

GOVERNMENT

## Qatar's luxury, hospitality sectors in limbo after diplomatic crisis

June 6, 2017



*Qatar has been cut off by many of its neighbors for alleged ties to terrorist groups*

By DANNY PARISI

On June 5, a number of Gulf countries including Saudi Arabia, Bahrain and Yemen cut all diplomatic ties to the nation of Qatar, grounding all flights and closing their borders completely to the small peninsular country.

Subscribe to **Luxury Daily**  
Plus: Just released  
State of Luxury 2019 **Save \$246 ▶**

The move came after allegations that the Qatari government has ties to terrorist groups such as ISIS and al-Qaeda. This could be a significant blow to Qatar's enormously outsized luxury market, which caters to its many highly wealthy citizens and residents.

"It will have a short-term impact on business and leisure travel based on canceled airline routes in the near term," said Doug Gollan, a [travel expert](#) based in New York. "It will potentially have a much larger impact if the situation isn't resolved.

"Qatar has become a luxury hub in the Gulf. It has very high-end resorts and real estate developments such as The Pearl," he said. "It attracts high-spending regional travelers and has been increasingly competing against Dubai, United Arab Emirates for both investments, second residences and holiday travel.

"Qatar has also made major investments in culture and education. There is the I.M. Pei-designed Museum of Islamic Art, and Carnegie Mellon, Georgetown and Northwestern University each have campuses in Doha, attracting children of wealthy families from the Gulf."

### Diplomatic crisis

Tensions between Qatar and surrounding nations have just been raised a step with the complete severance of diplomatic ties between them.

As of the afternoon of Monday, June 5, Bahrain, Saudi Arabia, Yemen, Egypt, the United Arab Emirates, Libya and the Maldives have all withdrawn diplomatically from Qatar.

All nations have recalled their ambassadors and given Qatari ambassadors a deadline to leave their countries.

Additionally, airlines from around the region have had to cancel flights to Qatar for the foreseeable future, including

UAE-based Etihad Airways and Emirates. Qatari media has been suppressed in many of the withdrawing countries, including Al Jazeera, whose office in Saudi Arabia, being forcibly shut down.

Qatar relies on landed food shipments, but shipping trucks are stalling at the border, meaning Qatar will have trouble accessing food. Iran has promised to step in with shipments coming soon.



*Qatar Airways was forced to cease travel to Saudi Arabia. Image credit: Qatar Airways*

While Qatar's many wealthy residents will likely not be affected too heavily by loss of food stability, the mass of migrant workers building stadiums for the upcoming FIFA World Cup in 2022 are not so lucky. The FIFA World Cup is also an attractive platform for high-end sponsorships and events.

Turkey is seeking to help resolve the crisis, but a solution has not appeared yet. The loss of airline flights is bad enough, but if this crisis is not solved, the burgeoning luxury market in Qatar could take a heavy hit.

Qatar is a massively wealthy nation, especially compared to its size, with many Qatari investors holding large properties around the world. For example, St. Regis San Francisco was just recently sold to a Qatari investment firm.

As part of the \$175 million deal, the hotel will remain under Marriott management under a long-term contract. As Marriott and Starwood prepared to combine their respective groups, Starwood sold a number of its properties to outside investors, taking a light asset strategy into the merger ([see story](#)).

But much of Qatar's wealth depends on easy trade and movement with its powerful neighbors. Without that, Qatar's position as a bed of luxury in the heart of the Middle East is in jeopardy.

"There are also significant business interests in luxury that span countries in the region," Mr. Gollan said. "For example, Saudi Arabia-based Kingdom Holdings is an owner of Four Seasons, which manages a hotel in Doha.

"Qatar's Katara Hotels owns a hotel in Egypt. Qatar Airways draws connecting traffic from the Gulf countries to feed its global route network connecting via Doha and it has a private jet charter division that caters to wealthy Gulf nationals who need private jet flights," he said.

#### Severed ties

The Middle East, despite conflict and the rise of terrorist groups such as ISIS, is still host to many wealthy luxury consumers. Dubai, areas of Saudi Arabia and Qatar are all considered hotbeds of luxury spending, hospitality and investment.

Over the past five years, the number of Middle Eastern clientele buying from Sotheby's has grown 30 percent, leading to the auction house opening an office and gallery space in Dubai. While buyers in the region have enthusiastically embraced Sotheby's online sales, having this physical location will give the auctioneer a space to engage with prospective collectors face-to-face ([see story](#)).



*St. Regis San Francisco is now owned by a Qatari investment firm*

Qatar's sovereign wealth fund has investments in European interests such as Volkswagen Group and Harrods. Qatari-based Mayhoola for Investments also owns luxury houses Balmain and Valentino ([see story](#)).

Most notably affected will be Qatar's hospitality market, which will have a much harder time bringing in new customers who will be unable to make flight transfers at many nearby nations.

"Dubai and Abu Dhabi, UAE stand to gain both as a transit point and destination, and certainly for investment," Mr. Gollan said. "At the time Qatar remains a very wealthy nation.

"Its various entities own Harrod's as well as stakes in IAG, the owner of British Airways, Iberia and Aer Lingus, LVMH and Tiffany's," he said. "The fallout is not cut and dried.

"It would be very hard to disconnect completely."

---

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.