

Theater Chains Begin To Emerge From Year of Dark Screens, Financial Trauma

Operators Buy Property and Offer Beer, Bowling, Free Popcorn To Lure Back Couch-Bound Movie-Goers



B&B Theatres has expanded while other large chains have closed in the pandemic, becoming the fifth-biggest U.S. cinema chain. (B&B Theatres)

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Movie theaters struggling financially after more than a year of lockdowns are betting on more than just summer blockbusters to

bring crowds back in.

They're buying and upgrading real estate, adding bowling lanes and playgrounds, as well as equipment like immersive 4D special effects that include fog, scents and rumbling. And the nation's biggest [cinemas](#) are giving away popcorn, movie posters, comic books, digital downloads and other swag to lure pandemic-wary customers to the big screen as vaccinations increase and restrictions lift.

"All of us have been trained out of going to the movies, so we have to get back into it," said James Cook, director of retail research for real estate brokerage JLL. "We're seeing growth in movie theater attendance month to month, but it's slower growth since the initial pop in traffic in March for the national chains."

Some of the nation's largest chains, which have traditionally been some of the largest drivers of foot traffic in retail centers nationwide, are starting to see daylight as vaccinations increase and coronavirus cases decline after more than a year of shutdowns that drove some businesses into bankruptcy.

Memorial Day box office figures boosted hopes that a slate of upcoming films such as Marvel Studios' "Black Widow" and "F9," the latest in the Fast & Furious franchise by Universal Pictures, could move audiences off their couches this summer and into

theaters reopening nationwide, including in the two biggest markets, New York and Los Angeles.

Even so, the pandemic was a lesson in how a health crisis can disrupt venues that rely on large crowds gathering in close quarters. The movie theater chains that survived or even expanded in the crisis acknowledge they are adapting to limited theater capacity, temperature checks and limited food and drink menus.

But at the same time, they're weighing opportunities to bring in more family entertainment, strike new deals with studios and scoop up real estate abandoned when smaller theaters closed permanently during the crisis.

For instance, AMC Theatres, the Leawood, Kansas-based operator of more than 550 U.S. cinemas and 950 worldwide, this spring raised \$230.5 million in equity for [potential investments including leasing cinemas or buying property](#), just months after the world's largest movie theater operator restructured its finances because of cinema closings during the pandemic.

New Agreements, Acquisitions

The company has even considered scooping up multiple locations of ArcLight Cinemas and Pacific Theatres, which were [permanently](#)

[shut in April](#) by Decurion Corp., their Los Angeles-based parent firm, as part of its restructuring plan.

Cinemark Holdings, the world's third-largest movie theater chain, in May reached [new exhibition agreements](#) with five major Hollywood production studios to protect against rising competition from streaming entertainment services that are seeing viewership skyrocket during the pandemic. It has also started a partnership with gaming firm Mission Control to offer weekly online sports gaming leagues on its screens at some locations nationwide beginning this month. The \$10 entrance fee for the gaming session, which allows players to compete on the big screens using their Nintendo Switch consoles, comes with a \$5 concessions coupon.



Theater chains including Cinemark have increased cleaning standards and procedures to cut

down on the possibility of virus transmission as audiences increase. (Cinemark)

B&B Theaters, North America's fifth-largest movie chain, survived and added new theaters over the past year, even as pandemic restrictions forced competitors to close thousands of screens and some operators to go bankrupt.

The chain, based in Liberty, Missouri, near Kansas City, added six locations in four states even as it had to negotiate deals with landlords, lenders and vendors and furlough employees due to the pandemic, including members of the Bagby family that has owned the business for nearly a century.

Because it's family-owned, the company has been able to eliminate "a lot of the bureaucracy that larger publicly traded competitors face in signing leases and making acquisitions," John Nolan of Crossroads Real Estate Group, B&B's master real estate broker, told CoStar News.

Now, B&B is resuming plans started before the pandemic to upgrade its properties with entertainment-style venues that include bowling lanes, arcades, play areas, reclining chairs and larger screens as it opens new locations and converts existing ones into what it calls "the entertainment hubs of the future." The chain operates B-Roll Bowling alleys with games, bars and arcades at its theaters in Iowa and Virginia.

Cinema chains across the nation shut down at the onset of the pandemic alongside most other indoor public spaces. Some regions were closed only for a few months, while others such as New York and Los Angeles closed for more than a year.

It left chains battling to survive as major studios refused to release movies while states and counties were under stay-at-home orders. U.S. and Canada box office receipts plummeted 80% last year to \$2.2 billion from \$11.4 billion in 2019, according to data released by the Motion Picture Association.

'Worst Year in History'

The recovery didn't come in time for some chains, including CMX Cinemas, which filed for Chapter 11 bankruptcy protection in April 2020, and the now-shuttered ArcLight and Pacific. An estimated 470 theaters across the nation are vacant.

"It's been the worst year in the history of movies," said Brock Bagby, director of studio relationships and real estate development for B&B. "As we saw this coming, we went to the landlords and banks and told them we're shutting down. We personally called each landlord and bank and we were able to renegotiate or defer rents and extend loans."

Movie fans now appear ready to come back to theaters, based on B&B's box office revenues for the recent Memorial Day weekend — one of the most lucrative periods for theaters — that matched pre-pandemic totals from the same weekend in 2019, executives said.

Although pent-up demand to see a string of new blockbusters has provided a lifeline for the theater industry, operators are reopening with patron and employee temperature checks and other precautions. AMC, Regal, Cinemark and other chains are showing films in Los Angeles and other large cities at 50% capacity, or 200 people per screen, whichever is fewer. Most operators have cut back their food and concessions menus in an effort to shorten lines and reduce wait times.

Some movie houses are offering promotions to fill seats. For instance, the Lumiere Cinema at the Music Hall, a smaller theater launched in 1938 in Beverly Hills, California, that reopened this month, is advertising a small popcorn and small soda for \$1.

Theaters have had to differentiate themselves from emerging forms of entertainment and technology for more than a century, from the introduction of radio and television to the advent of streaming, industry executives say. Even before the pandemic, cinema chains were offering gourmet food menus and craft cocktail bars as a way to lure viewers off their couches, and offer a shared experience that theaters of all kinds have provided long before the advent of film.



Regal Cinemas has begun reopening nationwide. (Getty Images)

Regal Cinemas and other chains have offered livestreaming of boxing matches. AMC and other chains have even allowed viewers to rent out a full theater screen starting at \$99 with "party pack" concession deals for friends and families.

Those efforts may not end with the pandemic as competition with streaming entertainment is seen as a bigger potential threat to the big screen now that audiences have become comfortable watching at home and studios have begun releasing more films directly on their streaming channels. Companies including Walt Disney Co., for instance, have increased spending on streaming content production and plan to continue releasing some major films onto its Disney+ channel alongside their theater debuts.

Streaming and Theaters

The good news for theater chain owners is that Amazon's recent acquisition of MGM is a sign that streaming services and theaters that serve dinner, drinks, bowling and game arcades can coexist, Cook said.

"Theaters are a delivery product for an experience," Cook said. "They've got all the comforts plus the big screen and the great sound, cool elevated food menus and other the stuff you can't get at home."

Asked whether theaters could survive after the pandemic in the era of streaming entertainment by such giants as Amazon and Netflix, Nolan quoted Elmer Bills Sr., one of the B&B chain's founders in the mid-1920s.

"Elmer said 'every house has a kitchen but restaurants seem to be doing okay,' and that has been the family's mantra ever since," Nolan said.

As some smaller operators have faded to black permanently because of the pandemic, larger chains have considered taking over their screens.

Some theaters that closed in the past year are in B&B's markets in the South and Midwest. That presented an expansion opportunity for B&B, which executives say has reviewed or expressed potential interest in acquiring up about 25% of the nation's vacant theaters.

B&B recently took over the 13-screen theater at the Mall of America in Minneapolis formerly operated by CMX Cinemas. The chain also took over a theater in downtown Kansas City vacated by Austin-based chain Alamo Drafthouse, which filed for Chapter 11 bankruptcy in last March. Nolan said he has reached out to Decurion about its 16 leased locations that include the iconic Cinerama Dome in the Los Angeles area as landlord and developers begin embracing B&B's proposals for theater entertainment concepts to anchor their centers.

"We call it 'Amazon-proofing,'" Nolan said. "Luckily we've found a lot of developers who think the same way and we've been able to make a lot of strategic deals."

Theaters have weathered the pandemic storm better than some expected, with the upcoming slate of film releases and the lifting of restrictions on food and beverage sales seen as further boost margins, executives of publicly traded real estate investment trusts with holdings in theater and entertainment properties said at an industry conference.

AMC and other chains are making current and back rent payments as pandemic restrictions ease and ticket sales ramp up, Stifel analyst Simon Yarmaks said in a note to investors.



AMC Theatres said this month it would give "special benefits" to its investors occasionally, beginning with a free large popcorn when they attend their first movie at one of the company's locations this summer. (Getty Images)

Orlando, Florida-based National Retail Properties hasn't had to take back any theaters in foreclosures and another movie landlord, Kansas City, Missouri-based EPR Properties, reported that 98% of its theaters are open again, Yarmaks said in a note to investors on findings from the National Association of Real Estate Trusts' annual REITWeek conference.

Cinemas have seen a burst of activity as fans go to the movies for the first time in more than a year, but the recovery will be slower than many chains and their landlords might like, especially for theaters that are just now reopening in entertainment capitals such as New York and Los Angeles, JLL's Cook said.

Movie fans will face decisions, however, with releases such as Cruella from Disney's 101 Dalmations film franchise released simultaneously on the big screen and Disney+ streaming service, he said.

"We're seeing growth in movie theater attendance month to month but it's slower growth since the initial pop in traffic in March for the national chains," he added.
