Commercial Real Estate.com.au

Thursday 12 March 2026
The Australian Financial Review | www.afr.com
commercialrealestate.com.au
AFR

Hoteliers fear hit from Middle East turmoil

Sarah Petty and Ayesha de Kretser

A passenger in Dubai International Airport. There are fears many travellers will cancel their trips. PHOTO: AP

The booming hotel sector faces an uncertain future, amid concerns that Australia-bound travellers from Europe in particular will cancel their holidays Down Under if they have booked flights routed through the war-torn Middle East.

An early warning of that disruption came last week when Qatar Airways cancelled hospitality events at Melbourne's Formula 1 race, after many of its invited guests were stranded in the Middle East.

Room bookings are already being disrupted in some of Australia's tourism hotspots, according to the hospitality sector's peak industry group, Accommodation Australia.

However, at least some of those losses could be offset by a rise in domestic travel and local hotel stays if the ease of international travel remains uncertain, industry analysts say.

"We've seen a number of cancellations across all the capital cities, and also starting in regional areas as well – places like Uluru, Kangaroo Island and so on," Accommodation Australia chief executive James Goodwin told *The Australian Financial Review*.

"In the capital cities, the occupancy has remained largely stable, but it has been very disruptive because we've got existing guests wanting to extend their stays, and then people already in the country needing new accommodation."

Travellers, including large numbers of flight crews on the 26 Etihad, Emirates and Qatar planes that were diverted to Australia on February 28, when the war with Iran broke out, have largely been able to leave on limited commercial flights out of Australia.

But for hoteliers who had been welcoming inbound tourists in the biggest volumes seen since the pandemic, there are fears that many who were routed to fly via the Middle East will instead cancel their trips, given surging costs. Travel routes from Europe to Australia through the Middle East were temporarily closed as major stopover airports such as Dubai, Abu Dhabi and Doha came under fire from Iran. Limited flights have since resumed for repatriation purposes, with many re-routing through Asia.

Airfare prices are on the rise as well. Qantas is expected to lift plane ticket prices by around 5 per cent as fuel costs surge and bookings on its routes to Europe through the US increase.

While hotels had shown flexibility responding to disrupted travel plans – including international visitors stuck in Australia and the cancellation of future hotel bookings – Goodwin said there was a "nervousness" brewing across the industry if the Middle East conflict strains the flow of international travellers into the country in the medium- to long-term.

"We know that the key to travel to Australia is the confidence to travel, and then also the cost involved," he said. "With the likelihood of oil prices and airfares rising, capacity changing – that's going to change that dynamic, and we believe that it's likely months before we start seeing the real impact."

Dean Dransfield, a long-time transactions and development adviser to hoteliers, said if outbound international travel instability continued, Australians would more likely opt to head interstate rather than globally.

"We probably export more Australians than we import international visitors. To the extent that the world is seen as a less safe place, more Australians will probably holiday at home," he said.

"What we have seen is that airfares have gone up quite a lot, and so again, I think that makes domestic travel far more relevant to Australians.

"It'll just be interesting to see how long it goes and whether it changes sentiment or not."

Accor Pacific chief operating officer Adrian Williams said the company acknowledged the potential impact of the Middle East conflict on Australia's hospitality sector, but remained positive it would weather the disruption.

"Australia benefits from highly diversified source markets, strong domestic demand, and varied international travellers, which mitigates the impact of any single market fluctuation," he said.

"We will adapt our strategies and remain confident in the long-term vitality and growth of these vibrant hospitality markets."