UK CINEMA MARKET BRIEFING

The boom in boutique & a new categorisation of cinema

April 2017
WITH ANOTHER STRONG YEAR OF BOX OFFICE SALES IN 2016, THE CINEMA DEVELOPMENT MARKET IS BOOMING AGAIN AND SMALLER CHAINS AND INDEPENDENT OPERATORS ARE DOMINATING THE RESURGENCE OF THE UK CINEMA INDUSTRY AND HEADING BACK TO THE HIGH STREET.

The current “big three” operators, Cineworld, Odeon and Vue are developing just over a quarter (32%) of an estimated [144 new cinemas] being built over the next five years. The rest are being established by a new generation of challenger brands such as The Light, Everyman, Savoy and a string of small independents all keen to capitalise on continuing rapid growth in cinema which has seen box office sales increase by 17% since 2014.

Although our research identifies 144 developments over the next five years – delivering approximately [960 screens in 3.6m sq ft] of new cinema space, we believe the total number of new venues could reach 200. If all new developments currently being considered are built, this will deliver a 30% increase in the number of UK ‘commercial’ cinemas, the largest growth rate ever seen, and an average of eight screens per 100,000 people in the UK – a number which might see over-saturation in some markets but which will still remain lower than the USA, France and Australia.

Just 17% of the recorded 144 will be in out-of-town locations. The switch away from out-of-town locations is being attributed in many cases to landlords seeking to re-anchor their shopping centres by making a new cinema the very heart of their scheme. At the same time increasing numbers of film-goers are rejecting travelling longer distances out of town and want to make a visit to the cinema part of a wider town-centre experience, such as going to restaurants and bars, or heading to the cinema straight after work.
Consumers still enjoy the escapism that cinema brings and despite the growth of online streaming services such as Netflix and concepts such as Sean Parker’s ‘Screening Room’ which would enable customers to download new films at home on the day of their release, we do not think this will have a major impact on cinemas in the near future although operators will need to continually improve, adapt and invest to keep ahead of the Internet generation.

While the big three cinema chains still dominate the UK market, it is highly-unlikely they will allow any product of streaming service to bite into their window for exhibition (the amount of time a film can be shown at the cinema before being released in other forms).

Investment in existing sites will become increasingly important as will be responding effectively to meet local cinemagoers’ requirements. The Odeon Lounge at Whiteleys in London’s Bayswater and the Showcase in Reading both greatly reduced the number of seats in their sites but upgraded all the remainder to VIP quality. For Showcase, the re-configuration increased box office sales by 55–75% turning the venue from an average performer to one of the top-tier cinemas in the country.

The cinema market is going to be one of rapid change over the next five years, we will see increased segmentation between multiplex, boutique and neighbourhood cinema and without doubt a repurposing of some sites as they fail, or cannot be invested in. It will be an exciting time and one which developers and operators are going to need a well advised and considered strategy to be successful.

This is where we are seeing one of the big new trends in the sector: the localisation of cinema. While multiplex cinemas without doubt have a long and lasting place, consumers broadly now see two ways of visiting the cinema. They may want to see the latest Bond film on a huge IMAX screen but for a more intimate occasion they want something more local, more personalable and more intimate.

Although London set this trend with operators such as The Olympic in Barnes, The Barbican in the City and The Arthouse in Crouch End all gaining a well-publicised, strong local following, we’re now seeing this spread across the country. Cushman & Wakefield data suggests that around 20% of the new sites planned are for smaller, boutique or neighbourhood cinema operators.

We are seeing developers wanting to capitalise on this trend for cinemas to once more be a focal point of their community. At the same time, the changing nature of retailing, with high streets increasingly having to compete with internet shopping, means more opportunities are opening up for leisure facilities.

With the growth of boutique and challenger brands, we now classify the cinema sector in six new key sub-sectors:

**VALUEPLEX:**
- Low-price, minimal experience

**MULTIPLEX**
- Mid-price, some elements of premium experience

**PREMIUMPLEX**
- Mid-price, all VIP experience

**MAINSTREAMLUX**
- Mainstream content, luxury experience

**ARTHOUSE**
- Limited ‘mass market’ content, premium experience

**NEIGHBOURHOOD**
- Full, varied content, small format but highly personalised experience
NUMBER OF UK SCREENS

Current & Proposed #Screens
Current #Screens

# SCREENS PER 100,000 PEOPLE

USA  France  Australia  Spain  Italy  UK
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