Green Street News

Q+A: Arrow's managing director – "Our German pipeline already exceeds €700m"

29 Oct 2025 | 07:45 | London | by Amy Finch

Jay Patel discusses entering Germany and UK distressed opportunities

Jay Patel

Distressed investors are waking up to a once-in-a-cycle moment in Germany. But can they access it?

Just over a year since Arrow Global acquired Interboden, a local developer with a 70-year history, the asset manager has deployed nearly €200m. By the end of the year, that figure is likely to sit closer to €300m, Jay Patel, managing director at the firm tells *Green Street News*.

With Germany in the midst of a systemic crisis, Arrow has been able to access primarily living assets in Germany's top four cities at distressed prices. However, with Germany's insolvency system difficult to navigate, its international competitors are not sitting at the table, says Patel. The firm's pipeline totals around €700m.

“Germany is a special case,” he says. “It has systemic issues that are being worked out locally, which allows you to create a thematic approach. In most other European countries, the issues are more situational, which means you have to be more opportunistic.”

Meanwhile, another rare distressed opportunity is raising its head over in the UK. Stress points are emerging in the long-overbought student sector, as owners cope with elevated interest rates and looming upgrades.

Green Street News caught up with Patel to discuss the firm’s investments across Europe, dislocation in key sectors and fundraising.

Around a year ago, you described Germany as “on the brink of a perfect storm”. How has that played out?

A year ago, we believed Germany was entering its own mini cycle, with over-leveraged developers and banks working through their issues. We had a strong early mover advantage and made it count. Now there’s greater interest from others, although they are still playing catch-up.

The opportunity set is as large as we expected – perhaps even larger. We continue to see strong deal flow, but accessing it requires a trifecta of factors. We have substantial capital in our raised funds, but more importantly we can demonstrate genuine local presence and expertise: our German platform has a 70-plus-year history and is considered a local champion.

> *“We went in expecting to target around a dozen key cities, but the sheer volume of opportunities means we’re now buying mainly in the top four or five”*

Most players only chase the “whale” deals, but we’re flexible on size and focus on returns. Our goal was to be the preferred problem-solver for banks and insolvency administrators in this pocket of distress, and we seem to be trending that way with repeat bilateral business.

What’s surprised me most is the quality of the collateral. We went in expecting to target around a dozen key cities, but the sheer volume of opportunities means we’re now buying mainly in the top four or five – Munich, Berlin, Frankfurt, and Hamburg – which is unusual in the distressed world.

How much have you deployed?

We’ve committed almost €200m in the past 12 months across eight to 10 transactions, depending on how some of the deals are classified. They are relatively small transactions in high-quality locations, and I expect that figure to be close to €300m by the end of the year.

It represents a meaningful foray into Germany, focused on the living sector, which continues to show strong fundamentals. Absorption in the residential-for-sale market has slowed slightly as mortgage rates remain elevated, but those variables are now largely priced in.

Broadly speaking, housing delivery remains well below pre-Covid-19 pandemic levels across Europe’s major cities – down 49% in Berlin, 63% in London, and 78% in Amsterdam – underscoring the structural undersupply that supports this theme.

We also have high conviction in a few other areas and have made select investments in light industrial logistics and certain types of retail.

Why are those your picks?

The opportunity really lies in the level of dislocation. One of the advantages of being a pan-European, highly granular-focused manager is the ability to understand relative value at a hyper local level.

In all honestly, in the UK, the retail locations we really like have already recovered and feel well priced. However, when we look at the similar locations in Germany, with similarly favourable catchments and spending power, it’s much more interesting.

Nikolaifleet Canal, Hamburg

Moreover, retail fundamentals are improving, with prime European retail rents forecast to rise about 10% between 2025 and 2028, providing a supportive backdrop for our positioning. It is a relative value trade.

What are your deployment expectations for next year?

I'd like to do the same again. The only reason for a little hesitation in my voice is that we want to keep the quality high. Even if we do not reach the same levels, I believe we will be close. We expect Germany to remain front and centre in our deployment over the next couple of years. Our German pipeline already exceeds €700m, which gives us confidence.

How does that opportunity compare to other markets you are present in, such as France or Italy?

Germany is a special case. It has systemic issues that are being worked out locally, which allows you to create a thematic approach. In most other European countries, the issues are more situational, which means you have to be more opportunistic. In Germany, the majority of our deals will be in living, supplemented by a few others.

> *"We expect Germany to remain front and centre in our deployment over the next couple of years"*

We are looking to go long on living in Italy and have been successful in the north, particularly in Rome and Milan, with office-to-residential conversions. In the south, we have preferred to invest in value-add resorts where we can create distinctive destinations. We have also made an opportunistic investment in a data centre where the situation offered a particularly attractive entry point.

Spain is performing well, but we are still able to find small, granular, distressed deals through our localised model. We are all-weather investors, and there is always a degree of structural distress across these markets. People still hit bad golf shots on sunny days – it doesn't always need to be raining.

Will you be weighted toward Germany?

We are cognizant of portfolio composition, so we will not become an 80% German fund. We will cherry-pick the best opportunities in Germany and blend them through the portfolio.

Are more big, distressed players coming into Germany or other markets?

We had the early mover advantage in Germany, but others have now recognised the opportunity. For us, competition is not a concern because we focus on smaller, granular deals. Each transaction is around the €20m mark.

Traditional managers, with large teams in London and multi-billion-dollar funds, simply cannot operate at that scale. I have access to more than 4,000 people locally. Our smallest deal in Germany was €5m, pursued because we believed it would build a relationship with a particular seller, which has since proved true. If we compete at all, it is with local family offices and other local champions.


Arrow has accessed select living opportunities in Italian cities, including Milan

Another consideration is that Germany has not experienced a distress cycle for a very long time. So the banks lack dedicated workout teams, and insolvency practitioners are less internationally minded than those in markets that have undergone major cycles.

All the documentation is in German, and transactions usually need to be executed within three months. Typically, it is the local family offices that are invited to participate, along with us, because our platform has that long-standing history.

In many conversations with people in the German insolvency industry, they have remarked that they did not expect international capital to get up to speed as quickly as we have. But that is entirely due to the structure and system we have put in place.

Are players looking at acquiring local platforms?

If I were them, I would be doing the same. But acquiring a local platform is much harder than it sounds. When you own platforms within your funds, every employee in that firm knows they are likely to be sold in three to five years. That does not create a long-term incentive structure. After about two-and-a-half to three years, people start to leave, and they are not easy to replace.

Are any other thematics appearing across Europe?

Since January, we have seen interesting dynamics emerge in the student housing market. Policy changes and rhetoric from the US have led many students to reconsider where they will spend the next two or three years. Europe will benefit, with the United Kingdom likely to gain the most, given that it has some of the strongest education brands outside the US.

Student housing is generally undersupplied, and excess demand is now exacerbating that trend. The UK is particularly interesting, as local challenges such as construction cost inflation, planning-related red tape and affordable housing criteria are all increasing development costs, materially effecting future supply.

> *“First-generation assets, although still operational, are being caught by new fire and safety regulations”*

In addition, first-generation assets, although still operational, are being caught by new fire and safety regulations, making them illiquid because investors are reluctant to buy them until they are upgraded. This is creating attractive distressed entry points from capital-constrained owners.

The specific dynamics outlined really work in our favour, as typically these assets are smaller in scale and attract less attention. We have already closed two deals in the space and anticipate buying a few more before the end of the year.

Would you try to build a portfolio?

We have not finalised our thinking on that yet. For now, we are buying on an asset-by-asset basis to maintain discipline, although it could evolve into a strategic portfolio. I am confident we can acquire two or three more at super attractive prices. The real question is whether you can reach 10.

Have you done much student housing before?

We have always liked the dynamics of the sector, but it has been overbought, with significant competition. Developers had to take on the full suite of risks without being sufficiently rewarded. So, while we have long liked the sector, we did not find the returns interesting from an equity point of view.


The refurbishment and development of student assets is difficult in historical cities like York

Now, there are emerging stress points, with elevated interest rates – albeit alongside rising rents. We are seeing funds that need to upgrade their assets as they near the end of their life cycles, creating pressure in the market.

There are only a handful of buyers in this space, as many investors who went long on student housing are facing issues within their own portfolios. However, we believe there is enough stress in the market for us to generate the opportunistic returns we target.

If we seeing an upswing in investment next year, what is your strategy?

Much as we did on the downswing, we will continue to stay the course and focus on what we do best. I speak with each of our country managers every week to understand local dynamics, and our strategy adjusts – if not weekly, then certainly on a monthly basis.

I would hope the bid spread narrows as the market improves, and more transactions are unlocked. However, we will not drift far from our core thesis of living, followed by hospitality, retail and logistics, while remaining largely opportunistic outside of those.

What will you have deployed by the end of the year?

For this calendar year, we expect to have deployed close to €800m across Europe.

How is fundraising going?

I have been fundraising for most of the year, and we are seeing strong momentum behind our credit opportunities strategy. We are onboarding new high-calibre, institutional-quality investors from around the world.

> *“We will not drift far from our core thesis of living”*

There is renewed interest from American investors in Europe, as has been widely discussed. From my recent time on the road, it is clear they are looking for differentiated products – and as a result, only a handful of managers are likely to benefit from that flow of capital.