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# The Intra-urban Location of Hotels in the Chinese Cities of Beijing, Shanghai & Shenzhen

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## Abstract:

This paper reports on empirical research in three Chinese cities to test the Egan and Nield (2000) model of hotel location. The authors conclude that the Egan & Nield model is applicable to Chinese cities and that a hierarchy of hotels related to spatial location is observable. However, the complexity of Chinese cities and the current rapid expansion which is changing the spatial structure of the planned Chinese cities mean that, whilst the model can predict the general spatial pattern of hotel location, refinement is required in order to take account of agglomerative tendencies identified in the location of hotels in Chinese Cities.

**Key words:** hotel location, China, tourism policy, urban

## 1. Introduction

This paper presents some initial analysis of a study of hotel location in three Chinese cities. The work is part of a larger study which aims to develop an optimising model to help identify how important location is in the success of new and existing hotels. In this paper the authors report the successful application of an urban location model initially developed in the United Kingdom. The successful predictions of the model in both the UK and Chinese markets suggest that the model is identifying common principles underlying the location choice of hotels.

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The question of location is fundamental to the success of a hotel. Ellsworth Sattler, founder of the Sattler hotel chain and one of the pioneers of marketing in the hospitality industry, once said there were three factors necessary for the success of a hotel: these were location, location, and location (as cited in Hsu & Powers, 2002). It can be argued that the hotel location is part of the product and service of the hotel itself for it not only involves the convenience issue but also shapes the segmentation of the market. There is very limited literature on hotel location (Ashworth & de Haan, 1985; Bull, 1994; Pearce, 1995; Roubi & Littlejohn, 2004); as regards the booming hotel sector in Chinese cities nothing significant appears to have been written regarding the location of Chinese hotels. The Chinese hotel industry provides an interesting case for the study of hotel location as the current boom in hotel developments in certain Chinese cities creates the opportunity to test the hotel location model developed by the authors.

A different approach to understanding hotel location has been developed by Roubi and Littlejohn (2004) who suggest that perhaps the often quoted notion of “location, location and location” for hotel success could be expanded into: location (prosperity of the area); location (general access to tourism business/commerce and travel infrastructure) and location (immediate proximity to facilities and positioning in the local environment). It has also been suggested that accessibility and transportation systems are increasingly important for urban development and hotel location by Wong and Lam (2001), who note that it is generally recognized that the preferred choices for hotel location are close to the airport, train station, bus interchange and highway interchange. This approach can be linked to some earlier work by Chuck (1994) cited in Roubi and Littlejohn (2004) on the impact of zoning, which can create agglomeration economies in specific districts of a city. Zoning can bring clusters of target customers to hotels and create new location choices for the hotel business.

Although there are some differences in these approaches, the reality is that the underlying principles are the same, the difference is largely in terms of the detail, reflecting the starting point of the authors, the Roubi and Littlejohn (2004) work coming from a hospitality perspective whereas Egan and Nield's work (2000) comes from an urban location theory perspective. The Egan & Nield model has been applied to other hospitality settings with some success (Egan, Knowles, & Bey, 2000; Egan & Ball, 2004). By combining the two approaches it is possible that a better understanding of the optimum location requirements of hotels may be identifiable. The long-term aim of this research is to develop an optimising model to predict the ideal location for different types of hotels. This particular study is a case study to test the general applicability of the model that is being developed by applying it to the dynamic market of urban China.

## **2. The Hotel Location Model**

In our model of intra-urban hotel location we adopt the traditional neo-classical economic perspective which emphasises the role of accessibility and rent in determining land use via a process of competitive bidding. The model is based on the partial-equilibrium bid-rent approach, developed

by various economists in the late 1960s. The bid-rent model represents a development of the von Thunen (1826) model of agricultural land use, which was applied in an urban context by Isard (1956). This was further developed by Alonso (1964) into the concept of the bid-rent function, the approach to be employed to explain hotel location. It is important to note that Alonso's approach is concerned with partial equilibrium. By contrast the New Urban Economics, developed in the 1970s, is based on a general equilibrium approach (Richardson, 1977). It is our contention, however, that a partial approach, with all its limitations, can still be a useful tool for analysing the behaviour of activities such as hotels, which exhibit a spatial hierarchy of land use.

Alonso, in his original formulation for the slope of the bid-rent curve, presented the following equation:

$$dp/dt = (V_t - C_v V_t - C_t) / q.$$

where  $dp$  is a change in the bid rent with respect to a change in distance;  $dt$  is the change in location;  $V_t$  is marginal revenue lost from moving an additional unit of distance  $t$  away from the centre;  $C_v V_t$  is marginal operating costs arising from the change in volume of business  $V_t$  (indirect effect of movement on operating costs);  $C_t$  is marginal increases in operating costs arising directly from a change in  $t$  and  $q$  is the quantity of land. Thus the change in bid price is equal to the change in volume of business minus the volume of business minus the change in operating costs. Alonso makes the assumptions that the volume of business will decrease with increasing distance from the city centre, so that  $V_t$  is negative; secondly, operating costs will rise so that the change will be positive, but preceded by a minus sign, and thirdly the quantity of land must be positive, the slope of the bid rent curve must be negative. Alonso (1964) notes that the slope will be such that the savings in land costs are just equal to the business lost plus the increase in operating costs. Thus the family of bid rent curves is very like an indifference map - the curves, being single-valued, do not cross and slope to the right. In the model the change in bid-rent is equal to the change in revenue minus the change in non-land costs, divided by the size of the site. Equilibrium is achieved by maximising profits, the lowest attainable bid-rent indicating the highest level profits, because land costs are minimised. In effect, hotels are trading off the benefit of a location against the costs, the presumption being that a hotel is looking for an optimal location i.e. a location which maximises profits.

The obvious question from the viewpoint of a non-urban economist is why one would expect a spatial hierarchy of hotels within urban areas. To understand the process we feel it is important to go back to the foundations of urban economics and in particular the nature of the urban land market. The history of urban development in China is different from the Western world where the Alonso model was developed, therefore a discussion and review of the underlying principles and their potential applicability, and hence the suitability of the model to analyse the Chinese hotel market.

A useful starting point is to consider what is often referred to as the particular nature of urban land. Kivell (1993, p. 13) notes that land is unlike most other commodities involved in the production process because it "possesses a number of unusual and complex characteristics". He

suggests the following as being of particular importance: fixed supply in the sense that physical quantity of land is fixed; no cost of supply (land is often referred to as a free gift of nature); unique/irreplaceable; immobile; permanence. Most models of urban land use tend to assume that demand factors are more important than supply for the reasons stated above, the usual assumption being that supply is inelastic and therefore it is demand that sets the price and therefore urban land use reflects the demand for a particular plot.

In a market economy it is usually assumed that land is allocated to the highest and best via the price mechanism.

Harvey (1996) suggests that theories involving market based models of urban land use have assumptions, such as resources are allocated on the basis of prices, costs and profits; firms and households will have location preferences which are reflected in land prices and rents; owners sell and rent to the highest bidder; and there is no government interference.

Harvey (1996) also notes that, from the viewpoint of the individual firm, a number of general factors can be identified. The first factor is general accessibility to the centre or CBD. This is traditionally viewed as the most accessible point and the focus for transport, labour and retail markets, but with changes in transport systems this could be regarded as a somewhat daring assumption. However, while there are serious doubts in many cities whether the CBD can be regarded as the most accessible point for transport, labour and retail markets, we would suggest that, from the viewpoint of some parts of the hotel market, this would still appear to be the case. The second factor is special accessibility - usually associated with agglomeration economies, complementarity of businesses can be of particular relevance, and there are additional factors such as historical, topographical and other special site characteristics.

Thus the demand for a site reflects an inseparable package of attributes, such as location, infrastructure, complementary activities and transport. However this view only reflects the so-called user demand, those who actually wish to use the land. There is another group, investors, who hope to enjoy either flow of income from the users of the land and/or an increase in value from increases in demand in the future. It is the combination of these two groups which forms the actual market demand for urban land. Through the market land will be allocated to the highest bidder. Thus the value of the land reflects the competitive bidding. Hotels are thus in competition with other users for land - the more desirable a location the higher the potential value.

From the viewpoint of an individual hotel the bidding will reflect their expected revenues and costs discounted to net present value which will in turn be reflected in their maximum bids. The behaviour of a hotel may well vary. If it is viewed purely as a user, i.e. it is renting the site, then only user value is of concern; however if a hotel is also the owner of the site, an additional factor is the possibility of capital growth in the future. This factor may be of greater importance in more speculative development such as urban regeneration where the future market may be much greater than the current position.

Although the above principles will apply to Chinese cities, particularly in the current market led economy, it is useful to describe the urban development of Chinese cities. It is important to

appreciate that in Chinese cities the role of government in the past has been significant in the location of hotels; in all economies the state has a major influence on land use. However market forces also have a major influence, particularly in the changing Chinese economy, the empirical research reported here is a review of the situation in 2004, and thus the picture presented reflects historical land use decisions and more recent market-led changes.

### **3. Urban Development and Land Use in Chinese Cities**

#### **Land-use Reform in China**

In China, from the 1960s to 1970s, the economy was a planned economy; there was a planned allocation of resources, so markets for factors of production did not exist. Factors of production, including land, raw materials and machinery, were allocated by government. It has left many historical problems to the later development. Urban land use reform began in 1979 when the Chinese law on 'Co-operative Ventures' allowed indigenous enterprises to use their land as capital to co-operate with foreign investors (Ling & Isaac, 1994). Even with more recent land reform in China the land use and land market is unusual in that it is still affected by the historical factors to a large degree. Chen and Wills (1999) argue that one of the most efficient ways of allocating land to different users is to allow bid rent allocation to take place. When the activities are able to locate at the desired site, their economic efficiency can improve, as well as income earning capacity. In this way rent depends on the actual demand and supply for different uses. When land occupation does not involve a monetary cost, the result is that competition for land use depends mainly on the priority given by the State administration to various enterprises (China). This special phenomena can explain why the number of high-end hotels is so large, but their room-rate is not economically viable in China. One of the reasons is that the land use did not take account of the investment cost in most state-owned hotels.

Another historical factor that had a major influence on the development of Chinese cities before economic reform was the emphasis on the growth of heavy industries. This policy has left a huge supply of old factory buildings in the city centre area. Moreover, it has created redevelopment opportunities for hotel developments. Recent research by Zhu (2004) on land development in Shanghai found that quite a number of manufacturing factories occupied central locations in downtown Shanghai. Zhu argued that this is a legacy of the pre-reform era of socialist industrialisation when urban land was a free means of production and industrialists demand overtook that of others in land allocation, it was not unusual to see factories located in the central business district. In 1985, 56.7% of all factories in Shanghai municipality were in its central city, where it was estimated that 30% of the land area was occupied by factories and warehouses (Fung, Yan, & Ning, 1992). This arguably inappropriate factory location in Chinese cities has provided a special opportunity to the hotel business, especially the budget hotel. In fact, the opportunity lies behind the current boom in downtown budget hotels by hotel investors in China, such as the most famous domestic budget hotel chain: Jinjiang Star. One of the location strategies of Jinjiang Star is to

demolish old factory buildings and rebuild budget hotel on the sites. Furthermore, redeveloping the old factory building is an efficient option for investors. If the land was previously allocated by the state, developers simply need to pay enough money for demolition and rehabilitation and a nominal premium to get the land, so the prospective users can make a huge profit (Ling & Isaac, 1994). This phenomena lies behind the opinion of many in the Chinese hotel industry that the domestic hotel company has advantages over the international hotel company to develop the budget hotel business because of these land supply issues.

## **Structure Change of Land Use in Metropolitan in China**

We suggest that the Chinese metropolitan evolution theory of Song (2003) is a good explanation of observed pattern of hotel location as described later in this paper. Song argued that there are three phases of the structure change of land use in metropolitans??? in China. The first phase is the 'industrialisation suburban' where the old heavy industries who located in the city centre moved out to the suburban area as they were under the pressure of transport, environment, and land price factors. The second phase, the 'resident and service industry suburban', involved the formation of multifunctional communities around the urban fringe area. The third phase is the 'urban extending' that indicated the 'secondary industrialisation suburban'. The cities of Beijing and Shanghai showed the same pattern of the structure change of land use during the urban development. The hotel location pattern also changed along with it. In terms of the key trends the pattern, as described by Song, is not dissimilar to the pattern of change to be found in European and American cities (Kivell, 1993).

## **The City of Beijing**

The structure of land use changed in the city of Beijing in three phases. The first phase formed the 'urban-rural dichotomy pattern'. From the 1950s the Beijing government focused on the heavy industry development that underlay the population boom and the city centre conglomeration. During the first development phase the core of the old city was formed, comprising four districts: Dongcheng, Xicheng, Congwen and Xuanwu.

The second phase formed the 'urban-rural ternary pattern'. From the 1980s, with economic reform, the process of urban and rural cross-pervasion began; this became more pronounced after the land reform and deregulation of competition of land use, which resulted in heavy industry moving out of the city centre into the suburban area. At the same time, the high-value service industries (finance, insurance, offices, media, etc), continuously congregated in the city centre which formed the Guomao CBD and the Yansha CBD. During this phase the top-end hotels congregated in the CBD area or other central areas. At the same time, the lower quality hotels also positioned themselves in vantage points around the centre area. During the 'resident suburban' period, there appeared huge growth of the resident area around the fringe of the city that continuously occupied the industrial land. Hence, the heavy industry moved further out of the

suburban area to the Economy and Technology Development Zone, creating new supply opportunities to hotel investors.

The third phase formed the 'urban-rural integration pattern'. Suburban and rural areas became more and more integrative, along with the further development of Zhongguancun High Technology Park, the Olympic Park, the Capital airport, underground, trolley and highway network for example, the changing structure of land use causing changes to the hotel location pattern in the city. Several quality hotels located at the edge of the city, the common characteristic being their location near the main road, thus providing easy access for guests to both the city centre and airport (usually 10-15 minutes driving).

## **The City of Shanghai**

The structure of land use change in the city of Shanghai is similar to that of Beijing. From the 1990s Shanghai set out proposals to become an international metropolitan city. The new urban plan required the structure of land use in Shanghai to adapt to reflect its development as an international economic centre, international financial centre, international trade centre and international shipping centre for example, hence the heavy industry was forced to move out of the city centre, to be replaced by the finance, stock, trade and management industries. However, the second phase in land use change in Shanghai is different to that of Beijing. For reasons of geography, Shanghai has developed not via the 'circle pattern' to extend its urban land, but rather the 'agglomeration pattern' to extend the urban area, most notably the Pudong New Area resulting in the creation of the Lujiazui Financial Centre, Jinqiao Export Processing Zone, Waigaoqiao Tariff Free Zone and the Zhangjiang High Technology Park in Pudong district. Now the CBD of Shanghai includes the Bund area, North Bund area, and Xiao Lujiazui area (total 5sq. km.) where the majority of banks, international group headquarters and other high-class service industries are located. The CCD (Centre Commercial District) includes the area north from the Changshou road and south to the Fuxing road; west from the Wulumuqi road and east to the whole Da Lujiazui area (total 30sq. km.), where the density of buildings is very high and the opportunities for redevelopment is significant. Interestingly, from our research we discovered that most hotels built in the last 5 years are concentrated in the New Pudong area and the old city centre. One reason could be the supply factors, where the old city centre provided many redevelopment opportunities suited to hotel developments.

## **The City of Shenzhen**

Separated only by a river from Hong Kong, Shenzhen used to be a small frontier town with a population of less than 30,000. The Central Government established the Shenzhen Special Economic Zone (SSEZ) in 1980 as one of the four testing grounds for the importation of foreign capital and integration with the world economy. With rapid growth and modernization during the past two decades, Shenzhen grew to a population of 7 million - a city of immigrants. The

region, which covers about 2000 square kilometers, has changed from a farming region to a highly urbanized area with a built-up area of 470 square kilometers. Shenzhen's current output per capita is among the highest in China.

The SSEZ, with a total area of 327.5 square kilometers, was built on a green-field site with a few small towns, the most important were Luohu and the main customs checkpoint on the border between the mainland of China and Hong Kong. At the very early stage of development, the general target was "to develop Shenzhen into an industry-led modernized Special Economic Zone, based on the integration of agricultural and industrial development" (Gu, 1998). Urban development was mainly in industrial zones. According to the first Comprehensive Plan, made in 1982, Shenzhen would be developed into a linear city stretching along the border between Shenzhen and Hong Kong.

In the Shenzhen Comprehensive Plan (1996-2010), the planned area was extended beyond the SSEZ to cover the entire metropolitan region. It aimed to build Shenzhen into a major city that offered finance, commerce, trade, information technology, transportation services and high technology. Shenzhen was expected to be a prosperous and well-managed city that was attractive to tourists and a comfortable place to live (Wang & Li, 2000).

During this phase, using Hong Kong as a reference, Shenzhen began to draft the Urban Planning Ordinances from 1995, in which a new planning system was brought forward. The Regulatory Planning & Ordinance was then regarded as the key connection between urban planning theory and its practice (Xue & Zhou, 1999). The Ordinance took effect in 1998 and led urban planning in Shenzhen. A new Urban Planning Board was also established according to the Ordinance. In 1999, the first 11 "regulatory plans and ordinances" were put into effect in accordance with the statutory procedure.

#### **4. Tourism Impact on Urban Development in China**

China is currently one of the most dynamic tourist economies in the world and its tourism facilities and services are rapidly improving. Tourism is now viewed as a means of attracting foreign exchange, providing employment, promoting regional development and stimulating economic growth. The tourism industry is now regarded as one of the main stimuli of urban development in China.

##### **Tourism Policy and Urban Development**

Chinese tourism policies have established a legal framework for the administration, management and operation of tourism enterprises. This framework has covered almost all aspects of the tourism industry (Zhang, King, & Jenkins, 2002). The China National Tourism Administration, functioning under the State Council, is the administrative organ of the nation's tourism trade. One of its functions is to formulate policies and establish systems for developing tourism. It has branches in all provinces, autonomous regions and municipalities. The most significant benefit brought to the urban evolution by tourism policy is the development of infrastructure.

About 25 years ago, the third generation Chairman and the chief designer of Chinese reform, when opening Deng Xiaoping said the government should pay great attention to both tourism and urban development; developing tourism should consider improving the city's infrastructures (China National Tourism Administration [CNTA], 2000a). Under the golden rule of Deng Xiaoping, the Chinese government in each province has invested a large sum of capital on infrastructure building in order to attract more foreign and domestic travellers, especially in the coastal cities, as these have more 'higher quality travellers' than inland cities. In 2000, the Chinese government launched the tourism infrastructure building into 'national debt planning', 1.3 billion RMB was invested in infrastructure building, the main focus being on tourism transport, water and electricity provision, car parking, public toilets, sewage and garbage disposal (CNTA, 2000b). In 2001 the Shanghai government pointed out that in order to develop and optimize urban tourism resources in the city of Shanghai, all tourism transport should be greatly improved. All airport, railway, highway, and water carriage transport should be based on the principle of bringing convenience to tourists. The tourism planning of new Shanghai focuses on improving urban sightseeing, business conferences, shopping and nature tourism (Shanghai Guildhall, 2001). The Guangdong government made out a new tourism policy in 2002: in order to keep in step with the reform and development of the tourism industry, the government should support the building of infrastructure, transport, the special tourism line, car parking, bus stops, and the green-belt around the landscape and hotels (Guangdong Guildhall, 2002). All these positive tourism policies in China not only created a pleasant tourism environment but also stimulated the evolution of urban areas throughout the country. At the same time, we can see the hotel location pattern changed with this urban evolution in China.

## 5. Empirical Analysis

Underlying the above analysis are the assumptions that firms benefit from centrality and that revenues fall and costs increase with movement to locations at the edge of city centre. This is the essential proposition we are testing in this particular case study.

The initial analysis of the empirical data, while supporting the predictions of the model, has identified a number of issues which suggest that the model could be developed further to take account of the complexities of these Chinese cities, reflecting their rapid recent growth (Chen & Wills 1999; Ling & Isaac, 1994; Song & Zhang, 2002; Song, 2003; Zhu, 2004).

The empirical research reported here involved the plotting of the spatial location of a sample of urban hotels and an analysis of room prices by location. However due to the sheer size of these cities it was impossible to survey the whole cities, so selected spatial areas were identified, these areas are summarised in table 2. The methodology used was based on gathering data from the internet by looking at the web sites of individual hotels, the information was initially plotted on a map of the appropriate city so a picture of hotel location could be identified. The areas surveyed are shown in table 2. The types of hotel in each of the spatial areas were then identified as indicated

in table 3, then the pattern of room rates were plotted against the different zones as reported in table 4.

**Table 1 summarises the sample studied here.**

The scale of hotels	Total number of hotels identified in each area			Number in sample		
	Shanghai	Beijing	Shenzhen	Shanghai	Beijing	Shenzhen
5-star hotel	20	32	10	20(100%)	30(94%)	9(90%)
4-star hotel	30	65	19	30(100%)	32(50%)	10(50%)
3-star hotel	124	197	69	50 (40%)	50(25%)	15(30%)
Total	174	294	98	100(58%)	112(38%)	34(35%)

**Table 2 The name of each area that has been surveyed in the city of Beijing, Shanghai and Shenzhen**

Area	The city of Beijing	The city of Shanghai	The city of Shenzhen
CCD (Centre Commercial District)	WangFuJing Street	NanJing Road	DongMen Road
Old CBD (Centre Business District)	Guomao CBD	JingAn, HuangPu CBD	RenMingNan CBD
New CBD or Finance CBD	Yansha CBD	LuJiaZui CBD	HuaQiangBei CBD
Transition Zone (Between old CBD and new CBD)	Worker's Stadium	Naught	Transition Zone
International Conference & Exhibition Centre	China International Exhibition Centre	International Conference Centre	CHTF Exhibition Centre
High Technology Zone	ZhongGuanCun	HongQiao	NanShan
Intra-urban Tourism Area	QianMen	The Bund	HuaQiaoCheng
Airport Area	Capital Airport	HongQiao Airport	BaoAn Airport
Railway Station, Bus interchange, Highway interchange	West Railway Station	Shanghai Railway Station	Luohu Railway Station
University Area	HaiDian District	Yangpu District	Naught
Sports Centre	Worker's Stadium & FengTai Sports Centre	Hongkou Stadium & Shanghai Stadium	Shenzhen Stadium

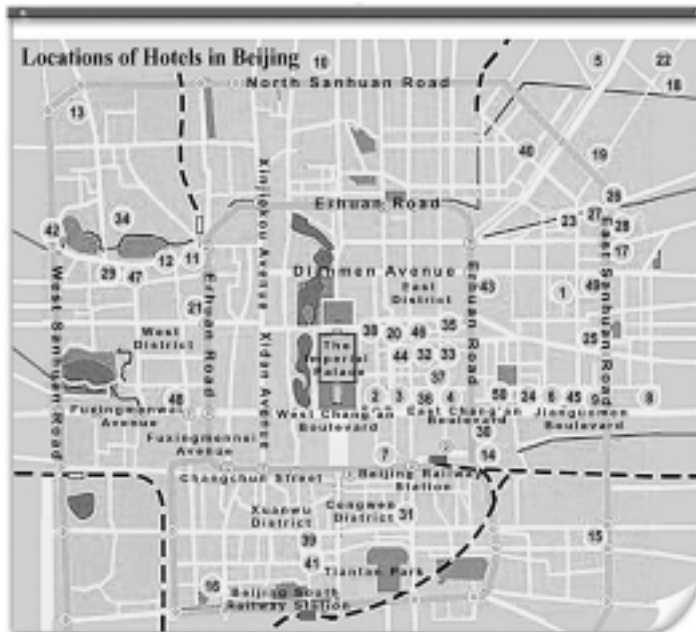
Table 3 presents a summary of the results of the location survey. The cities were initially categorized by different zones to reflect the theoretical accessibility and potential agglomeration economies as identified by Egan and Nield (2000). An analysis of hotel types by location zones broadly fits with the predictions of the Egan & Nield model, however the existence of two Central Business Districts requires further work on the Egan & Nield model. The results also suggest that the agglomeration economies may be of more importance in Chinese cities, or alternatively the sheer size of these cities means that the zones should be considered in a different way for the purposes of modelling. Table 3 clearly shows a hierarchy of hotel types by spatial location as predicted by the Egan & Nield model; however, as already noted, because of the complexity of Chinese cities a simple distance determination, while providing an adequate explanation of broad spatial patterns, is inadequate to fully explain the detailed spatial pattern. The results summarised in table 3 suggest that the existence of dual CBDs creates an overlapping hierarchy of spatial location, plus the transition zone appears to be an area of overlap - further research is required here to identify whether an observable pattern within the zone of transition can be identified on the ground.

**Table 3**

Site	Hotel Categor		
	5- & 4-star hotel	3-star hotel	Budget hotel
CCD (Centre Commercial District)	✓		
CBD (Centre Business District)	✓		
Centre Finance Street	✓		
Transition Zone (Between old CBD and new CBD)	✓	✓	
International Conference & Exhibition Centre	✓	✓	
High Technology Zone	✓	✓	
Intra-urban Tourism Area		✓	✓
Airport Area		✓	
Railway Station, Bus interchange, Highway interchange		✓	✓
University Area			✓
Sports Centre			✓
Wholesales Area			✓

Table 4, which presents data on room rates and location zones within Beijing, again reflects the expectations from the predictions of the Egan & Nield (2000) model as regards price: that more central locations are preferred by most guests and this will be reflected in room prices. Indeed, the room rates reflect a centrality preference backed up with a willingness to pay within all the different hotel types. From the Beijing hotel location map (see Figure 1 and Appendix 1), it can be clearly identified that the main luxury 4-star and 5-star hotels are located in Wangfujing Street (Centre Commercial District); Guomao Area (Old Centre Business District); Yansha Area (New Finance CBD) and China International Exhibition Centre Area (Conference & Exhibition Centre), which basically match Egan & Nield’s model. The authors also realise that, as China has been going through the economic transition stages from central planning to market economy, traditionally government interference played an important role in the land resource allocation, which means it did not follow the urban land use assumption (Harvey, 1996). It is no surprise, therefore, to find that there are some low priced state-owned hotels in city centres areas in Beijing and Shanghai. These hotels were used for government officials and operated with other objectives than profits. Without sufficient management skills, these hotels could not compete with international or domestic hotel chains and now they are declining or changed to other purposes. In the newly developed cities, such as Shenzhen and new development areas in Beijing and Shanghai, bidding for land has become the popular allocation method in recent years, which will make future Chinese hotel development follow the hotel location model more closely (Egan & Nield, 2000; Wong & Lam, 2001).

**Figure 1** Locations of hotels in Beijing



1	BEIJING ASIA JINJIANG HOTEL	26	KEMPINSKI HOTEL BEIJING
2	BEIJING GRAND HOTEL	27	KUNLUN HOTEL
3	BEIJING HOTEL	28	LANDMARK TOWERS
4	BEIJING INTERNATIONAL HOTEL	29	NEW CENTURY HOTEL
5	BEIJING MOVENPICK HOTEL	30	HOTEL NEW OTANI CHANG FU GONG
6	HOTEL BEIJING-TORONTO	31	NEW WORLD COURTYARD BEIJING
7	CAPITAL HOTEL	32	NOVOTEL BEIJING
8	CHINA RESOURCES HOTEL	33	OCEAN HOTEL
9	CHINA WORLD HOTEL	34	OLYMPIC HOTEL
10	CONTINENTAL GRAND HOTEL	35	OVERSEAS CHINESE HOTEL
11	DEBAO HOTEL	36	THE PALACE HOTEL
12	EXHIBITION CENTRE HOTEL	37	PEACE HOTEL
13	FRIENDSHIP HOTEL	38	PRIME HOTEL BEIJING
14	GLORIA PLAZA HOTEL	39	QIANMEN HOTEL
15	GOLDEN ERA HOTEL	40	RADISSON SAS HOTEL BEIJING
16	GRAND VIEW GARDEN HOTEL	41	RAINBOW HOTEL
17	THE GREAT WALL SHERATON HOTEL	42	SHANGRI-LA HOTEL
18	HARBOUR PLAZA HOTEL	43	SWISSOTEL HONG KONG MACAU CENTER
19	HILTON HOTEL	44	TIANLUN DYNASTY HOTEL
20	HOLIDAY INN CROWNE PLAZA	45	TRADERS HOTEL
21	HOLIDAY INN DOWNTOWN	46	WANGFUJING GRAND HOTEL
22	HOLIDAY INN LIDO	47	XIYUAN HOTEL
23	HUADU HOTEL	48	YANJING HOTEL
24	JIANGUO HOTEL	49	ZHAO LONG HOTEL
25	JING GUANG NEW WORLD HOTEL	50	BEIJING INTERNATIONAL CLUB HOTEL

**Table 4**

Site	Hotel Category			
	5-star hotel (RMB)	4-star hotel (RMB)	3-star hotel (RMB)	Budget hotel (RMB)
CCD (Wang Fu Jing Commercial Street)	2641.5	1535	702.7	
Old CBD (Guomao CBD)	2360.5	1447		
New CBD (Yansha CBD)	2134.2	1463.5	752	288
International Conference & Exhibition Centre		1333	588	
High Technology Zone (Zhong Guan Cun)	1770.2	1200	565	
Intra-urban Tourism Area (Qianmen, Tiantan Area)			518	188
Intra-urban Railway Station	1564	1182.9	492	178
University Area (Haiding District)				178
Sports Centre			533.3	178
Airport Area			558.8	

## 6. Conclusions

This paper reports the initial analysis of the application of an urban optimising model to hotel location in three Chinese cities. Although further research is required, a number of conclusions can be drawn from the results presented in this paper. A pattern of urban location can be identified as regards the location of hotels by type within these three Chinese cities. In addition, an analysis by room rates and location shows a clear spatial pattern both between specific hotel types and within particular hotel types e.g. budget hotels. The two observed patterns reported here correspond to the predictions made by the Egan & Nield (2000) model of hotel location. Of particular note is that the model was developed from a body of urban economic theory in the Anglo-American tradition. It appears that the underlying principles apply to Chinese cities with their very different socio-economic/cultural traditions. It should be possible to model the optimum location for particular hotel types. It should also be possible to model how the changing socio-economic environment as regards tourism may influence the optimum location of hotels. The next stage in the research is to consider how the complexity of Chinese Cities can be modelled, in particular the existence of dual CBDs, and to further refine the model to study the impact of agglomeration economies and identify those criteria specific to different locations.

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