

# Investor Profile: Arrow Global targets Portugal to expand hospitality credentials

By **Isobel Lee** • Aug 2, 2023 08:00am

Arrow Global

Portugal

Investor Profile series



Dom Pedro Marina. (Arrow Global)

If hospitality in southern Europe has moved to the top of investor hit lists in recent times, the funds which have been constructing a strategy around such markets for over a decade merit a mention for their farsightedness.

UK-headquartered private credit and real estate specialist Arrow Global has been focused on Portugal since the firm's inception in 2005, when it bought a significant portfolio of Portuguese loans in 2007. John Calvao, principal of Arrow Global's funds, tells Hospitality Investor: "That's one of the great things about our platform; a lot of investors come and go, but once we target a market, we stay. We've been in Portugal for 18 years."

While Arrow Global's early years were mainly focused on opportunistic credit, the firm has made significant strides in real estate in recent times, bolstered by the acquisition of key local businesses, and in turn, its own takeover. Today, Arrow has 19 operating platforms in five countries. Portugal is the firm's biggest base outside the UK, and the focus of an ambitious hospitality strategy of expansion and consolidation.

*The [Resort and Residential Hospitality Forum](https://www.randrforum.com/) (<https://www.randrforum.com/>) is taking place in Lisbon, between 9-11 October. If you are interested in hearing from Hotel Investment Partners, Bain Capital, Covivio and others, you can register [here](https://www.eventbooking.uk.com/randr-2023/) (<https://www.eventbooking.uk.com/randr-2023/>).*

Last month, the firm's deal for a portfolio of Dom Pedro hotels and golf courses underlined its capacities and intent. The assets include three Vilamoura hotels – Dom Pedro Portobelo, Dom Pedro Marina and Dom Pedro Vilamoura, along with five flagship Vilamoura [golf courses](https://www.hospitalityinvestor.com/finance/leumi-uk-lends-ps138m-golf-resort-refinancing) (<https://www.hospitalityinvestor.com/finance/leumi-uk-lends-ps138m-golf-resort-refinancing>) – Old Course, Pinhal, Laguna, Millenium, and Victoria. The deal also encompasses Dom Pedro Lagos and two hotels in Madeira: Dom Pedro Machico and Dom Pedro Garajau. "The purchase of the Dom Pedro hotels significantly augments Arrow's real estate assets under management and underscores the robust potential we see in this highly attractive destination," said Calvao when the deal was signed.

## Public listing

A key turning point for the firm's growth was its listing on the London Stock Exchange in 2013, when it captured shareholders thanks to its track record in the credit business, particularly in the sphere of defaulted consumer debt. Its new equity pipeline enabled a string of takeover strikes. In Portugal, the business bought out Whitestar Asset Solutions, Hefesto, RedRock and Gesphone, purchasing firms specialising in credit and real estate. A later deal, for local player Norfin, boosted its Portuguese base still further. In the meantime, Arrow Global was picking up myriad asset management and servicing businesses across other parts of Europe.



Finally, Arrow Global's takeover by TDR Capital in 2021 shifted the focus more overtly to real estate, inspired by "post-Covid opportunities", as Calvao tells Hospitality Investor. TDR Capital brought Arrow Global private again to accelerate its repositioning as a vertically integrated asset manager specialising in [private credit and real estate](#) (<https://www.hospitalityinvestor.com/investment/investor-profile-davidson-kempners-patient-capital-builds-portugal>). The firm subsequently purchased a stake in Maslow Capital, a provider of UK real estate development finance and launched Bergen Finance, a short-term real estate lending platform for the UK. The business would later buy Italian real estate manager Sansedoni, and pan-European real estate investment and asset manager Eagle Street. At the same time, it would divest the now non-core debt platforms, such as Capquest and Mars UK. Most recently, Arrow acquired Blue Current Capital, an ESG-focused real estate asset manager dedicated to the development of electric vehicle charging hubs across major UK and European cities.

## Hospitality strategy

But it was the post-pandemic opportunities of 2021 that really drove business for the firm's real estate, and specifically, hospitality strategy. The business used the experience of its team to focus on the Portuguese resort of Vilamoura, a popular holiday destination distinguished by a large marina, golf courses and a casino, as well as its sandy beaches. The resort was constructed in the 1960s by Portuguese banker Cupertino de Miranda, passing into the hands of Quinta do Lago's André Jordan in 1996, and then purchased by Spain's Prasa Group in 2004. Affected by the financial turmoil of the GFC, Prasa handed over the assets in 2015 to Catalunya Caixa, including the marina concession and various land plots, which were eventually acquired by US private equity firm Lone Star in 2017. These various disposals fragmented possession, with Arrow Global currently aiming to bring the resort back under single ownership where possible. In 2021, Arrow bought Project Vilamoura from Lone Star for a 'sensible spread' in the range of €100 mln, understood to be well below the reported asking price. The deal included the Vilamoura marina, equestrian centre, two companies and 21 plots of land with significant construction potential. The companies comprised 100% of the share capital of Vilamoura World, the firm that manages all the assets, and 49% of Inframoura, the municipal arm that manages Vilamoura's public infrastructures.

Says Calvao: "Our Portuguese team knows Vilamoura well. Norfin's CEO, Francisco Sottomayor, has bought and sold pieces of Vilamoura over the course of his career at CBRE and CGD Bank." The recent Dom Pedro deal adds Vilamoura's five golf courses and another major swathe of hotels to the jigsaw puzzle. "It was really important to acquire the golf courses that were interspersed in our Vilamoura land bank. We have essentially consolidated the area, and see tremendous potential in cross-marketing and selling across residential, hotels and amenities there. It really has a lot, from the marina to an equestrian centre, not to mention the golf courses."

## Expanding popularity

For Arrow Global, too, the resort's close access to Faro airport which is well served by European low-cost airlines, and the expanding popularity of the Algarve, is key. "Portugal is increasingly interesting to north American tourists, but they aren't quite there yet in significant volumes, and when they are, we think it will be a game changer," he says. "There's now a direct flight between Faro and Toronto. But New York to Lisbon is a six-hour flight, which is like flying to L.A."

Calvao adds: "The Dom Pedro deal - in which we purchased hotels from the gentleman that built the brand - epitomises our proximity to the market. We speak Portuguese - my family is Portuguese - so when we talk to banks and owners and government officials, we are speaking their language. We have strong connections in the local market that aren't easily replicated by other funds."

Baked into this local strategy is an inherent respect for Portugal's future, and an institutional eye for the importance of ESG alignment. In Vilamoura, the firm will invest to collect grey water from the local municipality to water its golf courses, and all future projects will be tailored to meet certification requirements, targeting aspects such as water use and solar power. Golf courses are also being reseeded with grass types that require less hydration.

While the firm is far ahead in Portugal, it is also looking at value-add opportunities in [Spain](#) (<https://www.hospitalityinvestor.com/investment/luxury-segment-dominates-hotel-investment-spain>) and Italy. "Spain and Italy are probably more expensive, but we think we can acquire 'mom and pop' style hotels in both those countries, and give them an uplift for the international market," Calvao says.

Meanwhile, Arrow Global does have a nascent hospitality strategy for northern Europe, focused on the UK and Ireland. There, the firm is scoping out "small, value-add urban opportunities" from private owners. "We haven't bought any hospitality assets yet, but watch this space," says Calvao.

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