Steven Fyfe who is a Director in the Hotels team at Savills. He has been a specialist in the hotel sector since 2007, and focuses on transactions, valuation and development projects across Scotland and North England.



- 5.9. Hotels in this location on Sauchiehall Street typically generate business from visitors engaging with the leisure and evening economy in Glasgow. Consequently, this context in turn would attract limited service/budget hotel and apartment brands and operators.
- 5.10. The high cost of conversion set against lower capital values in this location is a key reason why a number of hotel schemes have not progressed beyond planning in the surrounding locale. This presents a significant challenge to a hotel use being a viable option for re-occupation/redevelopment of the subject site.
- 5.11. As it stands, there are 55 projects in the planning pipeline, with 37 consented schemes including 9 under construction. For any scheme at the subject site to have reasonable prospects of being deliverable, it would need to have stronger fundamentals than the 28 consented projects not yet commenced.
- 5.12. These challenges are reflected through the experience of the former Dunnes Store (218-224 Sauchiehall Street) which was previously under offer to a hotel buyer. Notwithstanding the interest, the prospective purchaser withdrew from the transaction on account of the negative sentiment for hotels in this micro location on Sauchiehall Street.
- 5.13. Given the above factors the prospect of securing deliverable hotel interest at this site is considered challenging and compromised primarily due to its location.

