The Algarve opportunity: why integrated resorts are attracting institutional capital



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For some international investors, the Algarve still sits in the imagination as a leisure market defined by golf, second homes and sunshine. I think that view is now too narrow. In my view, the region is evolving into one of Europe's most compelling integrated resort markets. What matters today is not just climate or coastline. It is the ability to convert those natural advantages into diversified, year round, institutionally underwritten cash flows. That is why the Algarve is increasingly receiving serious attention from global investors looking at hospitality, real estate and private credit in Southern Europe.

For that reason, I do not think of the Algarve as a collection of hotel assets. I think of it as a set of destination ecosystems. Institutions often begin by looking at a hotel through the established lenses of average daily rate, revenue per available room, and margin improvement. Those metrics matter, but in a market like this they are only part of the picture. The more important question is who controls the wider amenity set and therefore who captures the broader wallet share. Hotels, golf, marinas, sports facilities, retail, beach clubs, branded residences and development land all reinforce one another when they sit within a single ownership and operating strategy.

In our own experience at Arrow, that is where the real resilience comes from. Hotel guests fill tee sheets. Marina clients become residential buyers. Sports academies support winter demand. Better restaurants, leisure infrastructure and public spaces support both room rates and residential pricing. Once you own enough of the destination, you are no longer dependent on a single revenue stream or a single season. You are monetising a living ecosystem.

This is why I believe integrated resorts represent one of the most attractive forms of hospitality exposure in Southern Europe. They produce multiple cash flows from the same physical setting and can be managed to appeal to different customer groups at different times in the year. In the Algarve, golf remains a vital anchor because it supports the spring and autumn shoulder months, when a pure beach destination may be softer. But golf on its own is not enough. Guests want optionality. Families want leisure, cuisine, education, safety and convenience. Remote workers want connectivity and service. Retirees want climate, healthcare and community. The institutional investor wants recurring revenues and reduced dependence on a single demand driver. A well organised resort can serve all of them.

Vilamoura is perhaps the clearest example of this model. I have often described it as a city resort, because that is what it is becoming. Today, it spans more than 3,000 acres and integrates seven hotels, five golf courses, two marinas with more than 1,000 berths, sports and equestrian infrastructure, and a growing residential and retail offering. It becomes a platform for living, leisure and long stay visits. It is also why investment in Vilamoura has gone far beyond hotel refurbishment alone. The objective is not simply to upgrade rooms. It is to raise the quality of the entire ecosystem.

The Algarve is especially attractive because it sits at the intersection of structural demand and continuing institutionalisation. Southern European hospitality has historically been fragmented and often family owned. Many of these businesses were built well, but underinvested over time or complicated by succession, capital constraints and ageing infrastructure. That creates opportunity for investors who can combine credit expertise with operational execution. However, the era of easy bargains has long passed. Value today does not come from buying something at a deep discount and waiting for the market to re rate it. It comes from recapitalising, repositioning, refurbishing, branding and professionalising assets better than the next owner could.

I would argue that sustainability in the Algarve is not a trend, here today, gone tomorrow. It is a core operational discipline. At Vilamoura, for example, we have reduced water consumption on our golf courses by around 60 percent through improved irrigation and course design, and we expect approximately 70 percent of water usage across the majority of courses to be sourced from recycled municipal water. Water usage, energy efficiency, mobility, employee accommodation and community integration all influence long-term performance. In a region where climate and natural resources sit at the heart of the investment case, protecting those resources is inseparable from protecting value. Responsible stewardship is not at odds with returns. In hospitality, and particularly in golf-led destinations, it is often a precondition for them.

We are increasingly active in Spain and Italy, and I believe the broader Southern European opportunity is compelling. But the Algarve remains, in my view, one of the clearest and most investable expressions of the strategy. It combines structural demand, finite supply, international appeal and a still incomplete process of institutionalisation. For investors prepared to think beyond the standalone hotel and prepared to do the difficult work of operating and upgrading complex destinations, the opportunity is not limited to capturing yield. It is to help shape one of the most resilient year-round hospitality ecosystems in Europe.

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