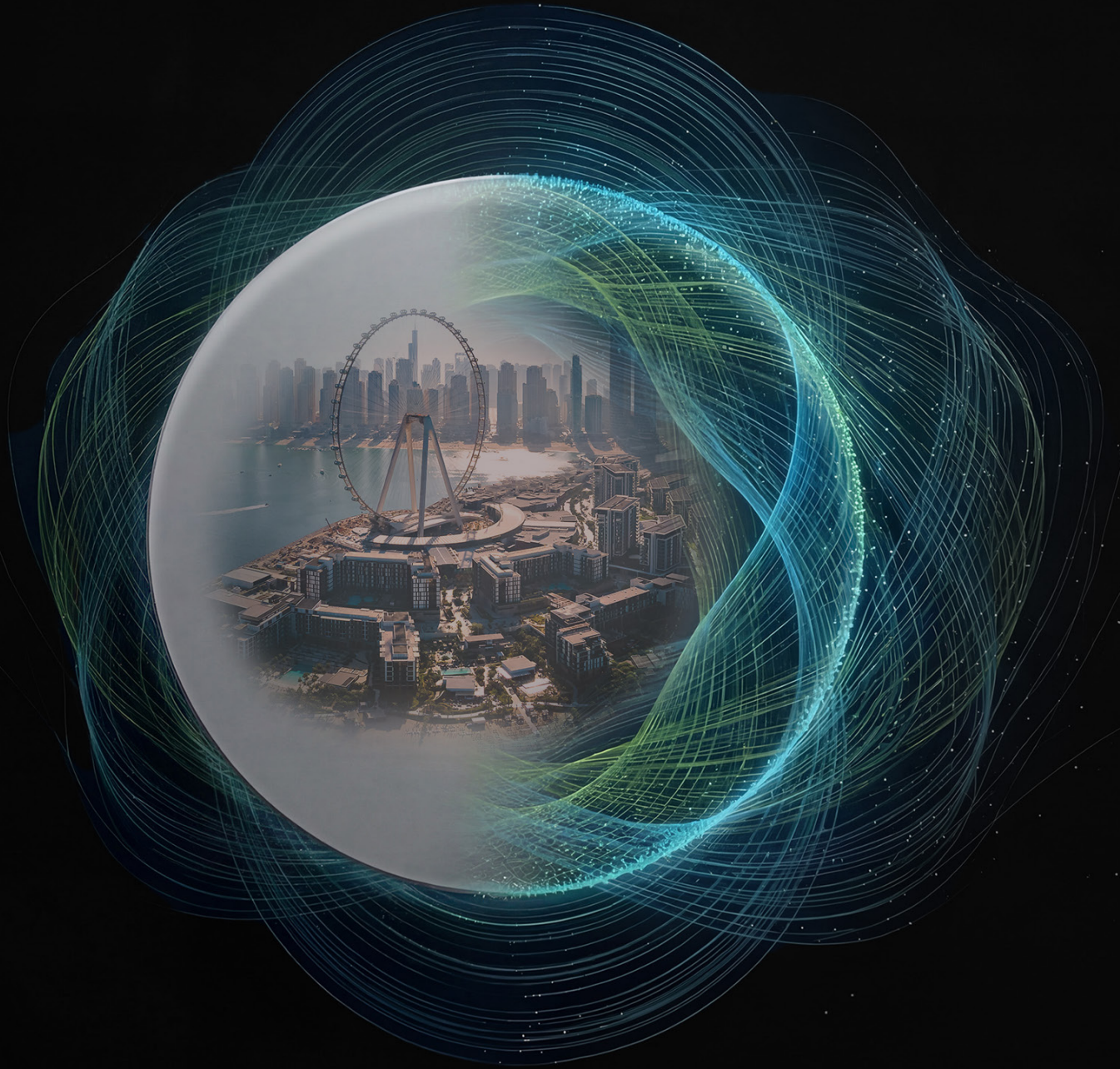


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Tourism and hospitality in
a changing regional landscape:
Implications for the Middle
East's tourism industry
Resilience Redefined



The Middle East's tourism sector started 2026 from a position of strength. In 2025, the region was among the world's strongest performers relative to pre-pandemic levels, with international arrivals around 39% above 2019 figures¹. This robust recovery reflects the region's growing appeal as a vibrant travel destination, supported by expanding infrastructure and diverse cultural offerings.

The recent regional situation has introduced short-term headwinds for the Middle East's tourism sector, which had been supported by growing visitor arrivals, strong GCC hub connectivity and event-driven demand. In the near term, the trajectory has moderated through two channels:

1. Temporary flight adjustments and route changes that affect connectivity; and
2. An increased traveller preference for alternative destinations, which could lead to some adjustments in inbound bookings and tourist flows.

These mechanisms work together to soften short-term demand and adjust booking behavior, with a more pronounced impact on premium and transit segments that depend on international connectivity.



Proactive Government support for tourism stability

Data from other situations of regional instability suggest observable effects on occupancy, Average Daily Rate (ADR), and Revenue Per Available Room (RevPAR), in both directly affected and neighboring markets. The speed of recovery is closely tied to perceived safety and the quality of public-private coordination. For Qatar, KSA, and the UAE, an initial softening is expected in inbound premium leisure and transit traffic (likely to weigh on ADR in gateway cities) together with an uptick in short-term cancellations. At the same time, Saudi Arabia has seen limited operational impact in airports such as the one in Riyadh. In the meantime, the country has been serving as an alternative exit and entry point for travelers using ground routes to or from locations where some airports experiencing reduced operations. Across the region, there is a pivot towards more locally originated staycations,

albeit small in scale relative to the lost international demand. A notable feature of the response has been the high-level coordination between government authorities and the hospitality sector to support affected travelers. In the UAE, authorities moved quickly to mitigate the impact of travel disruptions by instructing hotels to extend stays for guests unable to depart, with the state covering the associated costs. This was complemented by direct support for businesses, with Dubai's Department of Economy and Tourism deferring a number of fees for a three-month period to reduce the financial burden on companies and support business continuity (Fee for amendments to trade licenses, advertising fees on trade licenses, local fees on trade licenses, and optional fees related to trade names)².





Empowering operators with dynamic strategies

Hotel operators should model various occupancy scenarios and adopt a more dynamic approach to commercial and operational planning. This includes actively recalibrating pricing strategies to reflect sudden shifts in demand patterns, optimizing channel mix towards more flexible and shorter booking windows, and strengthening focus on regional and domestic source markets where transport disruption between those markets has seen less impact.

Given current market conditions, owners and operators should review their hotel management agreements with a focus on how force majeure and exceptional circumstances are addressed generally, as these provisions will determine the flexibility available during operational disruption. As an example, UAE law distinguishes between true force majeure, which requires contractual performance to be impossible, and exceptional circumstances, which may allow obligations to be adjusted where performance becomes excessively onerous. Similar principles arise under many governing laws, making it essential that HMAs clearly address how prolonged disruptions are treated. These considerations also highlight the need for operational adaptability, including the ability to consolidate or cluster workforces across multiple hotels under common ownership, such as sharing Food & Beverage (F&B) teams between properties to maintain service levels and manage labor costs. In terms of key priorities, all parties should work toward ensuring that their agreements offer practical flexibility, fair risk allocation, and sensible contingency planning, supported by tools such as realistic performance tests, dynamic pricing options, temporary service adjustments, and well-drafted force majeure and exceptional circumstances provisions that help avoid disputes and maintain stability when conditions change.

In practice, this is already translating into more tactical demand-stimulation strategies, with many hotels deploying targeted promotions and packages, and more aggressive pricing, particularly around peak periods such as the Eid holiday. This is resulting in capturing demand from residents opting to stay home. As uncertainty around travel persists, staycations are expected to emerge as one of the key demand segments during these times, prompting operators to reposition their offerings toward domestic guests seeking flexibility and reassurance.

At the same time, operators are increasingly leveraging bundled offerings to enhance value perception and stimulate demand. In integrated destinations, this is reflected in packaging hotel stays with adjacent leisure attractions such as theme/water parks, making the overall proposition more attractive while driving incremental hotel and ancillary spend across F&B, wellness, and entertainment³.

Cost management will also be critical, with operators needing to align staffing, procurement, and service levels to fluctuating occupancy without compromising guest experience. At the same time, greater coordination with airlines, destination authorities, and distribution partners will be essential to maintain visibility and stimulate demand. In this environment, agility becomes a key differentiator, with those able to quickly respond to real-time market signals are better positioned to protect performance and capture emerging pockets of demand.





Strategic investment in a changing market environment

For investors, the picture is more nuanced. Despite the impact of the current geopolitical situation, fundamentals underpinning GCC investment remain: Pipeline scale and state-led diversification strategies continue to attract capital. Saudi Arabia's pipeline is still supported by Vision 2030, Expo 2030, the FIFA World Cup 2034, and giga-project developments, while the UAE entered this period with strong visitor growth and safe-haven appeal. Likewise, Qatar retains structural advantages, including the legacy of largescale event hosting (notably the World Cup), expanding business and sports tourism, and targeting diversification into high value niches such as sports, conferences, and luxury tourism. While capital flows will likely be affected, investors are expected to become more selective about which assets can withstand a longer period of disrupted travel and higher perceived risk.

From a legal and transactional standpoint, these dynamics highlight the importance of capital protective structuring during negotiations. Investors increasingly seek provisions that limit downside exposure in volatile trading conditions, including:



Enhanced performance test standards and cure mechanics to ensure operators remain accountable for underperformance;



Clear termination rights tied to sustained drops in Gross Operating Profits (GOP) or RevPAR;



Owner priority returns before incentive fees crystallize;



Caps on passthrough costs in markets where labor, utilities, and insurance volatility can erode profitability; and



Robust insurance requirements, ensuring that business interruption and property policies adequately respond to non damaged events and prolonged operational disruption.

While a carve out from performance test failures may be considered during genuine force majeure events, such exceptions should be tightly drafted to avoid operators relying on them during ordinary market fluctuations. Working capital also becomes a critical consideration, as owners may be required to contribute to reserves that support the operating business during periods of disruption, and lessons from recent market cycles have demonstrated that adequate reserves were essential to keeping hotels operational during force majeure events. It is equally important to ensure that these protections remain effective during prolonged interruption, particularly where force majeure or exceptional circumstances may hinder performance without making it legally impossible, reinforcing the need for clear contractual treatment of long-term disruption.

In addition to purely contractual mechanisms to limit risk, selecting assets with diversified demand drivers also acts as a form of risk mitigation, with government-backed destinations, mixed-use schemes and markets undergoing structured economic reform providing greater long-term security. Investors are therefore increasingly drawn to jurisdictions where regulatory frameworks, land tenure rights, and ownership regimes are being liberalized, such as the United Arab Emirates, where visa reforms and 100 percent foreign ownership rules have expanded freehold accessibility, and Bahrain, which in 2025 introduced amendments allowing full foreign ownership across a wide range of commercial and real estate activities, thereby improving investor protection and exit predictability.

The projects that hold up best in this environment will be those with multiple demand drivers. Assets tied to domestic catchments, government-supported destinations, convention demand, or broader mixed-use ecosystems will appear safer than hotels reliant on a single source of demand.

Technology and data analytics will be pivotal. Realtime demand signals, source-market monitoring, and scenario-based revenue tools enable faster decisions on pricing, channel mix, and inventory strategy.



Recalibrating for a stronger future in tourism

Travel has historically rebounded quickly when governments and industry move quickly to reduce friction for travelers, and this was evident during and after the pandemic. That makes crisis communication almost as important as operations. Clear guidance on flight status, rebooking, guest support, and repatriation is critical. The faster destinations restore clarity, the faster bookings return.

The tourism and hospitality market will be disrupted in the short-term, but the long-term story is about recalibration. GCC markets retain structural advantages, scale, capital, and state support. Stakeholders must elevate risk modeling, shorten forecast cycles, and rebalance portfolios toward resilience and regional demand capture. The ones who can combine disciplined scenario planning, adaptive revenue strategies, and rapid, credible crisis communications will be best placed to weather the impact and benefit from the region's underlying growth once clarity returns.

Further Information

As consumer behaviour, expectations, and markets evolve, so too do the methods by which companies finance, invest in, develop, and influence the tourism and hospitality sector. Deloitte brings together diverse teams of specialists from around the world, offering customised solutions across the entire tourism and hospitality spectrum. For more information, please contact the authors:

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Sources:

1. UN Tourism
2. Ministry of Economy & Tourism
3. Hotel Operators Websites



Reports:

- Please find latest Economic Bulletin [here](#)
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