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Why success in Europe's granular markets demands a keen eye for distress, true local expertise, and unique talent development

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Arrow Global is a leading alternative asset manager specialising in private credit and real estate. It deploys a cycle-resilient, opportunistic strategy across geographies, sectors and the capital stack, supported by owned servicing and asset-management platforms and a local team of 4,700.

To coincide with Arrow's 20th anniversary, Jay Patel, Managing Director, Real Estate, sat down with the GRI Institute for an in-depth discussion about what has driven the firm's growth and how it continues to find opportunities across Europe's complex and fragmented markets.



Jay joined Arrow in 2023 as Managing Director, bringing 19 years' experience and over EUR 1.5bn invested across equity, distressed credit, and special situations. (Arrow Global)

Hi Jay, thanks for joining us. As a leading pan-European investment manager, how does Arrow Global set itself apart in this increasingly competitive region?

The way Arrow approaches European credit and real estate is quite different from most managers, and that's really a reflection of the landscape we operate in. Europe is incredibly diverse, with around 44 countries, over 5,000 banks, multiple languages and regulatory systems, all working alongside each other. It's the complete opposite of the US, which is one large, integrated market with a single legal framework and relatively uniform capital flows.

In Europe, the average deal, especially on the credit side, is typically local. It's usually a German lender with a German borrower, or an Italian lender with an Italian borrower. The deals also tend to be smaller, which naturally points towards the mid-market rather than the large cap space.

Arrow was deliberately structured to be a local player in each market. We weren't trying to disintermediate local deals from London. Instead, we built a business designed to be on the ground, to understand the nuances of each market and to originate locally. Today, that model operates through 24 platforms across eight countries, all owned in a permanent capital format, meaning they sit on our balance sheet rather than inside our funds.

This gives us unparalleled access to local deal flow. Deals above the €50 million mark tend to be heavily brokered and far more competitive, but the vast majority

of the European market sits below that level. These smaller transactions often carry an additional spread, which we estimate around 300 to 500 basis points of extra return. Through these 24 platforms and a team of more than 4,700 people, we've built the scale to aggregate granular deals into institutionally meaningful portfolios. That's something very few managers in Europe can do.

What is it about these platforms that enables Arrow to execute this approach in practice?

Our platforms are typically dominant in their respective markets, and because we own and optimise them, we gain access to a steady stream of organic deal flow that others simply don't see.

To give you an idea: a London-based team managing a multi-billion fund will rarely look at a €10–20 million deal. It just doesn't move the needle for them. But we can, because I have 4,700 colleagues across Europe who can help us originate, analyse and execute those deals. Our most recent fund has an average ticket size of €20–30 million and over 140 individual investments. That level of granularity and diversification is precisely what our investors like.

By aggregating smaller, locally sourced transactions, we can deliver genuine diversification. No single deal can materially impact fund performance, while avoiding the competitive, heavily intermediated space. It's a model that allows us to fish in waters that are less crowded, and to extract the excess return others overlook.

How do you approach deal sourcing in such a fragmented market?

Sourcing is always one of the biggest challenges. In previous roles, I'd seen firms try to hire one or two talented local professionals into their London head office and call that 'local coverage.' They might speak the language and know the culture, but their professional experience on the ground often spans only a few years.

Arrow is different. We have more than 4,700 people working across our markets, most of whom have spent their entire careers, and often their lives, in those countries. The networks they have built, the depth of those relationships, and the level of market intelligence that provides is impossible to replicate from a central office. Deals come through knowing the local architect who has been instructed to assess cheaper alternatives or knowing the local lawyer who is preparing an enforcement paper or knowing the local accountant who is preparing a negative bank update. It's that level of embeddedness that gives us our edge.

So, while many competitors may have a few hundred people spread thinly across the continent, we've built a dense, deeply connected local footprint. That's what allows us to consistently be first in line for attractive opportunities.



"One of the biggest challenges is always just sourcing deals. But with 4,700 people on the ground, we see opportunities others can't," explains Jay (Adobe Stock)

What advantage does this embedded ecosystem of companies give Arrow in sourcing and execution?

Across these platforms, we manage and service around €125 billion in AUM, of which about €12 billion is proprietary. The remaining €113 billion in AUM is third-party mandates from banks and other large credit investors. In practical terms this becomes a "walled garden" for originating investments. When that AUM trades, it's already on our systems, we know it really well and can offer the sellers unrivalled certainty and speed due to our information asymmetry. Hence we are the obvious buyers.

Owning this last-mile banking infrastructure via our platforms creates a huge, self-sustaining ecosystem of information and opportunity. We see, in real time, which assets are performing, which are underperforming, and where the trends are heading. For a mid-market manager like us, with our latest credit fund is €2.75 billion, that level of insight and deal flow is a major incumbent advantage.

Does the absence of a broad distress cycle in Europe limit your ability to find these smaller opportunities?

We often get asked that: 'There's no big distress cycle in Europe, so how are you going to deploy?' The truth is, if you need macro cycles to go your way to invest successfully, then you haven't hired a local specialist. We can find opportunities in good times and bad because there's always a level of structural distress in every market.

In the absence of large macro events, distress is often granular and localised, so it doesn't always show up in the headlines and rarely reaches a global public auction. From London, it's hard to access, but for us, with people on the ground in every market, it's part of our daily workflow. Even without a major downturn like the GFC, we continue to see high-quality, well-priced opportunities.

We've taken something that is considered to be cyclical in nature and turned it into an all-weather strategy, because of the local access our platforms provide.

How do you manage such a vast pipeline across countries?

When I was in previous roles, I took close to 70 flights a year just to maintain relationships. I had to be in Spain to see Santander, in Germany to see Deutsche Hypo, and so on. They always want to meet the decision-maker. Now, with local origination handled by our platforms, I take fewer than ten flights a year.

90 per cent of our deals come through our platforms, and 80 per cent of those are off-market. I don't need to knock on doors in Italy or Portugal, because our local teams already have those relationships, often going back decades. They bring the deals to me, and we assess whether they fit our return targets and portfolio balance.

It's an inverted model compared with most European managers. We accept the operational complexity because it creates a 300 to 500 basis point premium. Our consistency through cycles, and the sheer scale of this granular sourcing engine, is something investors increasingly appreciate. We estimate our "walled garden" alone generates between €500 million and €1 billion in deal flow each year.



"We've taken something cyclical in nature and created an all-weather product," highlights Jay. "Even without a distress cycle, we continue to find high-quality deal flow." (Adobe Stock)

What measures do you take to coordinate across countries and ensure alignment?

It's taken years of refinement to make this model work efficiently. The key lies in how we hold and manage our platforms. They're owned on our balance sheet, which means the management teams are part of the long-term story, not working towards an exit in three years' time like they would in a fund-owned structure.

That stability is critical. It also allows us to adjust our footprint over time. A few years ago, for example, we sold our UK consumer NPL platforms and reinvested into development lending capabilities that better fit our strategy.

Operationally, communication is everything. My central team includes native speakers from all our core markets, and I personally hold weekly calls with each country. We review pipelines, I give feedback on what sectors or themes we're focused on, and they challenge me on local realities. It's very collaborative. I might say, 'I'm interested in PBSA or coastal housing right now,' and they'll tell me whether that makes sense in Milan or Madrid. We go back and forth until we reach consensus.

Every week we go through assets one by one. The best ideas are escalated to the centre and benchmarked against opportunities in other markets. That ensures we allocate capital where it's most effective, and we maintain a consistent risk-return profile across the portfolio.

Could you give us an example of how this plays out in practice?

Sure. Recently, we identified a sector we wanted to target at the central level. One of our local platforms found an asset that fit perfectly. It was sitting on a bank's balance sheet, decommissioned, and non-core. They negotiated the purchase bilaterally, secured exclusivity, and brought it to us.

Once we confirmed the strategic fit, they moved into due diligence, hiring local lawyers, architects, engineers and leasing specialists. They built a standardised deck that met our underwriting criteria, and when it stacked up, we took it to the investment committee.

Our current fund has over 140 separate investments. Less than 7% of deals we analyse lead to a transaction. This gives you a sense of the scale of the operation. The local expertise makes us far more efficient. What would take a London team four weeks, our platforms can do in one, because they know who to call and how to get things done.

Operating across so many different markets, how do you balance your strategy in each region?

We don't run the same playbook in every country. Some markets are better suited to certain asset classes. For instance, our credit fund targets opportunistic returns, which doesn't make sense in countries with abundant cheap capital. But there might still be great equity stories there.

Germany is a good example. For most of my career, and much of Arrow's history, it wasn't a market for opportunistic returns. It had cheap debt, cheap local equity, and was Europe's strongest economy. Even during the GFC, banks didn't sell distressed assets; they held on and recovered quickly. But about 18 months ago, we started to see a distress cycle forming unlike anything we'd seen before. It's widespread, structural, and systemic across the country.

In response, we acquired a local platform to give us access to those opportunities. We've already invested a few hundred million, and we expect that to grow. While Germany catches the headlines, we're also seeing a steady stream of opportunities in Italy, Spain, Portugal and the UK, each with its own characteristics and timing.



"About 18 months ago, we started to see a distress cycle forming [in Germany] unlike anything we'd seen before," says Jay. "It's widespread, structural, and systemic across the country." (Adobe Stock)

Which sectors or asset classes are you paying most attention to currently?

As a house view, our main focus is on the living sector, particularly residential for sale, followed by hospitality. We currently own or control over 20 hotels, either directly or through credit structures. Both sectors benefit from strong macro trends, and we have the expertise and platform coverage to target distressed assets effectively.

We also like logistics and light industrial, and there are parts of retail that still make sense to us. Student housing, especially PBSA, is another area of increasing interest. We've traditionally focused on it through lending, but we're now looking at it from an equity perspective too.

Interest in student housing, and PBSA in particular, has been growing steadily across Europe, what do you see driving this trend?

A few factors. Since early this year, the US has become less welcoming to international students, both politically and administratively. At the same time, most European cities remain structurally undersupplied in student housing. In the UK, for instance, new stock is constrained by high construction costs, affordability requirements in planning, and legacy safety regulations. Combine that with historic urban layouts and the supply side looks incredibly tight.

So, when you have strong demand and limited new development, there's a clear opportunity to acquire and upgrade existing assets. That's where we see the potential to outperform.

What steps are you taking to sustain your competitive edge as you grow and what are the key challenges?

It would take years for another manager to build what we've built. The model is complex, operationally intensive, and not easy to replicate. That's part of our advantage. But it also means we have to keep investing in it, refining, scaling, and developing our people.

Hiring is a challenge because there are very few professionals with the right mindset for what we do. You need a slightly different attitude to go after €20 million, off-market deals. It's hands-on, detail-oriented, and sometimes gritty work. So, we focus on developing our own people internally.

I spend a lot of time mentoring teams and making sure they understand how the business fits together. Success for me is seeing associates today become directors in a few years' time, leading transactions themselves. That continuity and depth of expertise are what will keep Arrow ahead.

Thanks for your time, Jay.

Learn more about Arrow Global [here](#).