Berat Yücel[1]
Senior Policy Analysts

Sercan Sevgili[2]
Policy Analysts

Yusuf Tuna Alemdar[3]
Research Associate

THE GULF'S SHOWCASE UNDER STRAIN: DUBAI AND THE IRAN WAR

EVALUATION NOTE

On February 28, 2026, coordinated attacks launched by the United States and Israel against Iranian cities (such as Tehran, Isfahan, Qom, Karaj, and Kermanshah) quickly transformed the Gulf region into a broad conflict zone. Iran's retaliatory strategy expanded beyond military targets to include energy lines, trade corridors, ports, airports, and digital infrastructure. This escalation pushed the situation beyond a mere security crisis, triggering a severe geoeconomic shock that directly threatens the continuity of the model built by the Gulf countries on economic stability.

Economic infrastructure has become a direct target, and the disruption of trade and logistics activities in the Gulf has created deep structural tremors, especially in the key hubs focused on sectors such as finance, logistics, and aviation. The region's historical guarantee of safety has been replaced by a heavy risk burden, driven by soaring security costs, operational uncertainties, logistical bottlenecks, and direct threats to life and capital. Consequently, this transformation has forced a reassessment of regional economic balances and the long-term sustainability of these economic centers.

Reflections of the War on Dubai's Economy

The degree of this shock in the region has become evident from the early days. More than 500 ballistic missiles and over 1,500 drones were used in the first six days, bringing the total number

[1] https://www.tepav.org.tr/tr/ekibimiz/s/1433
[2] https://www.tepav.org.tr/tr/ekibimiz/s/1461
[3] https://www.tepav.org.tr/tr/ekibimiz/s/1506

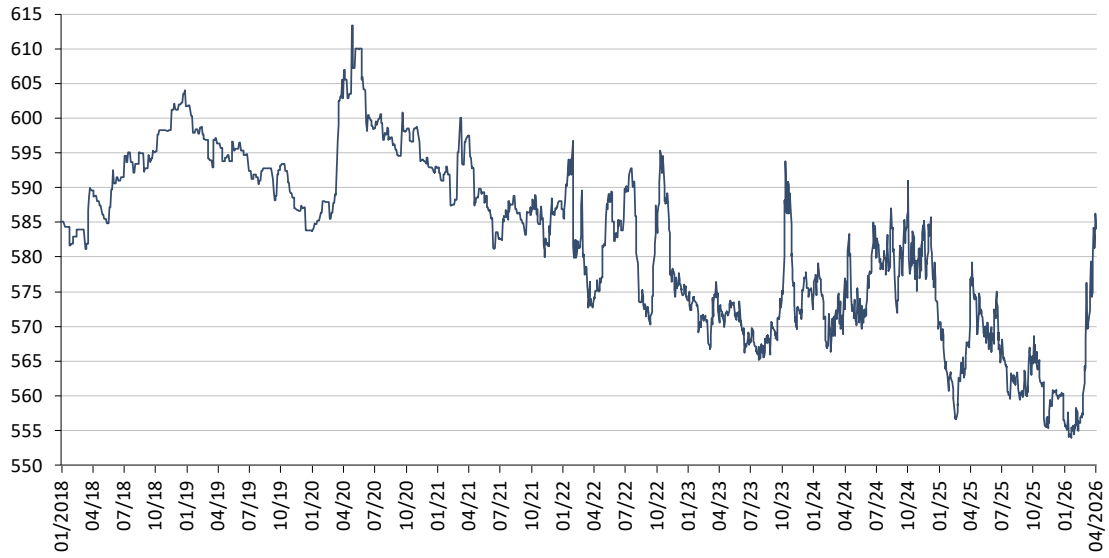
We would like to thank M. Can Torun, for their contributions to this study.

of attacks against seven Arab countries to 5,471 by the end of March (Ribe & Murad, 2026; Yeni Şafak, 2026; Al Jazeera Staff, 2026). Approximately 43% of the total attacks targeted the United Arab Emirates (UAE). As of March 30, 2026, the volume of attacks directed against the country reached a total of 2,343 munitions, including 414 ballistic missiles, 15 cruise missiles, and 1,914 drones. In the same period, the level of attacks suffered by other Gulf countries such as Saudi Arabia, Kuwait, and Bahrain remained significantly lower. On the first day of the conflict alone, 346 munitions (137 ballistic missiles and 209 drones) targeted Dubai, explicitly highlighting the city as a primary objective.

While the increase in risks related to the Strait of Hormuz and the rise in oil prices to the 116–120-dollar band boosted revenues for energy-exporting economies, it also drastically increased disruption costs for hubs reliant on finance, tourism, aviation, and data networks (Power, 2026; Basravi, 2026). While actors such as Saudi Arabia and Abu Dhabi were able to partially absorb this shock thanks to hydrocarbon revenues and alternative energy infrastructures, Dubai lacked this flexibility, as its economic structure depends entirely on the uninterrupted operation of its ports, airports, and digital infrastructures (Reuters, 2026; Graham, 2026). This makes Dubai a hub that generates high connectivity, thus a singular point of failure that affects the system in times of crisis.

Recent developments on the ground clearly embody this structural fragility. Simultaneous attacks on ports, airports, and data centers have not only caused physical damage but also paralyzed economic activities through the interruption of logistics processes, the disruption of financial transactions, and the weakening of digital systems (Ahmad, 2026; Nath, 2026; Pomeroy, 2026; Al-Khodairi & Dyer, 2026). Disruptions in data infrastructure have affected everyday payment systems, indicating that these disruptions have created both physical and operational paralysis (Sunday Guardian, 2026). Therefore, one can conclude that what Dubai is experiencing constitutes a structural break, demonstrating how economic models built on continuous connectivity rapidly transform into systemic fragility under geopolitical shocks. This structural fragility manifests itself clearly in financial markets. Figure 1 shows the course of Dubai's credit default swap (CDS) risk premium since 2018. The series reached its historical peak of 610 basis points at the beginning of 2020 with the COVID-19 pandemic, then entered a long-term downward trend and fell to 555 levels by the end of 2025. However, with the start of the war on February 28, 2026, the risk premium rose sharply to 586 in a short time.

Figure 1: Dubai CDS Risk Premium (January 2018 – April 2026)



Source: Cbonds, TEPAV visualizations

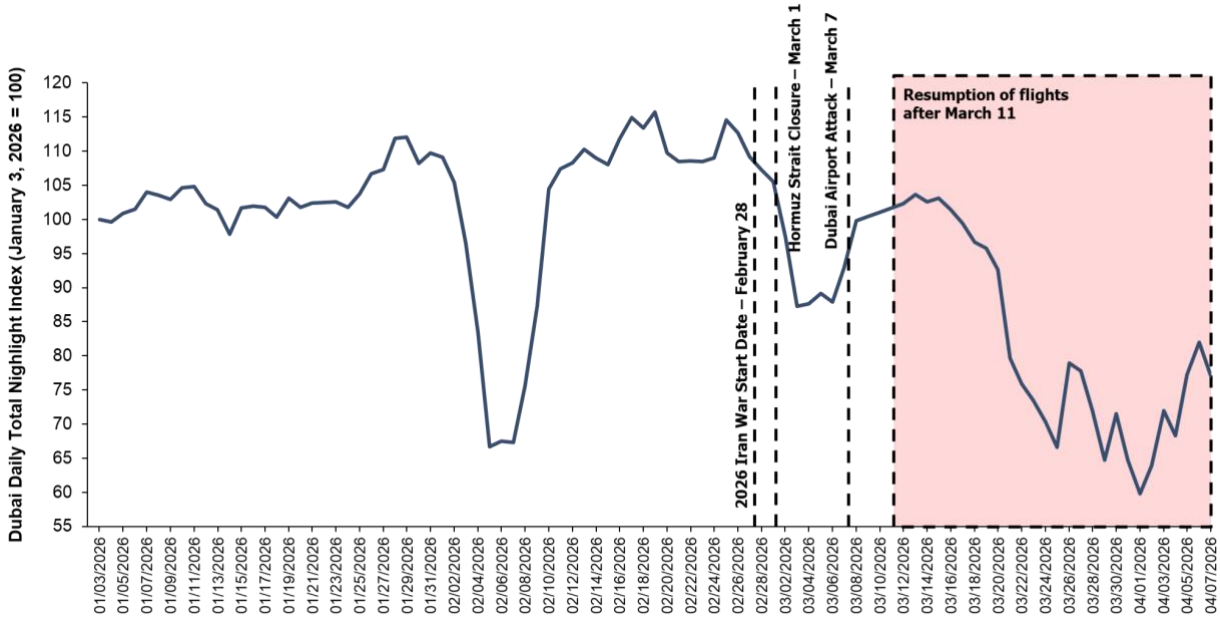
The Exodus from Dubai Has Already Begun

High-resolution daily night light data serves as an effective proxy for monitoring urban activity during conflicts, thanks to its daily frequency and high spatial resolution.

The total daily night light intensity in Dubai[4] decreased significantly with the start of the war on February 28 (Figure 2). Taking January 3, the beginning of the series, as 100, the index hovered between 100 and 115 through early 2026 before dropping sharply with the start of the war, the deepening of uncertainty in the Hormuz crossings, and the accumulation of disruptions in the city's infrastructure. The March 7 attack on Dubai Airport exposed the severity of this decline. Despite the resumption of flights on March 11, the index lost approximately 30 points relative to its pre-war level in a remarkably short period, closing March at 77. The drop in night light intensity following the resumption of flights signals an acceleration of departures from Dubai, driven by mobility demand that had been suspended during the crisis, rather than a return to the city's former rhythm.

[4] The analysis used VNP46A2 daily night light data generated from the NASA VIIRS sensor (January 1–April 9, 2026). The pixel values within the administrative boundaries of Dubai were summed to obtain a single total light indicator for each day. Outlier observations were removed by IQR method, and the gaps were filled by CAGR interpolation. The series is smoothed with a 5-day moving average and indexed to a base of January 3, 2026 = 100..

Figure 2: Dubai 5-Day Moving Average Night Light Index (January 3, 2026 = 100)



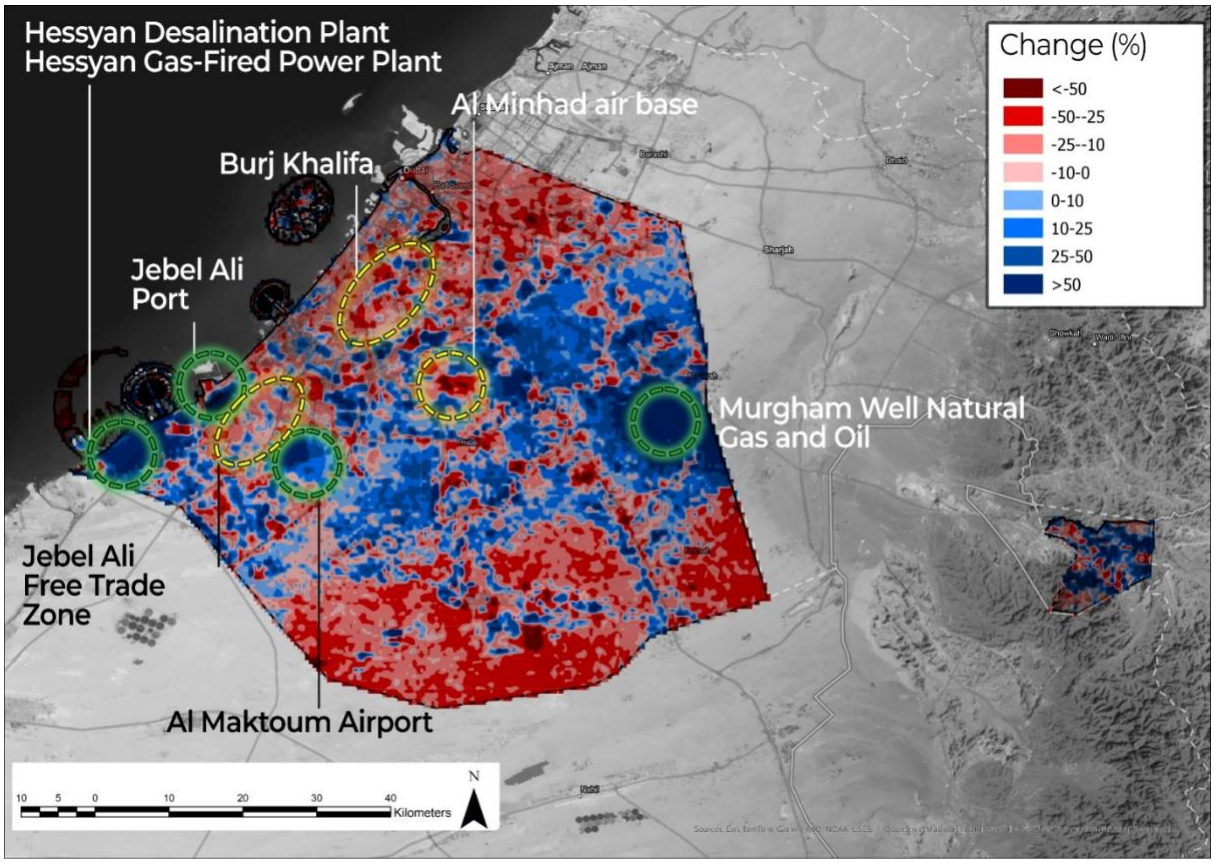
Source: Black Marble VNP46A2[5], TEPAV calculations

An analysis of the percentage change in night light intensity relative to the pre-war period shows that the sharpest contractions clustered around the city's critical economic and logistical nodes, including Jebel Ali Port, the Jebel Ali Free Trade Zone, Al Maktoum Airport, and the commercial district surrounding Burj Khalifa (Figure 3). In these zones, nighttime light intensity fell by more than 50 percent, and the dark red patches on the map illustrate how the physical and operational shock of the war was concentrated in the commercial and logistical backbone of the city. By contrast, the sparse blue patches along the urban periphery indicate localized increases confined to sites consistent with military and security activity.

The evidence from the air travel market reinforces this interpretation. Even as commercial routes reopened, outbound bookings surged while return bookings collapsed, and private jet fares on departures from Dubai doubled within days to the 100,000–200,000 USD band (Turkiye Today, 2026). Taken together, these dynamics suggest that the restoration of air traffic functioned as a corridor of exit rather than a channel of reintegration. The swift outflow of high-income residents during this period indicates that Dubai's reputation as a 'safe haven' eroded with equal speed, inverting the very logic on which the city had built its global appeal.

[5] Vicente, G. S., & Marty, R. (2023). *BlackMarblePy: Georeferenced rasters and statistics of nighttime lights from NASA Black Marble*. Zenodo. https://doi.org/10.5281/zenodo.10667907

Figure 3: Percentage Change in Night Light Intensity in Dubai, March 18–26, 2025–2026



Source: Black Marble VNP46A2, TEPAV calculations
Note: Red tones indicate a decrease in night light intensity, while blue tones correspond to an increase. The areas marked with dashed lines denote critical economic infrastructure.

At the sectoral level, this exit dynamic corresponds to a simultaneous contraction across the core pillars of Dubai's economy. The cancellation of over 18,400 commercial flights, the collapse of hotel occupancy rates to 15–20 percent, and the more than 50 percent drop in real estate transactions together map the war's imprint on the emirate's economic fabric (Al-Khodairi & Dyer, 2026; Hashmi, 2026; Ellis-Petersen, 2026). The severity of this contraction in sectors anchored to investor and visitor confidence, most notably tourism and real estate, signals a twofold dislocation: Dubai is absorbing both a tangible loss of economic output and a deeper erosion of expectations that had long sustained its growth model.

This picture acquires its full significance within the broader debate on Dubai's economic and urban model. Drawing on Castells' distinction between the space of flows and the space of places, Richard Florida (NYT, 2026) interprets Dubai as the paradigmatic 'city as platform': a node that assembles capital, talent, and mobility rather than a settled locale that produces deep historical ties or robust social belonging. Low taxation, a high-amenity environment, global reach, and a capacity to sustain constant circulation render this model powerfully attractive to affluent and mobile populations. Yet the very features that generate this appeal also constitute the model's structural vulnerability. As Florida observes, a system anchored in the space of flows, one that depends on migrant labor and transnational professionals while keeping them in a condition of permanent 'temporariness,' forecloses the very rootedness and spatial belonging that anchor cities through crises. Seen in this light, the reopening of air traffic during the war was more than the restoration of connections; it operated as a corridor of exit

that accelerated the departure of highly mobile segments who held only tenuous attachments to the city. The sharp decline that followed the airport's return to operation after March 11 thus reveals a significant weakening of urban activity and signals that Dubai's platform logic, built on ceaseless global circulation, had begun to unravel under the pressures of war.

Conclusion

Dubai's experience during the Iran war offers concrete evidence of the structural vulnerability that burdens economic models built on seamless connectivity when geopolitical shocks emerge. The simultaneous strikes on ports, airports, and data infrastructure produced damage that extended well beyond the physical: the sharp rise in the CDS risk premium exposed a rapid erosion of financial confidence, while the decline captured in nighttime light data traced a pronounced contraction of urban economic activity. Mass flight cancellations, the surge in private jet fares, and the collapse of hotel occupancy rates reveal how quickly the city's 'safe haven' reputation reversed, and the redirection of Europe–Asia air traffic toward the northern corridors casts direct doubt on Dubai's role as a global connectivity node. Taken together, these dynamics suggest that economic hubs anchored in digital services, ports, airports, and finance remain exposed to a twofold fragility under geopolitical pressure: one that destabilizes their internal dynamics and one that transmits stress outward through the regional and global networks they underpin.

References

Ahmad, A. (2026, April 4). *US-Israel-Iran war latest news: Drone debris hits Dubai buildings*. Sunday Guardian Live.

Al Jazeera Staff. (2026, March 18). *Iran fires missiles, drones across Gulf, region remains in war crosshairs*. Al Jazeera.

Al Jazeera. (2026, March 31). *Iran war wipes $120bn off Dubai, Abu Dhabi stock markets*.

Al-Khodairi, H., & Dyer, S. (2026, April 6). *Dubai and Middle East flight disruption: All the latest updates on travel as US-Israel-Iran war continues*. Condé Nast Traveller Middle East.

Barton, T. (2026, April 1). *Iran conflict 2026: Attacks up against UAE as European countries weigh input*. Janes.

Basravi, Z. (2026, March 18). *How Dubai and UAE are being affected by Iran attacks and US-Israeli war*. Al Jazeera.

British Airways. (2026). *Middle East routes update*.

Ellis-Petersen, H. (2026, March 11). *'The shine has been taken off': Dubai faces existential threat as foreigners flee conflict*. The Guardian.

EUROCONTROL. (2026). *Network analysis: Europe-Asia traffic shifts and corridors*.

Florida, R. (2026, March 16). *Dubai was not built for war*. *The New York Times*. https://www.nytimes.com/2026/03/16/opinion/dubai-hormuz-war-iran-elite.html

Gjevori, E. (2026, March 29). *Israeli-US war batters UAE economy, wiping $120bn from Abu Dhabi, Dubai markets*. Middle East Eye.

Graham, E. (2026, March 15). *Why the United Arab Emirates is a target for Iran's aggression*. CNBC.

Hashmi, S. (2026, April 2). *Dubai's tourism industry reels from 'brutal' impact of war*. BBC.

International Institute for Strategic Studies. (2026, March 6). *Cumulative confirmed missile, UAV and fighter-jet interceptions by the GCC states*.

Iran International. (2026, March 30). *Iran revokes residency of 1,200 UAE nationals, judiciary says*. Iran International.

Moshiri, A., & Guinto, J. (2026, March 31). *Asia's migrant workers debate if Gulf jobs are worth deadly risk of Iran war*. BBC.

Nath, S. (Ed.). (2026, April 3). *Oracle office in Dubai hit in Iran strikes? What UAE said*. NDTV.

Pomeroy, G. (2026, March 16). *Iran hits key UAE oil port and Dubai airport*. BBC.

Power, J. (2026, March 17). *Gulf economies suffer brunt of Iran war as recession risk looms*. Al Jazeera.

Power, J. (2026, March 31). *Iran war wipes $120bn off Dubai, Abu Dhabi stock markets*. Al Jazeera.

Reuters. (2026). *Gulf stocks gain as UAE equities tumble amid conflict uncertainty*.

Sunday Guardian. (2026). *Oracle and AWS data centers hit in drone strikes; digital disruption follows*.

TurkiyeToday. (2026). *Wealthy Gulf travelers pay six-figure prices for private jets to Istanbul*.

Vicente, G. S., & Marty, R. (2023). BlackMarblePy: Georeferenced rasters and statistics of nighttime lights from NASA Black Marble. Zenodo. https://doi.org/10.5281/zenodo.10667907

Yeni Şafak. (2026, March 30). *Iran launched 5,471 missile and drone attacks on seven Arab countries since Feb. 28*.