HVS

MARKET REPORT

Hospitality in the GCC: Hotel Owner and Investor Sentiment on the U.S.-Iran Conflict

MAY 19, 2026

HVS is pleased to present the Hospitality GCC Hotel Owner & Investor Survey, offering insights into market sentiment and expectations across the region. While uncertainty continues to influence decision-making, the hospitality sector has consistently shown resilience and adaptability. Investors that remain flexible and responsive to evolving market trends are likely to be better positioned for future opportunities.

Executive Summary

The 2026 U.S.-Iran conflict has emerged as one of the most significant geopolitical disruptions to affect GCC hospitality since the COVID-19 period, creating immediate pressure on aviation, traveller confidence, hotel performance, and investment activity across the region. While the operational shock has begun to stabilise following the ceasefire announcement and easing airspace restrictions, investor sentiment remains cautious and increasingly selective.

To assess the market response, HVS surveyed hotel owners, developers, investors, and hospitality-focused real estate groups representing an estimated 160,000 branded hotel rooms across the GCC. The findings reveal a market that has not retreated from hospitality investment, but one that is recalibrating risk, liquidity, timing, and execution priorities under heightened geopolitical uncertainty.

The results indicate three defining market themes:

First, the current disruption is being transmitted primarily through aviation connectivity and traveller confidence rather than through structural demand collapse. Investors continue to differentiate the current environment from the COVID-19 period, with most viewing the disruption as temporary and regionally uneven rather than systemic.

Second, the impact is widening the performance gap between markets and asset types. Hotels supported by domestic demand, religious travel, and staycation activity are demonstrating stronger resilience, while assets dependent on international arrivals, airline connectivity, and corporate and MICE demand remain more exposed.

Third, capital preservation has become the dominant short-term strategy. Investors are prioritising liquidity management, deferring capex, slowing development activity, and reassessing underwriting assumptions while remaining engaged in the sector's long-term growth fundamentals.

Despite weaker near-term visibility, confidence in GCC hospitality as a long-term investment class remains intact. Long-term tourism growth continues to underpin investor interest, supported by structural demand drivers including religious tourism, national tourism strategies, infrastructure expansion, and regional diversification agendas.

The findings suggest that the GCC hospitality sector is entering a period characterised less by retreat and more by disciplined capital deployment, selective expansion, and greater focus on operational resilience.

Introduction

The escalation of geopolitical tensions between the United States and Iran during early 2026 created a material shock to GCC hospitality markets at a particularly sensitive point in the annual trading cycle. The conflict coincided with one of the region's highest-yield operating periods between March and May, amplifying the financial impact on hotels, airlines, tourism operators, and investors.

According to estimates by the World Travel & Tourism Council (WTTC), the wider region was losing approximately US$600 million per day in visitor spending during the peak period of disruption. While aviation activity has gradually begun to recover following the easing of regional airspace restrictions, hotel performance and investment sentiment continue to reflect elevated uncertainty.

Respondent Profile and Investor Composition

The respondent base reflects broad GCC market participation, with Saudi Arabia accounting for the largest share at 42%, followed by the UAE at 34%. The remaining responses were distributed across Kuwait, Bahrain, Oman, and Qatar.

This weighting is significant because Saudi Arabia and the UAE currently account for the majority of regional hospitality development activity, transaction volume, and branded hotel pipeline expansion. The response profile therefore captures sentiment from the markets most actively shaping GCC hospitality investment trends.

This report examines how hospitality investors, hotel owners, and developers representing an estimated 160,000 branded hotel rooms across the GCC are responding to the current environment:

- Investor sentiment and capital deployment outlook
- Hotel operational performance and EBITDA recovery expectations
- Investment strategy and liquidity positioning
- Asset valuation trends and financing pressure
- Long-term investment confidence in GCC hospitality

The report assumes that the conflict remains contained, airspace restrictions continue to ease, and market confidence improves gradually over the coming quarters. Any renewed escalation or prolonged instability would materially weaken the pace of recovery.

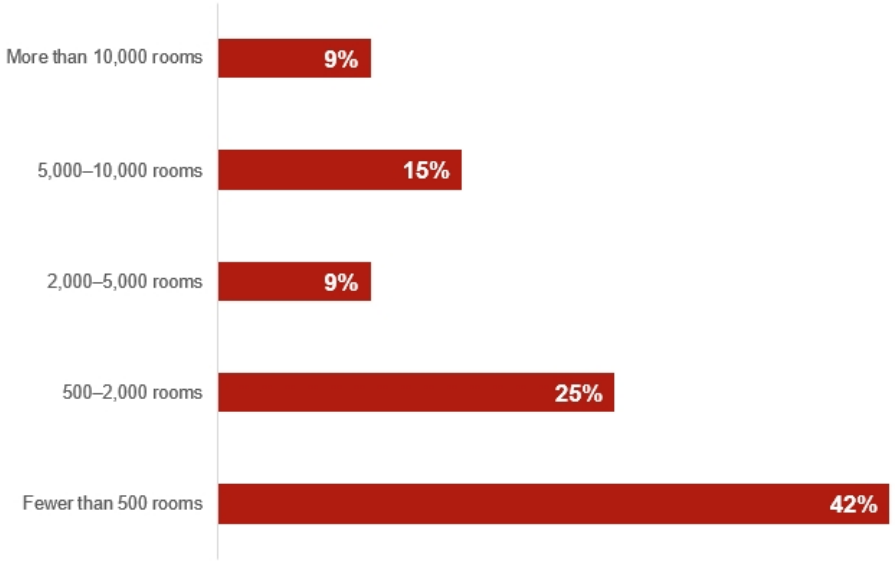
Hotel investment companies represented the largest respondent group at 38%, followed by real estate companies at 30% and private investors at 23%.

The respondent composition is particularly relevant in interpreting the findings because the survey is heavily weighted toward capital providers and asset owners rather than operators. As a result, the findings primarily reflect perspectives shaped by:

- Asset performance
- Portfolio risk exposure
- Liquidity management
- Financing conditions
- Capital deployment timing

- Long-term investment strategy

Portfolio Scale



Source: HVS

Although smaller and mid-sized portfolios dominate numerically, the survey also captures meaningful exposure to larger institutional portfolios. Based on assumed portfolio averages, respondents collectively represent approximately 160,000 branded hotel rooms across the GCC.

This dual profile creates an important analytical distinction:

- Smaller portfolios are more likely to experience immediate operating and liquidity pressure at asset level;
- Larger portfolios are generally positioned to take a longer-term strategic view, with greater capacity to absorb short-term volatility.

As a result, the findings reflect both near-term operating realities and broader institutional investment considerations.

Investment Sentiment: Confidence Weakens but Does Not Collapse

A Market Becoming More Cautious, Not More Negative





Source: HVS

The conflict has clearly shifted investment sentiment toward caution, although not toward broad disengagement.

Approximately 43% of respondents report becoming more cautious following the conflict, including 11% who describe themselves as significantly more cautious. At the same time:

- 34% report no meaningful change in sentiment;
- 22% indicate sentiment has become more positive.

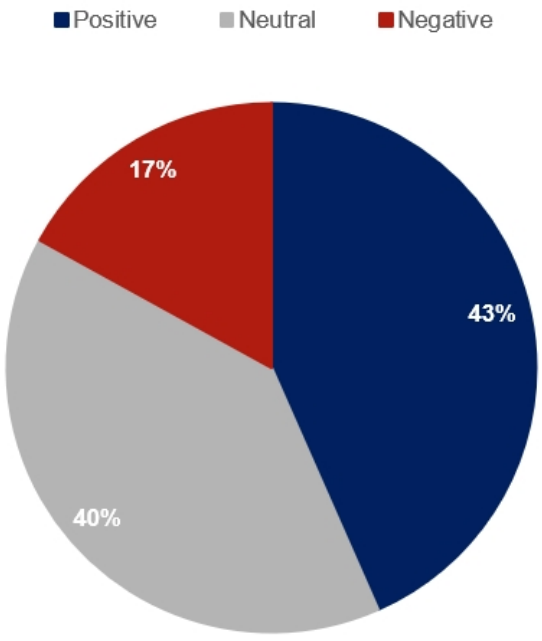
The findings suggest that investors continue to differentiate the current environment from the structural shock experienced during COVID-19.

Unlike the pandemic period, when hospitality faced near-total demand collapse and widespread operational shutdowns, the current disruption is being interpreted as:

- geographically concentrated;
- aviation-led;
- confidence-driven; and
- likely temporary.

This distinction is critical because hospitality investment decisions are based not only on current performance but also on confidence in future recovery. The market therefore remains active, but investors are applying higher thresholds for deployment.

Hospitality Investment Outlook Remains Structurally Positive



Source: HVS

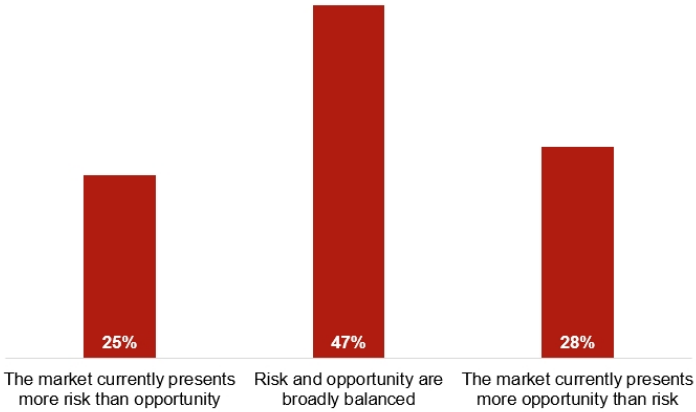
Despite weaker short-term visibility, the broader outlook for GCC hospitality investment remains constructive. A combined 83% of respondents describe their investment outlook as either positive or neutral, while only 17% report a negative view. This is a notable result given the scale of the geopolitical disruption.

The findings reinforce several structural realities about GCC hospitality:

1. Investors Continue to Believe in Long-Term Regional Tourism Growth
2. Recovery Expectations Are Shorter Than During COVID-19
3. The Market Is Becoming More Selective

The current environment therefore favours disciplined investment over speculative expansion.

Risk Versus Opportunity: Selectivity Becomes the Defining Investment Theme



Source: HVS

Nearly half of respondents believe risk and opportunity are now broadly balanced, while 28% still view the market as offering more opportunity than risk. Only one-quarter of respondents believe risk currently outweighs opportunity. This result highlights a key market transition.

The conflict has not removed investor appetite for hospitality exposure. However, in practical terms, investors are now demanding:

- clearer visibility on recovery;
- stronger operating fundamentals;
- lower development risk;
- greater flexibility in capital structures.

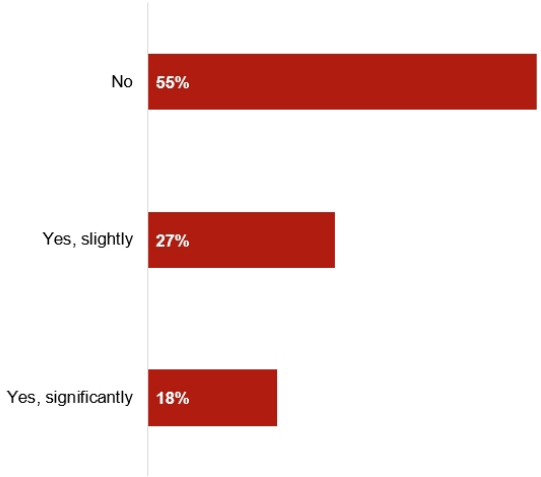
This environment tends to create two parallel market behaviours:

Defensive Capital Behaviour
Some investors delay acquisitions, preserve liquidity, and wait for greater market clarity before deploying new capital.

Opportunistic Capital Behaviour
Others begin reassessing pricing opportunities where sentiment has softened faster than underlying demand fundamentals.

Historically, periods of uncertainty in hospitality often create acquisition windows for well-capitalised investors with longer-term horizons. Several survey responses suggest that such a window may now be emerging selectively across parts of the GCC.

Project Delays and Development Pressure



Source: HVS

The conflict has already begun affecting hospitality development timelines.

Approximately 45% of respondents report delays to hospitality investment or development decisions, including:

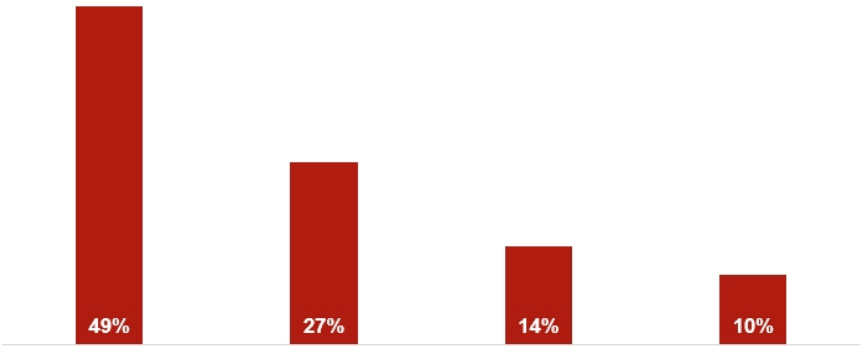
- 18% reporting significant delays;
- 27% reporting modest delays.

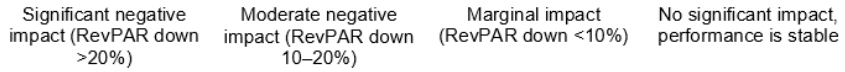
While a majority still report no delay, the level of disruption is meaningful because hospitality development pipelines are highly interconnected through operator signings; financing approvals; construction schedules; infrastructure readiness; and market absorption expectations.

Even modest delays can therefore affect project viability; opening timelines; capital deployment cycles; and debt servicing assumptions.

Projects supported by stronger ownership structures, domestic demand, or strategic tourism positioning are likely to continue progressing despite the current uncertainty.

Hotel Performance: RevPAR Pressure Intensifies Across the Region





Source: HVS

Operational pressure is now clearly visible in hotel trading performance. A combined 76% of respondents report either moderate or significant negative impact on RevPAR performance, while nearly half indicate RevPAR declines exceeding 20%. Under most hotel cost structures, declines of this scale place significant pressure on EBITDA margins and push many assets toward breakeven levels.

Timing Amplified the Financial Impact

The conflict escalated during one of the GCC's strongest annual trading periods.
March to May typically represent some of the highest-yield months for many regional hotels due to religious travel; spring leisure demand; MICE activity; regional business travel; and international tourism flows. As a result, lost peak-period demand cannot simply be recovered later in the year.

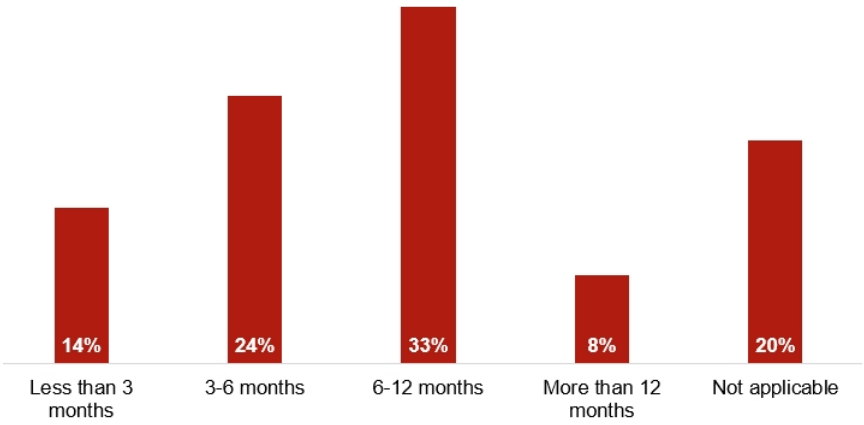
The Impact Is Uneven Across Markets

Performance pressure is strongest among hotels exposed to international arrivals, airline connectivity, corporate travel; and MICE demand.

By contrast, stronger resilience is visible among assets supported by domestic tourism, religious travel, staycation demand, local leisure activity.

This divergence reinforces a broader investment trend already visible before the conflict: Demand resilience increasingly depends on the diversity and depth of local demand drivers.

Liquidity and Financial Resilience



Source: HVS

The survey reveals a market under pressure, but not yet facing systemic financial distress.

Approximately 57% of respondents indicate that their hotel assets could continue meeting key financial obligations for at least six months if current conditions persist.

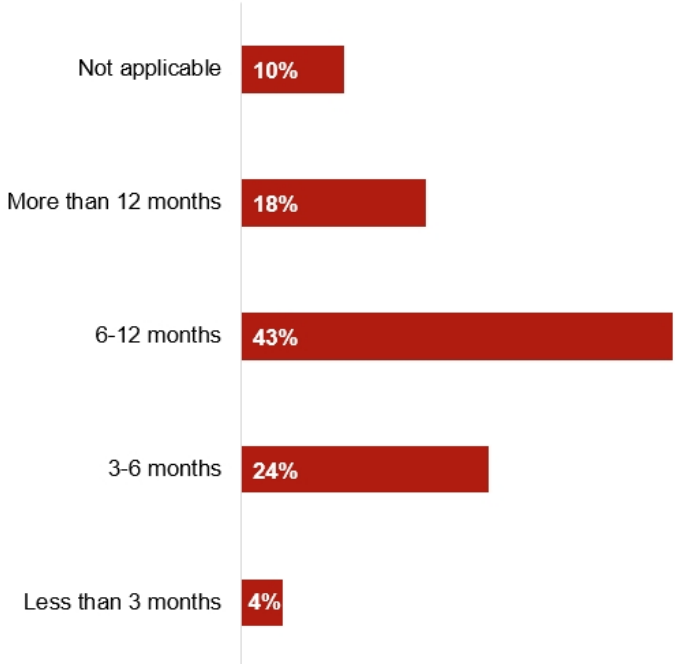
Owners are more likely to absorb near-term disruption while waiting for visibility to improve.

Importantly, the current environment remains materially more stable than the COVID-19 period because:

- hotels continue operating;
- revenue generation continues;
- domestic demand remains partially supportive.

Nevertheless, prolonged uncertainty would likely widen the gap between financially resilient and financially exposed owners.

EBITDA Recovery Expectations



Source: HVS

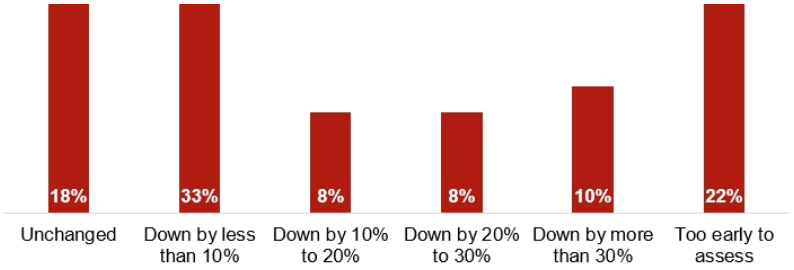
Most respondents expect EBITDA recovery within 6 to 12 months. However, occupancy recovery alone will not necessarily restore profitability.

Hotel EBITDA recovery also depends on a number of factors including ADR recovery, pricing power, operating cost inflation and utility and supply chain costs.

Markets most dependent on international corporate and MICE demand may therefore experience slower earnings recovery despite occupancy improvements.

Hotel Asset Values: Adjustment Without Capitulation





Source: HVS

Hotel asset values are under pressure, although the market has not yet settled on the scale of correction.

Most respondents report either:

- value declines below 10%; or
- insufficient visibility to assess pricing accurately.

This is a critical distinction from the COVID-19 period.

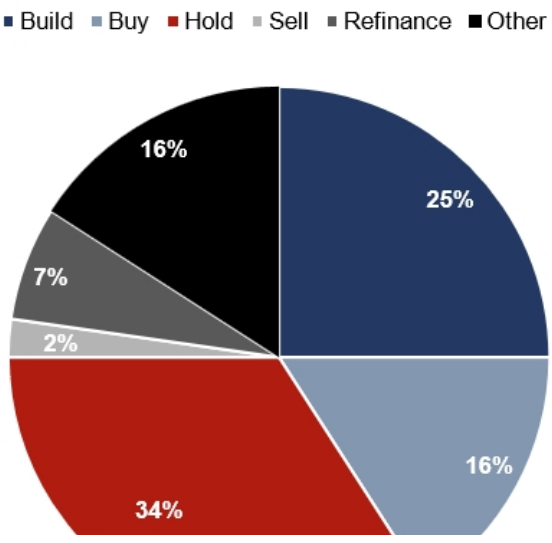
In 2020:

- revenue collapsed globally;
- recovery timelines were highly uncertain;
- liquidity stress was immediate and widespread.

In 2026:

- hotels continue operating;
- revenue remains active, albeit weaker;
- recovery expectations are shorter;
- investors continue differentiating between asset quality and market exposure.

Investment Strategy: Capital Preservation Dominates Near-Term Behaviour





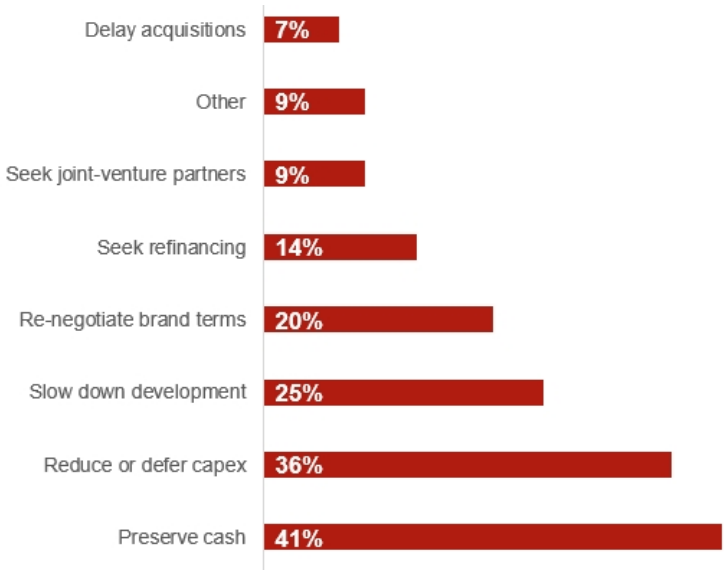
Source: HVS

Holding assets is the most common investment strategy over the next 12 months. However, the wider findings reveal a market that remains active rather than frozen. A combined 41% of respondents still intend to build or acquire hospitality assets despite the current environment. Sell intentions remain extremely limited.

This reflects a market where:

- long-term confidence remains intact;
- investors expect recovery;
- capital deployment is becoming more disciplined.

Defensive Actions Are Increasing



Source: HVS

The most common investor responses to uncertainty include:

- preserving cash;
- reducing or deferring capex;
- slowing development activity;
- renegotiating operator terms.

The emphasis on liquidity preservation highlights a short-term focus on balance sheet protection rather than aggressive expansion.
At the same time, investor interest in renegotiating operator and brand structures suggests that owners are reassessing how operating risk and return are shared under current market conditions.

Operational Status: Hotels Remain Open but Under Pressure

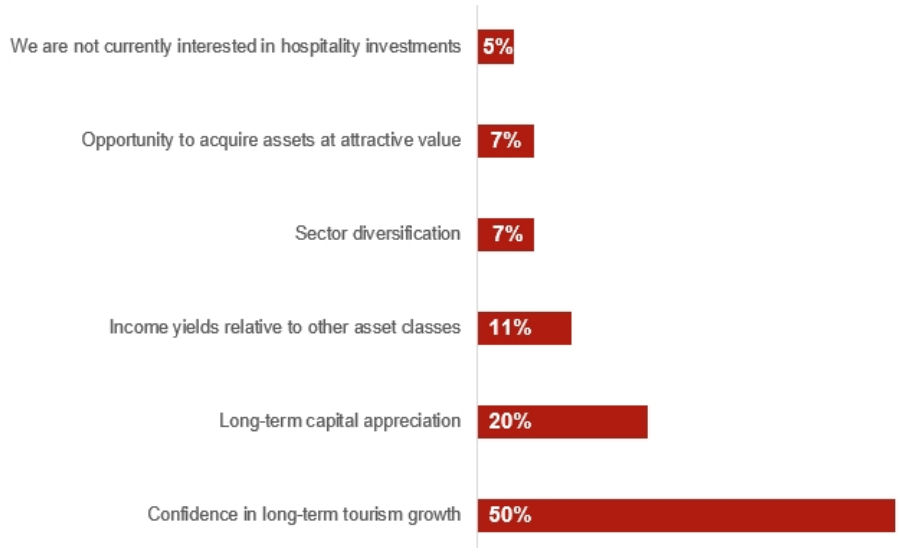
The survey confirms that the current disruption has not caused widespread hotel shutdowns.

Approximately 68% of respondents report that assets remain operational but with reduced performance, while a further 27% indicate operations remain stable.

This operational continuity represents one of the most important distinctions between the current environment and COVID-19.

Hotels remain open, but many are operating under significantly weaker margin conditions. As a result, operational resilience is becoming increasingly important in determining long-term asset performance.

Long-Term Investment Fundamentals Remain Intact



Source: HVS

Despite short-term uncertainty, long-term tourism growth remains the primary reason investors continue to favour GCC hospitality. This is perhaps the most important finding in the survey.

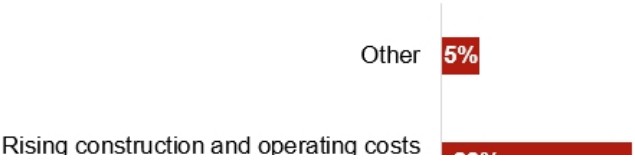
Investors are clearly distinguishing between:

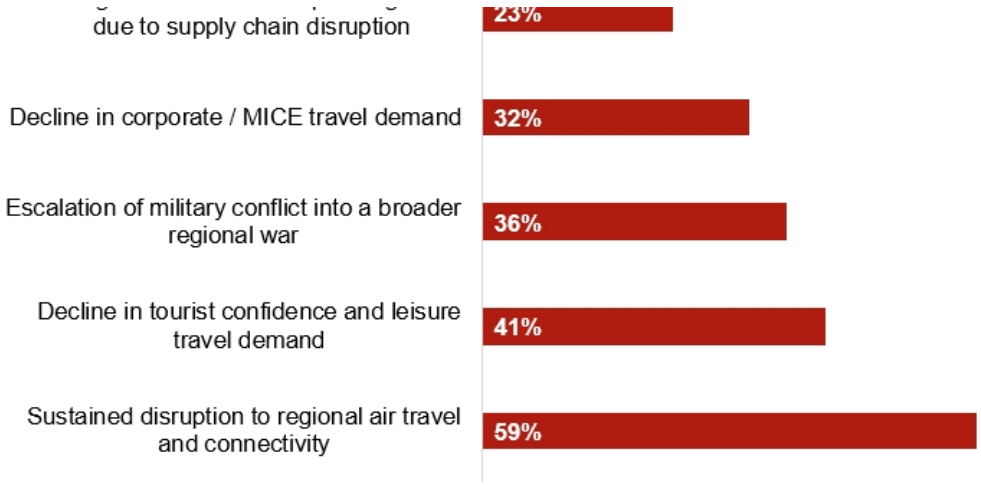
- near-term geopolitical disruption; and
- long-term structural tourism growth.

Importantly, relatively few respondents identify opportunistic buying as their primary motivation.

This suggests that investors are not primarily viewing the current environment as a distressed asset cycle.

Connectivity Remains the Sector's Most Critical Risk





Source: HVS

The survey identifies disruption to regional air connectivity as the single greatest risk facing GCC hospitality investment.

This result is strategically important because it highlights the main mechanism through which the conflict is affecting hospitality performance.

For the GCC, aviation is not simply a transportation sector; it is the core infrastructure supporting tourism flows, corporate mobility, regional connectivity, international positioning; and hotel demand generation.

The findings suggest that investors view the recovery sequence as follows:

1. Air connectivity improves;
2. Traveller confidence gradually recovers;
3. Hotel demand normalises;
4. Investment confidence returns.

This means aviation recovery alone is unlikely to restore hotel performance immediately.

Confidence will remain equally important.

Additional key risks identified include:

- weaker leisure demand;
- softer corporate and MICE activity;
- risk of wider regional escalation;
- rising construction and operating costs.

The market is therefore assessing the conflict across three layers:

- connectivity disruption;
- confidence weakness;
- wider investment and cost pressure.

Strategic Outlook for GCC Hospitality

The findings point to a GCC hospitality market that remains fundamentally resilient but increasingly selective.
The current disruption is not triggering broad investor withdrawal from hospitality. Instead, it is accelerating a market transition toward:

- disciplined capital deployment;
- stronger underwriting standards;
- greater emphasis on liquidity;
- operational resilience;
- asset quality differentiation.

Several strategic conclusions emerge.

1. Domestic and Religious Demand Are Proving Most Resilient
Markets supported by domestic tourism and religious travel are currently demonstrating greater operational stability and stronger recovery visibility.

2. Connectivity Will Remain Central to Recovery
Aviation recovery alone will not fully restore hotel performance. Traveller confidence and corporate mobility will remain equally important.

3. Capital Is Becoming More Selective
Investors continue to favour hospitality, but deployment criteria are tightening significantly.

4. Operational Resilience Is Becoming a Core Valuation Driver
Assets with stronger flexibility, local demand support, and resilient cash flow profiles are likely to outperform.

5. A Selective Opportunity Window May Emerge
Well-capitalised investors may increasingly identify acquisition opportunities where pricing softens faster than long-term demand fundamentals.

Conclusion

The 2026 U.S.-Iran conflict has created meaningful short-term disruption across GCC hospitality markets, particularly through aviation connectivity, traveller confidence, and operating performance.

However, the survey findings suggest that the sector's long-term investment case remains intact. Unlike the COVID-19 period, the current environment has not produced systemic shutdowns or widespread collapse in hotel operations. Hotels remain open, tourism demand continues to exist, and investors continue to differentiate between temporary disruption and long-term structural growth.

Ultimately, recovery will depend not only on geopolitical stability, but also on the restoration of traveller confidence, regional connectivity, and visibility around future demand.

For GCC hospitality, the current period represents less a collapse in investment confidence and more a recalibration of risk, pricing, and timing within a sector whose long-term fundamentals continue to attract investor interest.

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