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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Alexander & Baldwin Third Quarter 2020 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I'd now like to hand the conference over to your speaker today, Mr. Steve Swett with Investor Relations. Thank you. Please go ahead.

Stephen C. Swett - *ICR, LLC - MD*

Thank you. Aloha, and welcome to our call to discuss Alexander & Baldwin's third quarter 2020 earnings. With me today for our presentation are A&B's President and CEO, Chris Benjamin; and Brett Brown, CFO. We are also joined by Lance Parker, A&B's Chief Real Estate Officer; and Clayton Chun, Chief Accounting Officer, who are available to participate in the Q&A portion of the call.

Before we commence, please note that statements in this call and presentation that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding possible or assumed future results of operations, business strategies, growth opportunities and competitive positions as well as the rapidly changing challenges with and the company's plans and responses to the novel coronavirus, COVID-19, pandemic and related economic disruptions. Such forward-looking statements speak only as of the date the statements were made and are not guarantees of future performance.

Forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from those expressed in or implied by the forward-looking statements. These factors include, but are not limited to, prevailing market conditions and other factors related to the company's REIT status and the company's business risks associated with the COVID-19 and its impacts on the company's businesses, results of operations, liquidity and financial condition, the evaluation of alternatives by the company related to its Materials & Construction business and by the company's joint venture related to the development of Kukui'ula generally discussed in the company's most recent Form 10-K, Form 10-Q and other filings with the SEC. The information in this call and the presentation should be evaluated in light of these important risk factors. We do not undertake any obligation to update the company's forward-looking statements.

Management will be referring to non-GAAP financial measures during our call today. Included in the appendix of today's presentation slides is a statement regarding our use of these non-GAAP measures and reconciliations. Slides from this presentation are available for download at our website, alexanderbaldwin.com.

Chris will open up today's presentation with a strategic and operational update. We will then turn the presentation over to Brett, who will discuss financial matters. Chris will return for some closing remarks, and then we will open it up for your questions.

With that, let me turn the call over to Chris.

Christopher J. Benjamin - *Alexander & Baldwin, Inc. - President, CEO & Director*

Thanks, Steve, and good afternoon to our listeners. As always, we hope everyone on this call is well and that your families remain safe and healthy. While these are challenging and uncertain times, we're pleased to be reporting steady progress in both our core Commercial Real Estate business and in our strategic efforts to continue simplifying our business model.

Before getting into the specifics of A&B's performance, let me start with an update on Hawaii with respect to COVID-19 and recent progress on health outcomes and reopening. Hawaii has remained relatively shielded from COVID's health impacts as the fifth lowest state in terms of total cases per capita since the start of the pandemic, according to CDC data. However, during the third quarter, daily new case counts did rise, triggering a 1-month stay-at-home order for Oahu from late August to late September. So after reopening for almost 3 months, Oahu again mandated the closure of all nonessential businesses on the island for about 1 more month at the end of the summer.

As a reminder, Oahu contributes roughly 3/4 of Hawaii GDP and the same proportion of A&B's commercial real estate net operating income. This and earlier shutdowns have had a significant impact on the state's economy, with a report from the University of Hawaii's Economic Research Organization, or UHERO, noting that Hawaii's second quarter 2020 real GDP declined at a 42% annual rate.

It's worth mentioning that the majority of the impact to Hawaii's economy stems from the state's restrictions on the tourism industry, one of Hawaii's main economic drivers. While most of our properties are not directly reliant on tourism, all of Hawaii does benefit from the revenue and jobs the tourism industry generates.

However, as we stand here today in late October, the situation has improved dramatically. We've seen improvement in COVID control on Oahu with daily case counts dropping to levels that facilitated a move to the second tier of Oahu's reopening process last week. Most businesses on Oahu were allowed to reopen on September 24 with the first tier of the reopening and then the second tier eased retail restrictions further on October 22, facilitating indoor gyms and more indoor dining flexibility.

As a result, 95% of our portfolio is now open. Most importantly, the mandatory 2-week quarantine requirement for mainland travelers has been -- which has been in place since March, was relaxed on October 15. Domestic travelers may now enter Hawaii without quarantine after providing a negative pretravel COVID test. And earlier this week, the Governor approved a pretravel testing program for travelers from Japan that will begin in early November.

These are important steps for the state's economic recovery, particularly as we approach the holiday travel season. While we're hopeful for steady improvement from here, caution is warranted as we go through this process. The ultimate trajectory of COVID-19 remains uncertain. Local residents and tourists alike need to practice social distancing and generally be prudent or we could find ourselves moving backward again.

Even with the state virtually cut off from its primary economic engine, our portfolio, with its balance of needs-based retail, industrial and ground leases, has been resilient. As I said before, we feel we're in the best Hawaii asset classes we could be in with no exposure to hotels, malls or urban offices.

For the third quarter, we collected 81% of rent due. And so far in October, we've collected 75%, which is in line with prior months on this date. While these numbers do trail some of our mainland peers, that's reflective of the 7-month, near-total shutdown of tourism. I consider these numbers an impressive indicator of our portfolio's ability to withstand this type of economic stress and believe that as the reopening continues, we should have meaningful upside from here.

Throughout this process, we have worked proactively with our tenants to ensure their long-term success. Not only is this the right thing to do for the community and our tenants, but we would much rather retain occupancy than have to re-tenant a significant percentage of our portfolio. Year-to-date, we've granted rent deferrals to tenants of approximately $4.5 million, of which $1.6 million has already been repaid. And substantially all of the remainder is scheduled to be repaid by the end of 2021.

Additionally, we have provided several other -- or taken several other measures to assist our tenants, which Brett will address later. Further, we made progress in our ongoing efforts to monetize our development projects and noncore assets this quarter, and Grace Pacific continues its steady recovery.

Turning to our quarterly results. While we did experience an expected year-over-year decrease in Commercial Real Estate revenue and NOI this quarter for the reasons I just mentioned, we had several key positive developments across our business.

First, we had solid new and renewal leasing activity. We completed 35 new and renewal leases. And for the comparable leases, spreads were 4.2%. Within our retail portfolio, leasing spreads were negative 3.1%, but we were pleased with our ability to secure longer-term leases for a number of key spaces and reduce future occupancy risks. Additionally, we completed 35 lease modification extensions related to COVID-19 at an average term of a little more than 1 year, which helps us reduce near-term occupancy risk while letting tenants get to the other side of this pandemic.

Second, same-store portfolio occupancy was up 10 basis points from the prior year to 95.1%. While our overall occupancy was down 150 basis points year-over-year to 93.5%, this was largely driven by the addition of Pu'unene Shopping Center to our portfolio occupancy calculations. Further, our industrial portfolio occupancy achieved a high watermark of 97.8% due to the incremental leasing at Komohana Industrial Park.

Third, our redevelopment efforts continue at Aikahi Park Shopping Center. While we have delayed other portfolio redevelopment efforts in the interest of capital preservation, we felt this project was too attractive for both A&B and the community to put on hold. The financial return outlook for the redevelopment remains strong, thanks to the resilience of the center and our tenant mix there as well as the new leases we've negotiated at the center.

Fourth, we continue to make steady progress on monetizing assets and simplifying our business. One of the most pleasant surprises through the pandemic has been the resilience of the market for Hawaii real estate, land and operating assets. Homebuyers and investors remain bullish on Hawaii. In the third quarter, we closed 2 sales at Maui Business Park and 4 units at Kukui'ula.

Additionally, we completed the sale of the Port Allen Solar Facility on Kauai. We were very proud to develop this facility back in 2012. At the time, it was the largest solar farm in the state of Hawaii. With its power purchase agreement expiring in 2032, however, the NPV of this asset stood to decline steadily over time, and we determined it was a strong monetization candidate. We were very pleased with the transaction.

As we position certain of our noncore assets for sale, we're addressing many legacy obligations and identifying others that we will address in the future. We created a noncash reserve of $6.7 million to address certain of these obligations -- certain of these future obligations, which offset a portion of the book gain recorded for the Port Allen sale, though it was not related to that sale.

And fifth, with respect to Materials & Construction, we remain focused on the continued improvement of operations in this segment. We again realized positive EBITDA in the segment in the third quarter, the majority of which was generated by Grace Pacific. We're pleased with our year-to-date progress, including G&A reductions, successful bidding activity that increased our backlog and improving operational efficiencies, all of which reflect the disciplined new leadership in that business and the hard work of the Grace team over the past 1.5 years.

Looking ahead, we expect moderating profitability in the fourth quarter as work schedules, weather-related delays and normal seasonality may impact performance. We do expect continued steady improvement in the business and are hoping for greater profitability in 2021, but acknowledge that earnings growth won't necessarily be linear.

Before I turn the call over to Brett, I want to discuss our ongoing corporate commitment to ESG initiatives. The values that drive ESG are not only important to investors and stakeholders. They are extremely important to me personally and are, I believe, consistent with the company's DNA and 150-year history.

On the governance front, we continue to improve with recent Board changes that enhanced independence. On the environmental front, our Lau Hala Shops received the NAIOP Hawaii chapter's Kukulu Hale award for commercial renovation, which recognized our environmentally friendly adaptive reuse of the former Macy's box in Kailua.

On the social front, I'm pleased to note that in the third quarter, we were recognized with the Business of Pride award by Pacific Business News, which acknowledged our leadership on diversity and inclusion. And our Kamalani project on Maui, which provided badly needed affordable housing, also was honored by NAIOP. Finally, we have directed a significant portion of our charitable giving budget to COVID-related causes.

Our efforts to be Partners for Hawaii remain core to our company's mission, most importantly during times like this. I'd like to thank each member of the A&B team for their ongoing dedication and commitment throughout the pandemic.

And with that, I'll turn the call over to Brett.

Brett A. Brown - *Alexander & Baldwin, Inc. - Executive VP & CFO*

Thank you, Chris, and good afternoon, everyone. Let me begin with our financial results. For the third quarter, we recorded net income of $3 million or $0.04 per share compared to a net loss of nearly $50 million or $0.69 per share in the same quarter of 2019. As a reminder, our third quarter 2019 results were impacted by a noncash impairment taken at Grace Pacific of $49.7 million.

For the third quarter 2020, we're reporting funds from operations of $12.5 million or $0.17 per share compared to a negative $40 million and $0.55 per share, respectively, for the same period of the prior year. Core FFO was $11.6 million and $0.16 per share compared to $18.5 million and $0.25 per share, respectively, in the same quarter of 2019. The decrease in core FFO was primarily driven by impacts related to the COVID-19 pandemic, and that resulted in a cumulative third quarter charge of $8.9 million or $0.12 per share, primarily related to the collectibility of revenue and the impacts of other tenant relief modifications.

For context, the tenant relief modifications during the quarter, which represented approximately $2.6 million or $0.04 per share was -- out of that $8.9 million charge, primarily reflects rent abatements granted as well as the impact of converting certain tenant leases from a fixed rent structure to one that's predominantly based upon percentage rent. It should also be noted that $8.9 million charge taken during the third quarter also includes $1.6 million or $0.02 per share related to straight-line lease receivables.

Turning to our Commercial Real Estate segment. Third quarter CRE revenue was down 16.4% or $7 million from the prior year quarter. A primary driver of the decrease was the second government-mandated shutdown on Oahu, which contributes 75% of our NOI. And our total portfolio occupancy was down 150 basis points year-over-year. Total portfolio NOI decreased $5.7 million or almost 21%, driven by the charges recorded related to the reduced collectibility of billings as a result of COVID-19. Same-store NOI for the third quarter decreased by 18.8% compared to the prior year, primarily due to those charges.

Our Land Operations business unit produced revenue of $7.7 million during the third quarter of 2020 and generated EBITDA of $3.8 million in the quarter as a result of sales and other operating revenue. As Chris mentioned, during the quarter, we completed 2 sales totaling 1 acre at Maui Business Park, and we closed 4 units at our Kukui'ula joint venture projects. Additionally, we did complete the sale of the Port Allen Solar Facility, a noncore asset on Kauai, which generated a gain on disposal of $8.9 million. A portion of the gain was partially offset by a noncash reserve of $6.7 million recorded in the quarter to address future obligations associated with our noncore legacy assets.

Our Materials & Construction segment generated adjusted EBITDA of $3.8 million for the third quarter compared to a $4.4 million loss in the same quarter of the prior year. We're encouraged by positive momentum in this segment and remain focused on improving operations and cost controls at this time with a longer-term focus on monetization.

At the same time, we continued to reduce costs across our business. Operating costs, exclusive of G&A and noncash impairment charges taken in the prior year, decreased by approximately 7.1% from the prior year quarter due to a significant decrease in costs incurred in the Materials & Construction segment. G&A expenses decreased 12% to $11.7 million in the third quarter of 2020 compared to $13.3 million in the third quarter of 2019, due primarily to reduced G&A in our CRE segment as well as the Materials & Construction segment.

Let me now turn to the balance sheet and liquidity metrics. Our years-long effort to streamline our business positioned A&B to withstand this pandemic with an asset base that is focused on commercial real estate. At September 30, 2020, our total debt outstanding was approximately $764 million, and we had total liquidity of $385 million, including $117 million of cash and approximately $268 million of remaining capacity on our credit facility. We have no material debt maturities until September 2022. And at quarter end, net debt to trailing 12-months consolidated adjusted EBITDA was 6.6x, and our total debt to total market capitalization stood at 48%.

With respect to our dividend, the Board will likely declare a catch-up dividend in the fourth quarter as we currently expect full year REIT taxable earnings to exceed dividends paid year-to-date. We intend to pay out 100% of REIT taxable income, and the exact amount will be determined by our Board at the appropriate time.

With that, I'll turn the call over to Chris for his closing remarks.

Christopher J. Benjamin - *Alexander & Baldwin, Inc. - President, CEO & Director*

Thank you, Brett. As we look toward 2021 and beyond, I'm encouraged by our prospects. We own high-quality assets in one of the most supply-constrained markets in the country, our tenant base and asset mix are resilient, and with tourism returning and 95% of our tenant base now open, I believe we're on a path to continued improvement in our commercial real estate performance.

Additionally, demand for our Hawaii landholdings and noncore assets remain strong, allowing us to continue to execute on our asset monetization and simplification strategy, and Grace Pacific continues to show improving results. Finally, our ESG-focused culture means that we are tasked with creating value for all of our stakeholders, and the COVID-19 pandemic has given us an opportunity to rise to that challenge.

With that, we'll now open the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Alexander Goldfarb from Piper Sandler.

Alexander David Goldfarb - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

So just a few questions. First, on the rent collections, Chris, I think you said that you guys are 75% rent collections, which, I get it, less than what's going on in the mainland. But 2 parts to this. One, the 25% that you haven't collected because you said the rent collections are lower just because of the longer -- the duration of the lockdowns out in Hawaii. So should we infer that the 25% that have been collected are all local operators? Or are there some nationals who are part of that unpaid, uncollected rents? We answer that, and then I have a second one to that question as well.

Christopher J. Benjamin - *Alexander & Baldwin, Inc. - President, CEO & Director*

Okay. I'll briefly start, and then I'll let Lance jump in here with probably more detail. Keep in mind, 75% is just for the month of October. And we're still -- even though we're at the end of October, we're relatively early in the rent collection cycle for October. So I think probably focus more on the 80%, 81% that we have for prior months.

But Lance, do you want to elaborate on kind of the local/national mix? Or...

Lance K. Parker - *Alexander & Baldwin, Inc. - Executive VP & Chief Real Estate Officer*

Yes. Alex, it's really a combination of both. And I think the point that Chris made is an important one. So at 81% overall collections for Q3, when we look at October and, specifically, that 75% collection rate, we are tracking above the collection curve. So in other words, at the same point in time, we are ahead of where we were for the same months in Q3. So we feel good about our prospects to continue to have that number increase as time goes on.

And then as far as the makeup, like I said, it really is -- it's a combination of both. And we've been transparent in the past about our proactive nature on deferrals to our local tenants and extending a hand to help them through their short-term needs and then also on the national side and being able to reach resolution with many of our tenants, most of which were deferrals and most of which we expect to get paid back by the end of this year.

Alexander David Goldfarb - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Okay. So in other words -- and I didn't hear you comment on -- but we can leave the fitness and movie theaters, I guess, maybe as part of it, but you have big picture. So it sounds like the nationals, the rent issue is going to be deferral, not abatement. But then, Lance, is it fair to say that the bulk of the, let's just, for simple math, call it 20%, so a little bit of that sounds like some deferrals for national that will get repaid, but the remainder of that are, it sounds like, are locals. And of that remainder, do you think that, that is mostly going to be deferred with a little bit of abatement? Or you think that it's going to be more of a mix of abatement plus a bunch of closures?

Lance K. Parker - *Alexander & Baldwin, Inc. - Executive VP & Chief Real Estate Officer*

Yes, it's hard to tell at this point. And maybe another way to think about it, Alex, is within that, call it, the 20% of uncollected rent, what we tried to highlight in the deck here is the portion of unresolved collections. And that's maybe getting to where your point or your question may be, the majority of that unresolved sits in the local bucket. And that's going to be a combination of some deferrals. It's going to be a combination of, in all likelihood, a little bit of abatement. And one of the things we've also been doing is moving some tenants to percentage rent structures, so where we give some downside protection based on sales in hopes of increased activity for them with the tourism now being open and being able to capture some of that as time goes on.

Alexander David Goldfarb - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Okay. And then the second question is, if we think about reopening tourism as sort of the discovery of a vaccine to the Hawaiian economy, how long do you anticipate before tourism resumes? Because obviously, the country -- or sorry, the island is not going back to what it was back in February. How long before you think enough tourism is in, exploding through the economy that it really starts to show up as far as the tenant health performance and the activity?

Christopher J. Benjamin - *Alexander & Baldwin, Inc. - President, CEO & Director*

Yes, it's a great question and an important one. And there's an important distinction that I think we need to draw in light of our portfolio. Because we are not directly dependent on tourists, it is not as important to us that tourism comes back to, say, 80%, 90%, 100% of where it was before. What's important is that the people that shop in our centers and utilize our retail are largely back to work. And so while, of course, we'd love to see the tourism industry get back to full strength, I think what's going to drive and already is driving the recovery of our centers is just a level of economic activity that is more back to normal. So we'd certainly like to see the unemployment rate drop, but we think that's going to happen just as hotels open, whether they're fully occupied or not and whether as people get -- as the airline begins to call people back and all that.

So I guess my point is I think that the tourism industry will recover over the next year to a degree that is probably enough to really fuel the recovery of our portfolio. Even though if you look at projections of the full recovery of the tourism industry, they are stretching out to multiple years. So it's hard to predict with precision, but I think that we're going to be much better off just as tourism recovers to even a moderate degree.

Alexander David Goldfarb - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Okay. And then just the final question. The stub dividend or the dividend for the fourth quarter, Brett, do you anticipate that being a regular dividend that we can look for on a go-forward basis? Or is it just sort of a stub dividend? And if it's a stub, is there a sense of what size that could be?

Brett A. Brown - *Alexander & Baldwin, Inc. - Executive VP & CFO*

It's going to be a catch-up dividend, Alex, not a recurring run rate. And we will determine the right amount at the appropriate time here before year-end.

Operator

And our next question comes from Sheila McGrath with Evercore.

Sheila Kathleen McGrath - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Sorry, I had multiple calls at once, if I missed -- or if I ask a question that's already been asked. But just on the Materials & Construction, it was positive to see that operating profit was positive and also EBITDA. I know you guided to fourth quarter being a little bit softer. Just wondering, what was driving the better performance in the quarter? Number one.

And number two, just on thinking about monetizing that asset, is it something that you want to have a longer track record of positive EBITDA to maximize pricing? Or just how you think about timing of monetization?

Christopher J. Benjamin - *Alexander & Baldwin, Inc. - President, CEO & Director*

Yes, Sheila, it's Chris. Thanks very much for the question. We were pleased with Grace's performance in the quarter. We have been saying for some time that we saw fundamentals in the business changing in a positive way and expected that to translate into earnings. As I said towards the end of the call, I don't expect it to necessarily be linear, but it's certainly going in the right direction.

I think the things that drove the profitability in the quarter were a combination of a lower cost structure as a result of some of the G&A reduction efforts we've made, greater efficiency in the -- just the operations, which has helped improve operating margins in the business, and frankly, just the fact that the crews were a bit busier, thanks to the fact that we've been winning more jobs of late and some of the initial COVID impact in terms of slowing down some of the work activity had subsided. So I think it was a good quarter.

But to your question about monetizing the business, we can't, as your question implied, we -- as you rightfully implied in your question, we can't just take 1 quarter of performance and expect to get optimal pricing from the asset. We feel we do need to have a few solid quarters behind us, and we hope that we can do that. We would expect a bit of moderation in the fourth quarter, but we do expect to have continued profitability into next year. And so if we can prove that out and demonstrate that we really have turned the corner on the business, I think we'd be in a better position to revisit the market sometime next year.

Sheila Kathleen McGrath - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Okay. Great. And then on Page 9 of your slide deck, there's a bullet that mentions that you secured leases for key space to reduce future occupancy risks. I was wondering if you could give us a little bit more detail behind that comment.

Christopher J. Benjamin - *Alexander & Baldwin, Inc. - President, CEO & Director*

Yes. Lance, do you want to talk to that?

Lance K. Parker - *Alexander & Baldwin, Inc. - Executive VP & Chief Real Estate Officer*

Yes. I'd say, in general, Sheila, we had -- we felt good about our leasing activity for the quarter. So on a number of leases completed, relative to other quarters, we felt there was good activity. Now it's fair to say that about half of that were modifications related to COVID or COVID modifications with tenants. And so the 35 remaining leases is sort of more of our traditional extensions.

One in particular that ironically was the driver of our negative lease spread on the retail side was a really good backfill at Kunia Shopping Center. It was an old GameStop space that we were able to get a veterinary clinic in, 10-year of term, and the reason we had the negative lease spread is there's a fair amount of TI that they have to put in on their side to improve the space. And so that was a good example of where we had some risk on the occupancy side that we were able to address and I think representative of the types of deals we continue to see through COVID.

Sheila Kathleen McGrath - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Okay. Great. And then also on the same page, the 97.8% high-water mark in industrial, what's driving that? And can you remind us if there's any near-term development opportunities on the industrial side on any of your landholdings?

Lance K. Parker - *Alexander & Baldwin, Inc. - Executive VP & Chief Real Estate Officer*

Sure. So the biggest driver for that was our Komohana Industrial Park, which is over in the city of Kapolei on the island of Oahu. We did have a vacancy that we were able to lease last year, and it's now being reflected on a year-over-year basis. That's really driving that all-time high. So we continue to feel very good about our industrial portfolio as well as being bullish about that asset class in general here in the state.

In terms of opportunities for us in the future, the most obvious one is probably Maui Business Park, where we've continued to have strong unit sales to buyers, but continue to look for opportunities where we can do build-to-suits for tenants and then retain those assets in our portfolio.

Sheila Kathleen McGrath - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Okay. Great. And then any insights on noncore asset sales in fourth quarter that something -- some assets that might be under contract at Kukui'ula or just any visibility you can give us on noncore in fourth quarter?

Christopher J. Benjamin - *Alexander & Baldwin, Inc. - President, CEO & Director*

Yes. Sheila, I'll start with just kind of the environment and our degree of optimism in general for noncore sales going forward. As you know, we always shy away from predicting the timing of closings of any transactions just because they are unpredictable. But overall, I think we're in a very good position to continue the pace of monetization, both at our 2 development projects being Maui Business Park and Kukui'ula as well as some of our noncore land assets.

We do have a number of transactions. We mentioned to you earlier in the year that our investment team was shifting its focus more to the divestment side and dispositions, and they've done a fabulous job along with a number of our other team members who have been focused on land monetization. And so I think we've got a good pipeline of potential transactions. I think that it's likely we'll close some over the balance of the year and also have some more that may spill over in the next year.

So I don't know if Lance wants to add anything, but I know we'll shy away from being too specific on timing or what we might sell. But we do feel good about the environment and potentially could be positioned next year to even increase the pace of monetization. And it all gets back to the fact that there's a lot of demand for Hawaii real estate right now. One of the things, just anecdotally, that we're seeing is people during the travel quarantine period and essentially the tourism shutdown have been buying homes in Hawaii, site unseen, and flying over and quarantining in them for 2 weeks. There's a lot of desire to be in Hawaii, and there's also a lot of desire to do development in Hawaii. So I think that those 2 facts are going to bode well for us.

I don't think I left anything for Lance. Sorry. He was looking very anxious to get a word in it. But...

Sheila Kathleen McGrath - *Evercore ISI Institutional Equities, Research Division - Senior MD*

No. And Chris, I just meant, frequently, you disclosed if there's any lots under contract at Kukui'ula or Maui Business Park. I didn't mean to speculate.

Christopher J. Benjamin - *Alexander & Baldwin, Inc. - President, CEO & Director*

So you're telling me that 5-minute answer was totally off base. I'll let Lance answer the question you really asked.

Lance K. Parker - *Alexander & Baldwin, Inc. - Executive VP & Chief Real Estate Officer*

Without getting any -- into any specificity, Sheila, I mean, because, again, we always try to shy away from forecasting timing and amounts, we do have units in escrow at Kukui'ula. We do have a significant amount of land in escrow at Maui Business Park, and we do have some other noncore transactions. So I think just underscoring Chris' comments, the dartboard -- or the scoreboard, rather, is relatively full, and we're hopeful that we can take some of those over to the goal line in the near term.

Sheila Kathleen McGrath - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Okay. And last question. Did you disclose the solar facility sale pricing? And if -- do you have other solar assets that could be for sale? I forget.

Brett A. Brown - *Alexander & Baldwin, Inc. - Executive VP & CFO*

Sheila, it's Brett. We indicated that the gain on that solar facility, we did not have the pricing outlined. So that was a gain of $8.9 million. And we do not have any other solar facilities, but we do have other renewable energy. We have the hydroelectric plants also on Kauai.

Operator

And we have a follow-up from Alexander Goldfarb with Piper Sandler.

Alexander David Goldfarb - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Just a question. Remind me, and it may predate when I picked up coverage of you guys, but you've been steadily selling parts of the Maui Business Park. Can you just remind me what the sales are? And presumably, if you guys want to expand in industrial, I'm guessing that what you're selling is not conducive to develop in industrial. I just want to better understand it.

Lance K. Parker - *Alexander & Baldwin, Inc. - Executive VP & Chief Real Estate Officer*

Sure. So Maui Business Park is a business park near the airport in Central Maui, and the zoning is very flexible there. So it allows a number of different uses from industrial on one end all the way through more traditional commercial and up to and including retail on the other. And so sales have been across that spectrum to users, both industrial users who have built facilities for their own operations as well as retailers like Lowe's who have relocated and constructed stores there.

On the development side, we have taken advantage of building on the retail side. So the best and most recent example of that is our Ho'okele Shopping Center, where Safeway opened last year, a grocery-anchored center. We've now completed the majority of our spec space in terms of leasing, and we also leased our 2 retail pads earlier this year. So really looking to sort of wrap up Phase 1.

And we'll continue to look for those types of opportunities, Alex, within the business park on the retail side, but we will also look for opportunities on the industrial side. So while we have had users as buyers, we have not had as many users as tenants that are coming to look into have somebody with the capital and the development wherewithal to construct and lease to them, and that's a role that we'd love to play.

Alexander David Goldfarb - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Okay. But just if I understand it correctly, there is opportunity for you to build industrial there, but you basically are going -- you're building whatever is the product that's most sellable in the market today. Is that correct?

Lance K. Parker - *Alexander & Baldwin, Inc. - Executive VP & Chief Real Estate Officer*

We -- that is correct. We are also selling lots to owners who will in turn build -- owner-users who will in turn build the type of product that is most in-demand today. But the zoning does allow us to do industrial, so more traditional warehouse-light industrial-type uses.

Alexander David Goldfarb - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Okay. So I guess just going back to it. If it's difficult to get land in Hawaii, especially adjacent to the airport, logistically convenient on Maui, why wouldn't you just save that land and build it into industrial and bulk up your industrial exposure? I guess I'm a little confused. If you have good position land, I realize there may not be a user for it today. But if you know that you guys want to grow industrial and that rather than having shipping containers in the back parking lot at the groceries -- at the shopping centers, you want to provide warehouse facilities. Why not keep that land and then that becomes the development pipeline?

Lance K. Parker - *Alexander & Baldwin, Inc. - Executive VP & Chief Real Estate Officer*

It's a good question, and it's sort of a business plan of ours. Really, it comes down to opportunities and present valuing what we can get for selling land today and potentially reinvesting those proceeds later compared to what it would cost for the land bases to build and to lease the land with construction prices being the way they are.

But suffice it to say, it's certainly a desire of ours to play the role of developer or rebuild inventory for our portfolio in the long term.

Christopher J. Benjamin - *Alexander & Baldwin, Inc. - President, CEO & Director*

Yes, let me -- I think we haven't -- sorry, yes, one of the things we haven't wanted to do is just build spec warehouse. We wanted to have tenants lined up, and we've come close to doing a couple of deals, build-to-suit deals and others and just haven't gotten across the finish line. And I think some of that may take a little while. But we are very mindful of the fact that we'd rather own the land long term if we can make that work. But there are a lot of users that do not want to lease land or space. They want to own. And so it's a trade-off that we make, and we certainly have gone vertical in Ho'okele Shopping Center; on the retail side, at Maui Business Park. But -- and I would expect that we will continue to do that.

Alexander David Goldfarb - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Good. I understand. I'm just saying from the market perspective, you guys have this amazing story for being this sort of one-stop user for both retail and then growing the industrial. And if there's -- I think investors will be willing to sit on land if you guys eventually can develop into industrial. So it's just a view that there seems to be opportunity there. And I don't think you'd get penalized if you were sitting on that land for a period of time until you could develop it for a user on the warehouse side. It's just food for thought, I guess.

Brett A. Brown - *Alexander & Baldwin, Inc. - Executive VP & CFO*

We'll take it. Thank you.

Operator

And I'm showing no further questions in the queue at this time. I'd like to turn the call back to Steve Swett for any closing remarks.

Stephen C. Swett - *ICR, LLC - MD*

Thank you all for joining us today. If you have any follow-up questions, please feel free to call us at (808) 525-8475 or e-mail us at investorrelations@abhi.com. Aloha, and have a great day.

Operator

Ladies and gentlemen, thank you for your participation on today's conference. This does conclude your program, and you may now disconnect.