Operators delay launches even as investors continue to evaluate fresh opportunities

Hotel Chains Go Slow on Expansion Plans amid West Asia Crisis

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Dubai | New Delhi: Hotel operators are slowing the pace of their Gulf expansion, delaying new openings, pushing back project timelines and becoming more selective about new investments following regional disruption amid West Asia conflict, even as investors continue to assess new opportunities.

Indian Hotels Company (IHCL), which operates the Taj brand, expects some upcoming projects in Saudi Arabia and Bahrain to face delays, but continues to evaluate opportunities in Oman, Abu Dhabi and Dubai, its top regional executive told **ET**.

Lemon Tree Hotels exited its Dubai operation a few months ago, while Wynn Al Marjan, a multi-billion-dollar casino resort in Ras Al Khaimah, has pushed back its opening to September 2027 from the first quarter, with delay adding about $600 million to its projected cost.

"I would be lying if I said the crisis would not slow down our expansion plans," said Saurabh Tiwari, vice president–Middle East, Maldives & Sri Lanka at IHCL. "This is a time of survival and being together and supporting our partners."

At the beginning of the year, IHCL had been targeting at least 10 operational hotels in the Gulf over the next two to three years, including a property in Saudi Arabia's holy city of Makkah by early 2029, a hotel in Diriyah, near Riyadh, two greenfield hotels under development in Bahrain, and one each in Ras Al Khaimah and Dubai. Currently, it operates three properties in the Gulf region, all in Dubai.

Tiwari said there could be a three-six months' delay in some of these projects, noting that Bahrain is also impacted by the conflict.

The company is now looking to open one of its signature restaurants in Bahrain within the next three-six months. "When you cannot change the wind, you change the sail," he said.

Chema Basterrechea, global president and COO at Radisson Hotel Group, also said the major Middle East markets have been "heavily impacted."

"Saudi Arabia is not as heavily impacted as other neighbouring countries, but the major UAE markets have been severely affected," he said. "We cannot neglect what is happening. We have more than 50 hotels in the region and many in the pipeline. There can be delays due to the financial commitments and obligations of owners."

Experts noted that while hotel project pipelines are expected to remain sizeable, operators are likely to stagger openings as they reassess project economics, demand and the timing of fresh investments.

"What we are seeing is a reset in pace, not a retreat from the Gulf," said Akshay Jayaprakasan, associate partner at Redseer Strategy Consultants. "Companies are moving away from chasing footprint and becoming much more selective about the asset, partner and timing. I expect announced pipelines to remain large, but actual openings will probably be more staggered than operators originally envisaged."

