EXECUTIVE DIGEST: Middle East Crisis — Travel & Hospitality Impact

Prepared for: Executive Management, Preferred Hotels & Resorts |

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EXECUTIVE SUMMARY

U.S. Central Command conducted "self-defense strikes in southern Iran" on 25 May, targeting missile launch sites and Iranian boats attempting to lay mines, even as peace negotiations between Washington and Tehran drag on.Iran's IRGC says it shot down a US MQ-9 Reaper drone that entered Iranian airspace on 26 May, while Iran's Supreme Leader declared Gulf states will "no longer be a shield" for US military bases.

The ceasefire remains fragile and the risk level remains HIGH for all travel and hospitality operations connected to the Gulf corridor, with recovery timelines now extending into Q4 2026 at earliest for leisure segments.

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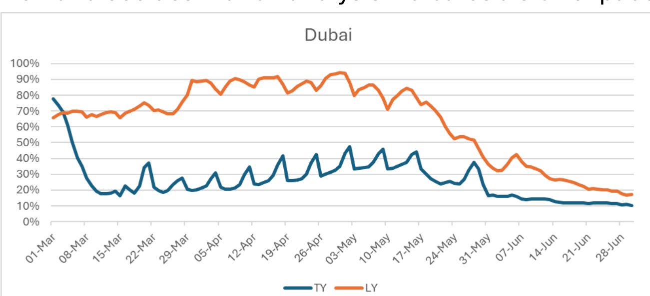
1. HOSPITALITY & DEMAND

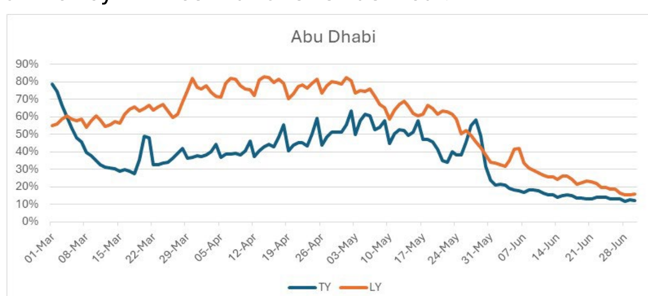
1.1 Occupancy, Pricing & Cancellation Data

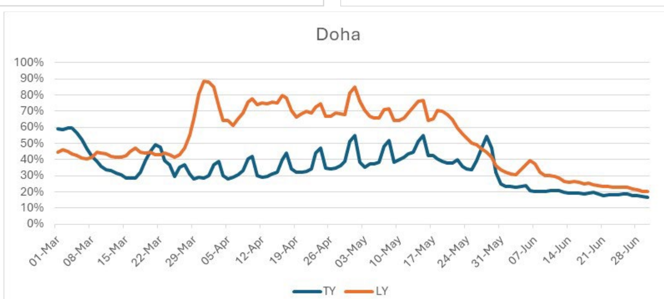
Metric	**Current Data**
Dubai hotel occupancy	**~33%** (down from 80%+ pre-war)
DXB Q1 pax decline	**Down 2.5 million YoY; March down 66%**

Hotel occupancy fell to about 33% from more than 80% before the conflict, according to CoStar Group. Dubai airports reported Q1 passenger traffic down by at least 2.5 million, with March seeing a 66% drop.

Demand 360 destination analysis indicates a slower pace for the key ME Destinations vs Last Year.







Global Demand Diversion

The European Travel Commission reports 80–90% of European travelers now prioritize safety and stability. Spain is emerging as a major beneficiary, with the National Statistics Institute reporting strong growth in arrivals. Portugal, Croatia, and Italy are also gaining momentum as demand shifts from perceived risk zones. Cyprus, Greece, and Turkey, demand is fragmented.

Asia-Pacific & Global Ripple Effects

Europe and the Asia-Pacific regions are bearing physical jet fuel shortages, whereas North America faces severe pricing pressures without immediate physical deficits. The IEA warned that Europe possesses only approximately six weeks of jet fuel reserves before physical supply exhaustion.7 Southeast Asian destinations (Thailand, Bali, Vietnam) that depended on ME-hub transit traffic for European visitors continue to face depressed long-haul arrivals. Short-haul Asian source markets (China, South Korea, Japan) are being targeted as substitutes.

1.4 Summary Heat Map

Region	**Impact**	**Key Driver**
UAE / Gulf	🔴 Severe	Airspace restrictions, travel advisories, occupancy impacted
Israel / Iran / Iraq / Lebanon	🔴 Severe	Active conflict zone; fresh strikes 25–26 May
Jordan / Egypt / Oman	🟠 High	Spillover cancellations, reduced connectivity
Saudi Arabia	🟡 Moderate	Hajj buffer; domestic tourism +16% Q1; but events cancelled
Mediterranean (Spain, Portugal, Italy)	🟢 Positive	Demand diversion beneficiary
Cyprus / Greece / Turkey	🟡 Mixed	Some diversion gains offset by cost inflation & proximity perception
UK / Western Europe	🟡 Moderate	Fuel cost inflation; some inbound demand gains
North America	🟡 Moderate	Pricing pressure; limited direct exposure

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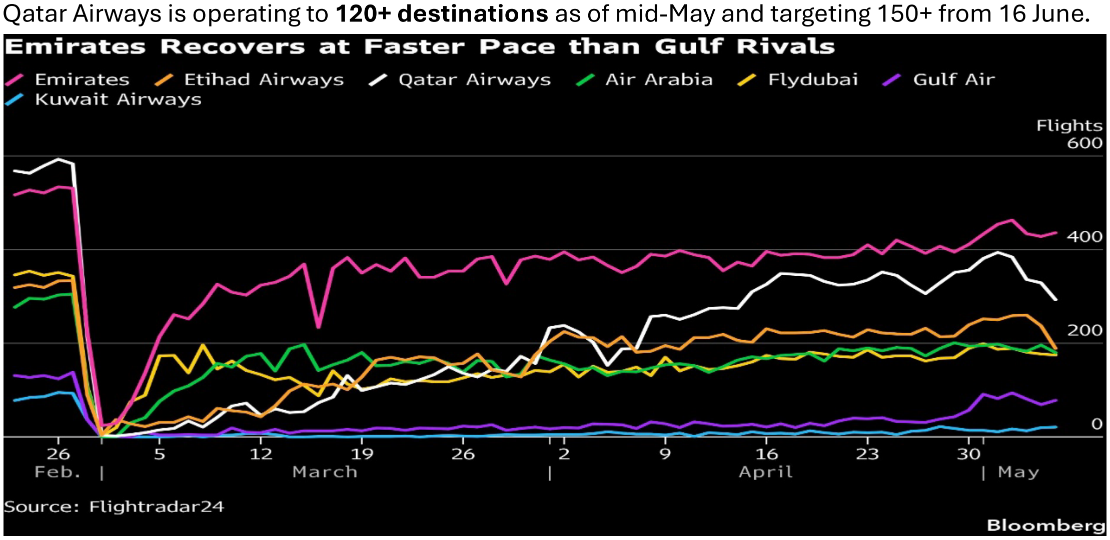
2. AVIATION & CONNECTIVITY (as of 25–26 May 2026)

2.1 Hub Status

UAE airspace was fully reopened on 2 May but was briefly disrupted by Iran's attacks and has since returned to operational status. Emirates has restored **96% of its global network** across 137 destinations. Iran, Iraq remain off-schedule. Qatar Airways is operating to **120+ destinations** as of mid-May and targeting 150+ from 16 June.



Key airline suspensions (forward-looking):

Airline	Status
Lufthansa Group	8 ME routes suspended through **24 Oct**; Dubai through **13 Sep**
British Airways	Dubai/Doha/Tel Aviv targeted for **1 Aug**; Bahrain/Amman through **25 Oct**; Jeddah **permanently withdrawn**
Air France	Riyadh restart **26 May**; Dubai/Beirut/Tel Aviv targeted **3 Jun**
KLM	Dubai suspended through **22 Jun**
American Airlines	JFK–Tel Aviv suspended through **6 Jan 2027**
Wizz Air	All ME routes suspended through **mid-Sep**

2.2 Jet Fuel Crisis

Jet fuel prices have **more than doubled** from pre-war levels, with the average price at **$4.85/gal (up 145% YoY)**. The estimated Q2 industry loss stands at **$5.2 billion**. An estimated **14,250 flights** have been cancelled due to fuel-related schedule contractions alone, impacting 2.1 million passengers across 40+ hubs. The Strait of Hormuz blockade has removed **10–15 million barrels/day** from the global market — the largest supply disruption in oil market history. Tanker traffic through the strait collapsed 70–80% almost immediately after hostilities commenced.

Business Implication: Even if a ceasefire holds, jet fuel pricing will remain elevated for months due to depleted inventories and war-risk insurance premiums on maritime routes. Airlines will continue passing costs through via surcharges, compressing leisure travel demand globally. The fuel crisis is a **structural demand suppressor** for the peak summer season. Hotels dependent on air-connected leisure demand — particularly in long-haul destinations served via ME hubs (Maldives, East Africa, Southeast Asia) — face material occupancy risk.

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3. CORPORATE OFFICES IN DUBAI — STATUS UPDATE

During the initial March escalation, Citi, Deloitte, and PwC closed offices or asked employees to evacuate the DIFC. PwC closed offices in Saudi Arabia, Qatar, the UAE and Kuwait. Nvidia temporarily closed its Dubai office; Amazon shuttered all corporate offices in the Middle East; dozens of Google employees were stranded in Dubai after the 'Accelerate' conference.

Current status (late May): Offices are largely back to normal. A spokesperson for Citigroup said on May 4 that "all employees are now welcome back to office, and branches are back to normal hours." Standard Chartered said its operations and office attendance "are back to regular levels" and it's "business as usual." Traffic near DIFC recovered to about 70% of pre-war levels in weeks after the ceasefire, though it slipped back toward 60% following fresh alerts in mid-May. In total, 775 new firms set up in DIFC in Q1 — a 59% increase YoY. Hedge funds including Ken Griffin's $67 billion Citadel are preparing to launch operations in the emirate, and Brookfield Asset Management is setting up a property venture in Dubai.

Bottom Line: Despite the ongoing conflict, Dubai's business community has returned to in-person operations. The narrative has shifted from evacuation to resilience, though episodic alerts (e.g., mid-May drone intercepts) cause temporary reversions to remote work.

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4. DUBAI HOTELS CLOSED FOR RENOVATION

Mohamed Alabbar, founder of Emaar Properties, captured the industry's strategic framing: "Please remember we had years of almost 85% occupancy in our hotels, incredible rates. We made so much money. We take a break for months. That's okay. We have time to maintain and repair our hotels."

Property	Closed	Expected Reopening	Notes
Burj Al Arab	15 Apr 2026	**Late 2027**	18-month restoration — first full overhaul since 1999 — led by French architect Tristan Auer
Armani Hotel Dubai	1 Apr 2026	**Q4 2026** (channels show Jan 2027)	Full transformation inside Burj Khalifa; rest of tower unaffected
Park Hyatt Dubai	May 2026	**Nov 2026**	Final phase of renovation underway since 2021; guests rebooked to other Hyatt properties
St. Regis Dubai, The Palm	12 Apr 2026	**1 Sep 2026**	Rooms/spa closed; rooftop dining venues (Trèsind Studio, LEÑA, SushiSamba etc.) remain open
Radisson Blu, Media City	30 Apr 2026	**2027 (new operator)**	Acquired by Select Group for AED 200M+; highest hotel transaction in Dubai's Media Free Zone
JW Marriott Marquis	Ongoing	**Open throughout**	Phased renovation of 1,608 rooms; one tower stays operational at all times
Anantara World Islands	10 Apr 2026	**Permanently closed**	Minor Hotels cited "a combination of external factors"

Executive Note: These closures are widely interpreted as **strategic opportunism** by pulling supply offline during unviable occupancy levels to execute capital-intensive upgrades. This is more of a rational portfolio management. Properties with strong balance sheets are using the trough for ESG/MEP upgrades that would be help to drive premium at the usual 85% occupancy.

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5. CONFERENCES & EVENTS — CANCELLED / POSTPONED

More than **100 events** have been cancelled, suspended or postponed across the Gulf, according to consultancy Northbourne Advisory**. Arabian Travel Market 2026 has been rescheduled again**, with organizers confirming the event will now take place from 14–17 September 2026 at Dubai World Trade Centre, following *consultation with exhibitors*.

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6. TRAVEL ADVISORIES (Active as of 26 May 2026)

Government	UAE Advisory	Scope	URL
US State Dept	**Level 3 — Reconsider Travel**	Non-emergency personnel departed 2 Mar	travel.state.gov
UK FCDO	**Against all but essential travel**	Insurance voided; updated 14 Apr	gov.uk
Australia (DFAT)	**Do Not Travel**	Includes transit/layovers; updated 22 May	smartraveller.gov.au
Canada	**Avoid all travel**	UAE, Qatar, Bahrain, Kuwait, others	travel.gc.ca

Australia's Smartraveller advises "Do Not Travel" to the UAE, Qatar, Bahrain, Kuwait, Iran, Iraq, Israel, Lebanon, Syria, and Yemen — explicitly including transit and layovers. "Even if you don't plan to leave the airport — airports, hotels, roads, bridges and other infrastructure in the region have been struck with missiles."

Critical Point: Until Western government travel advisories are downgraded, travel insurance remains voided for most leisure and corporate travelers to the Gulf. This is the single greatest barrier to demand recovery — no marketing or discounting strategy can overcome it.

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6. CURRENCY DEPRECIATION & TRAVEL COST IMPLICATIONS

US Dollar Index (DXY) Trajectory

The DXY stands at **99.09** as of May 26, 2026, within a 52-week range of **95.55 to 100.64**. Pre-war (late February 2026), the DXY traded near **107–108** levels, representing a **~7–8% decline** since the conflict began on February 28. Over the past 12 months, the US Dollar Index has changed by **-0.42%**, but the sharpest decline has concentrated since the war's outbreak.

Global Currency Implications for Travel

A weaker U.S. dollar means Americans must "give up more dollars abroad, so it's going to increase travel costs." Conversely, international tourists in the U.S. will find their currency goes further with more purchasing power.

The IMF's April 2026 World Economic Outlook projects global growth slowing to **3.1% in 2026**, with headline inflation rising modestly. Pressures are concentrated in **emerging markets and developing economies, especially commodity importers** with preexisting vulnerabilities.

Region / Currency	Travel Cost Impact	Direction
Eurozone (EUR)	Euro strengthened vs. USD; **US outbound travel to Europe more expensive**	Costlier for US travelers
UK (GBP)	Sterling gains; **UK becomes pricier** for dollar-holders	Costlier for US travelers
Asia (JPY, INR, THB)	Mixed; oil-importing nations face inflation; weaker local currencies make **Asia cheaper** for USD/ Euro/GBP holders	Cheaper for US EU travelers Outbound from these destinations impacted.
LATAM (BRL, MXN)	Commodity exporters see some currency support; but inflation erodes gains	Neutral-to-cheaper for hard-currency travelers
Africa (ZAR, KES, NGN)	Oil-import-dependent economies face sharp depreciation; **cheaper for inbound tourism** from Europe	Cheaper for hard-currency travelers
Middle East (AED, SAR)	Pegged to USD; but **conflict suppresses demand**	Demand suppressed

The main concern lies in the risk of triggering a "currency war" and a dual fragmentation of the global monetary system reinforcing the formation of "blocs" mirroring trade and geopolitical tensions.

Business Implication: Hotels in the US, UK, and Eurozone positioned for **inbound international tourism** stand to benefit from favorable exchange rates. Revenue managers should adjust rate strategies to capture demand from regions with strengthened currencies.

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7. GEOPOLITICAL OUTLOOK & STRATEGIC IMPLICATIONS

7.1 Ceasefire Status (as of 26 May 11:30 UTC)

Trump signalled a deal with Iran was imminent on 24 May, writing that "final aspects and details of the Deal are currently being discussed." However, by 25 May he directed negotiators "not to rush into a deal" and warned: "It will only be a Great Deal for all or, no Deal at all — Back to the Battlefront."

Top negotiators from Tehran have travelled to Qatar to discuss a potential deal, but US forces simultaneously struck targets in southern Iran and tensions continue to surge during the talks.

7.2 Strategic Recommendations

- **Mediterranean & European Portfolio:** Properties in Spain, Portugal, Italy, and Croatia stand to benefit to capture Gulf-diverted demand.
- **Saudi Arabia Properties:** Hajj season (late May–June) provides near-term occupancy floor; monitor rescheduled ATM as the confidence barometer for regional recovery.
- **Gulf Portfolio:** The renovation-closure strategy deployed by Burj Al Arab, Armani, Park Hyatt and others is the right playbook. Use the demand trough to execute upgrades. Properties should pursue rate flexibility to capture business.
- **Booking Policy:** Basis Destination review the booking policies. For low demand, ensure to offer fully flexible cancellation and rebooking policies aligned with airline waivers (through at least Sep 2026).

- **Watch the variable:** The **lifting of Western travel advisories** is the single most important trigger for demand recovery. Monitor UK FCDO and US State Dept updates weekly.

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