SG Rocks lands third UK acquisition with London office

CBRE IM was selling Kingsway office for £42.5 million

York House on Kingsway. (CoStar)

By Paul Norman
CoStar News

20 January 2025 | 13:51

SG Rocks has completed its third acquisition, a mostly-office block on Kingsway in London's Midtown.

The price paid for York House, 23 Kingsway, has not been disclosed but it is thought to be close to the £42.5 million sought by vendor CBRE Investment Management. The 51,483-square-foot building includes office, leisure and ancillary space located between Covent Garden and Holborn.

In a LinkedIn post, privately owned SG Rocks said it will be implementing a "comprehensive improvement program to enhance the building’s design, amenities, and energy performance". It said the process includes a detailed review and upgrade of mechanical and electrical systems, ensuring the property meets market standards and is future-ready.

The office is let to seven office and one leisure occupier with a weighted average unexpired lease term of 5.88 years and 4.25 years to break options on let accommodation. Tenants include St James's Place Wealth Management and the Building Societies Association.

SG Rocks is a privately owned real estate company established after the sale of a retail portfolio in Denmark by SG Nordic for €280 million in 2022. Owned by some of Israel’s most prominent investors, SG Rocks focuses on prime London properties with a long-term view and a commitment to enhancing sustainability.

CBRE advised CBRE IM; SG Rocks was advised by Freeths and James Andrew International.

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Canada Life agree SG Rocks London office financing

The Midtown office is SG Rocks' third acquisition

York House is on Kingsway. (CoStar)

By Paul Norman
CoStar News
25 February 2025 | 13:13

Canada Life Asset Management has agreed an £18 million five-year fixed rate loan with SG Rocks back its acquisition of York House, a multilet office building on Kingsway in London's Midtown.

The completion of the loan represents the first transaction between Canada Life Asset Management and SG Rocks.

The transaction was led by Dom McHugh, Director in Canada Life Asset Management’s Real Estate Finance team, and supported by

Fieldfisher, Knight Frank, and Jones Hargreaves.

SG Rocks completed its third acquisition of the building, a mostly-office block last month.

The price paid for York House, 23 Kingsway, has not been disclosed but it is thought to be close to the £42.5 million sought by vendor CBRE Investment Management. The 51,483-square-foot building includes office, leisure and ancillary space located between Covent Garden and Holborn.

BRE advised CBRE IM; SG Rocks was advised by Freeths and James Andrew International.

Nicholas Bent, Head of Real Estate Finance, Canada Life Asset Management, said in a statement: "This financing reflects the strength of our asset base and our ability to provide competitive funding in the market. The prime location and quality of the underlying property played a key role in this transaction, and we are pleased to begin a new relationship with SG Rocks to support their growth in the UK office market whilst meeting the short acquisition timescales."

Doron Lavi Segelson, CEO, SG Rocks, said: "Together with Canada Life, we will be implementing a comprehensive improvement program to enhance the building's design, amenities, and energy performance, ensuring it meets the highest market standards for the future."

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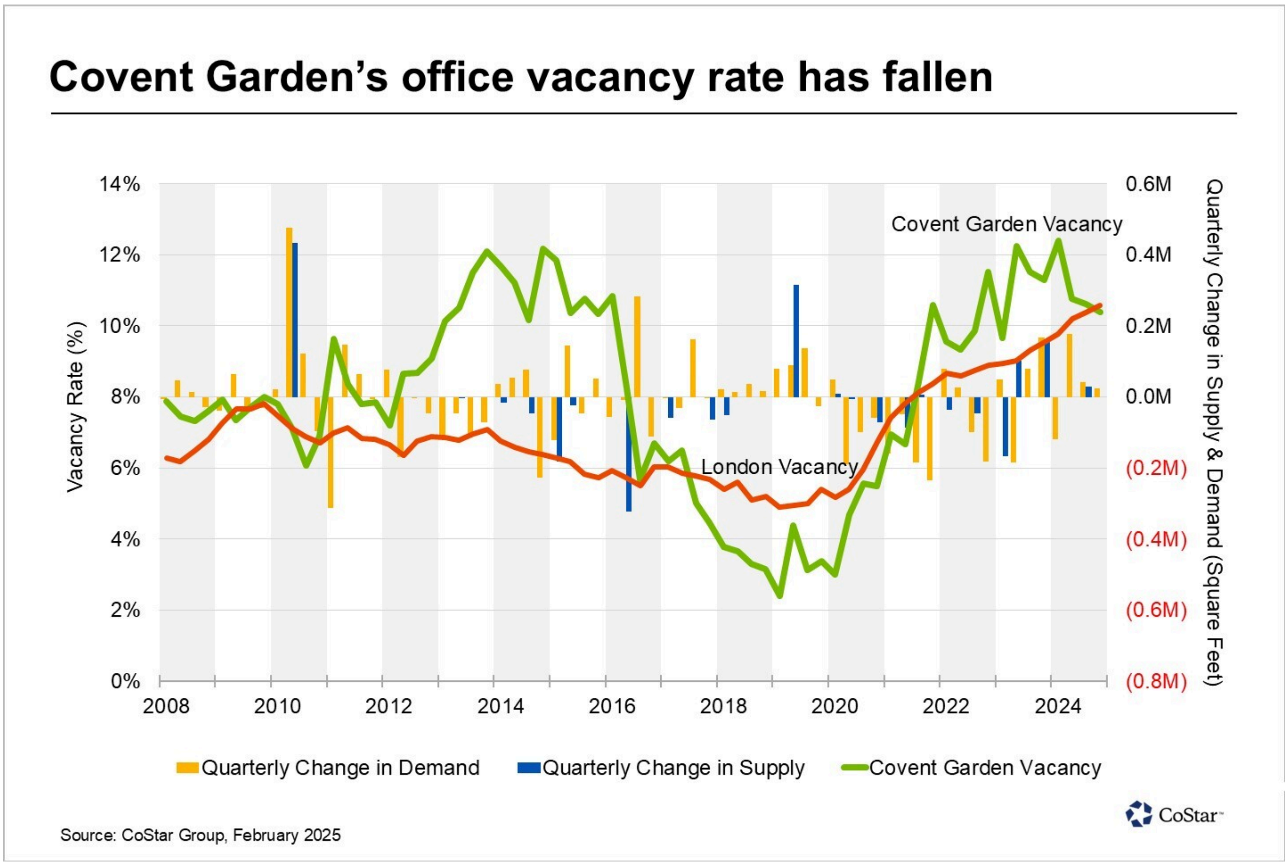
Spotlight on Covent Garden: office demand is bouncing back, but it’s a juggling act

Office vacancy in London’s theatre heartland is decreasing from high levels



By **Mark Stansfield**
CoStar Analytics
27 February 2025 | 7:00

Covent Garden’s famous streets, restaurants and theatres have regained their pre-pandemic vibrancy, but this is less true of its offices. Vacancies remain stubbornly high despite the return of positive demand in recent quarters. However, record rents are being paid for top-quality space close to the historic piazza.

Here are the key themes:

Vacancy is coming down from high levels

Covent Garden's vacancy rate increased sharply during the pandemic as many occupiers shed space in Midtown's most expensive submarket. It rose from 3% five years ago to 12.4% by early 2024, a 20-year high.

However, net absorption, or the change in occupied stock, has since turned positive. Allied with an absence of new completions, Covent Garden's vacancy rate has fallen by 200 basis points to 10.4%. It now sits just below the London average after several years of trending above this level.

Looking ahead, Covent Garden's social amenities and popularity with multiple industries should support demand here as economic conditions improve. The lack of speculative construction should also prevent further vacancy increases. The arrival of Elizabeth Line services at Tottenham Court Road should continue to stimulate demand, too.

The best versus the rest

Different types of buildings are performing differently. The vacancy rate in older Grade B properties, where demand losses have been concentrated, is 15.4%. Conversely, vacancy in higher-quality, 4 & 5 Star-rated properties has been trending downwards for three years to stand at 8.8%.

Renovated buildings close to Covent Garden's famous market have proved especially popular. In December 2024, Marathon Asset Management paid a record £104-per-square-foot rent to lease 17,000 square feet of upper-floor space at the refurbished Floral building on Floral Street.

Firms are sweeping in from the west

A primary factor behind the recent revival in demand has been two significant occupier moves from west London.

GSK moved into the Earnshaw building on New Oxford Street last summer after signing a 161,000-square-foot pre-let 18 months earlier. The pharmaceutical firm relocated from a far larger building in Brentford.

The largest deal in recent months followed a similar theme as the British Standards Institute swapped Chiswick for 29,000 square feet at the newly renovated The Acre on Long Acre. The likes of Patrizia and Hines have also moved to new space in Covent Garden from submarkets in the West End in recent years.

Larger deals have been scarce recently

Recent leasing activity has been concentrated at the smaller end. There were only three lettings for spaces over 20,000 square feet in 2024, down from five in 2023 and seven in 2022. No deals over 50,000 square feet have occurred for over two years.

Covent Garden's largest deal since the beginning of 2024 was by a co-working firm, which does not represent demand in the true sense, as Orega took 36,000 square feet at Shell Mex House last January.

Investment remains quiet, but pricing has stabilised

Investment activity remains subdued in Covent Garden, with the area yet to see the strong increase in volumes seen in the core West End submarkets of Mayfair and St James's over the past year or so. Only £185 million has been spent here over the past 12 months, well below the 10-year average of £697 million.

However, pricing has stabilised, and interest rates are falling, which could lead to a busier 2025. A noteworthy transaction in January 2025 saw Israeli investment group SG Rocks acquire York House on Kingsway for around the £42.5 million asking price. A price at this level reflects a 6.7% yield, below the 8% yield that another well-let building on Kingsway changed hands for in September 2024. The purchaser acquired the asset owing to its strong location and aims to implement a business plan to improve the design, amenities and sustainability credentials.

Buildings acquired for short or medium-term redevelopment have been the key investment theme over the past couple of years. One of London's most significant transactions of the market downturn occurred in Covent Garden just over a year ago when developers Edge and Mitsubishi paid £148 million for a prime redevelopment opportunity close to the new Elizabeth Line station on Shaftesbury Avenue.

It was one of several prominent value-add deals recently, suggesting investor confidence in occupier demand for prime space here. A joint venture between Clivedale London and Jesta Group acquired Berkshire House for £50 million in 2023 at a net initial yield of 5.5%. Existing leases had a block end date in 2024, with the new owners intending to undertake a refurbishment.

A similar strategy is likely at the mixed-use 21-25 Bedford Street, which Feldberg Capital bought for £74.7 million, a 5.7% yield, in March 2024.

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York House on Kingsway sold for around £42.5 million in January 2025

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