Hotels
Market Dynamics

JLL SEE A BRIGHTER WAY

Research
United Arab Emirates
Q2 2026

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Key trends

1

Q2 Performance reflects deepening impact of prolonged regional tensions

- Hotel performance in Q2 2026 remained subdued with UAE-wide RevPAR declining 31.8% year-to-date through June. Sustained regional tensions compounded the impact of traditional summer seasonality, particularly affecting international arrival levels.

2

Development activity recalibrate in response to market conditions

- No new hotels entered the market in Abu Dhabi or Dubai during Q2 2026, with limited completions expected through year-end as operators adjust timelines while focusing on upgrading existing stock and await demand restoration before launching new properties.

3

Value-driven packages target domestic and GCC resident demand

- Operators continued to roll out discounted room rates, staycation bundles, and value-added incentives aimed at UAE and GCC residents to offset the pullback in international arrivals.

By the numbers

33,650 keys
Existing stock (Abu Dhabi)

159,300 keys
Existing stock (Dubai)

~4,900
Dubai future stock H2 2026

-35.2%
Dubai's RevPar % Change - YT June

AED 680.6
ADR YT June – UAE

Performance

- Hotel performance metrics for Q2 2026 continued to reflect the sustained impact of the regional conflict, coupled with a traditionally quieter summer months. Year-to-date through June 2026, UAE occupancy dropped 22.2 percentage points (PPs). However, June's occupancy fell more sharply, declining 16.6 PPs annually, to reach 52.8%. Ras Al Khaimah (RAK) experienced the steepest annual decline in June, with RevPAR down 49.9%, followed by Dubai at 38.7%, as long-haul international demand remained subdued.

- Abu Dhabi demonstrated relative market resilience in June, recording an occupancy rate of 65.2% — well above the other markets — with RevPAR declining a comparatively moderate 12.1%, supported by steadier domestic and government-linked demand.

- Rak's performance highlighted a notable divergence between year-to-date and monthly trends. ADR remained positive on a YTD basis at 5.2%, demonstrating resilient rate strength earlier in the year. However, June alone saw rates decline 11.6% annually while occupancy dropped 25.7 percentage points, underscoring how quickly performance can be impacted by intensifying external pressures.

Key Performance Indicators

YTD June 2026

	ADR (AED)	Occupancy	RevPAR (AED)	ADR % change	Occupancy pp change	RevPAR % change
UAE	680.6	57.9%	394.2	-5.6%	-22.2	-31.8%
Abu Dhabi	668.3	66.8%	446.6	-4.3%	-13.5	-20.3%
Dubai	701.1	56.4%	395.7	-7.0%	-24.6	-35.2%
Ras Al-Khaimah	705.6	49.3%	347.7	+5.2%	-23.3	-28.6%

June 2026

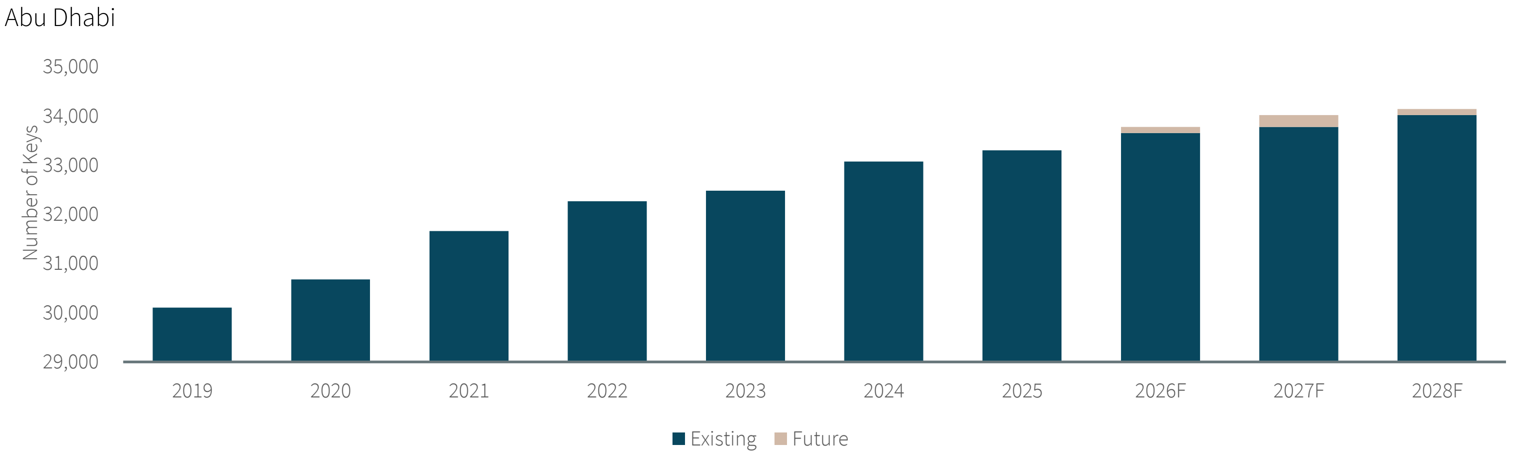
	ADR (AED)	Occupancy	RevPAR (AED)	ADR % change	Occupancy pp change	RevPAR % change
UAE	396.9	52.8%	209.4	-13.3%	-16.5	-33.9%
Abu Dhabi	486.8	65.2%	317.6	-2.1%	-7.4	-12.1%
Dubai	375.6	51.6%	193.9	-17.1%	-18.3	-38.7%
Ras Al-Khaimah	511.6	33.6%	172.1	-11.6%	-25.7	-49.9%

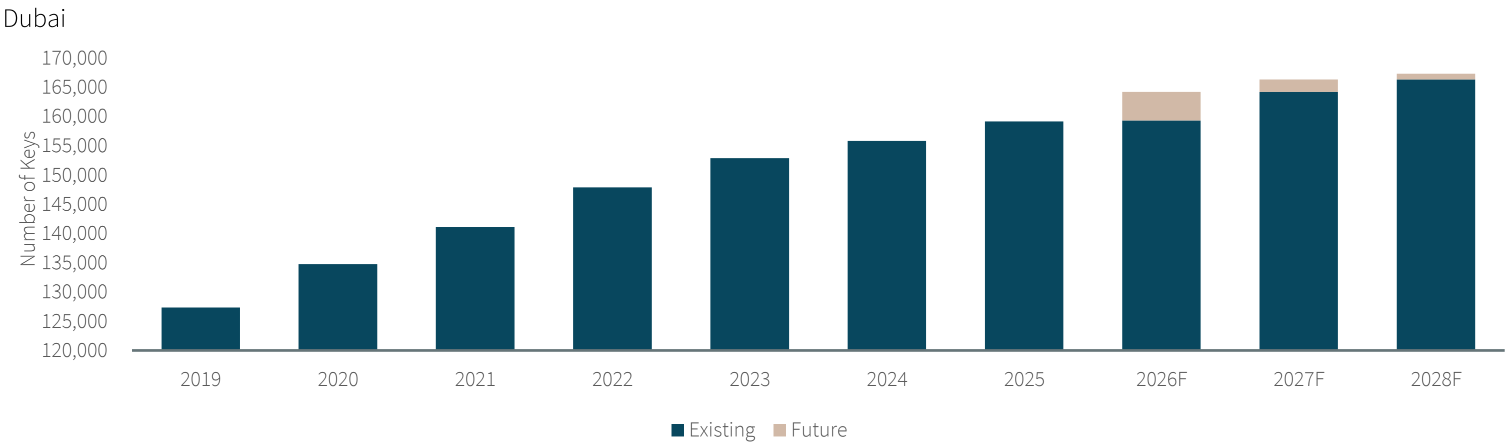
Source: STR Global

Development activity

- No major hotel projects were completed in either Abu Dhabi or Dubai during Q2 2026, as operators actively assessed regional conditions and adjusted delivery timelines accordingly. Abu Dhabi's hotel stock remained steady at 33,650 keys with approximately 120 keys expected to deliver by year-end, while Dubai also maintained 159,300 keys with an anticipated 4,900 keys to complete. That said, limited completions are projected for the remainder of 2026, with several projects expected to be deferred into the following year in response to current market conditions.
- Operators continue implementing various cost management strategies to navigate market headwinds. Temporary hotel closures for renovation purposes remain a core strategy, with some operators bringing forward renovation timelines to capitalise on lower tourism levels and deliver enhanced service standards post-conflict. Additionally, operators are focusing on operational cost optimisation to maintain financial resilience throughout the transition period.

Historical deliveries and pipeline





Source: JLL Research, 2026

Outlook

- The UAE hospitality sector's performance remains closely tied to the trajectory of regional tensions, with occupancy and international arrivals sensitive to the pace of de-escalation and the restoration of air connectivity. Even so, diversified demand bases across international, regional, and domestic segments, alongside continued destination investment, position the sector for sustained recovery once traveller confidence gradually normalises.

- In the interim, government support has helped cushion operators through this period. Dubai's combined AED 2.5 billion relief package, launched in two phases, covers exemptions on the tourism Dirham, hotel and restaurant fees, as well as holiday home and event-related charges. This has eased cost pressures across hospitality and allied tourism businesses, helping preserve liquidity ahead of recovery.

- Operators across all segments have also responded with a broader push toward domestic demand, rolling out discounted room rates, staycation bundles, and family- and leisure-oriented packages aimed at UAE and GCC residents to help offset the pullback in international arrivals. Several properties have also introduced value-added incentives such as dining credits, spa access, and extended-stay offers to lift occupancy during the traditionally slower summer period. The pace and shape of recovery will likely remain closely tied to how quickly conditions stabilise and traveller confidence rebuilds, suggesting that performance could remain volatile in the near term even as the sector's underlying fundamentals remain intact.

- Current market dynamics have prompted a more measured approach to development activity, with hospitality operators adjusting project timelines in response to regional conditions. This reflects near-term caution around execution rather than weakening investor confidence in the UAE's long-term tourism fundamentals. Should conditions stabilise and connectivity fully restore, the combination of government fiscal support, resilient pipelines, and pent-up international demand is expected to support a steady path back to pre-disruption performance across the UAE's key hospitality markets.

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