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CORPORATE PARTICIPANTS

Brett A. Brown *Alexander & Baldwin, Inc. - Executive VP & CFO*
Christopher J. Benjamin *Alexander & Baldwin, Inc. - President, CEO & Director*
Clayton K.Y Chun *Alexander & Baldwin, Inc. - Senior VP, CAO & Corporate Controller*
Lance K. Parker *Alexander & Baldwin, Inc. - Executive VP & Chief Real Estate Officer*

CONFERENCE CALL PARTICIPANTS

Alexander David Goldfarb *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*
Sheila Kathleen McGrath *Evercore ISI Institutional Equities, Research Division - Senior MD*
Stephen Michael O'Hara *Sidoti & Company, LLC - Research Analyst*
Stephen C. Swett *ICR, LLC - MD*

PRESENTATION

Operator

Greetings, and welcome to the Alexander & Baldwin second quarter earnings conference call. (Operator Instructions) And as a reminder, this conference is being recorded Thursday, August 6, 2020. It is now my pleasure to turn our conference over to Steve Swett, Investor Relations. Please go ahead.

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

Thank you. Aloha, and welcome to our call to discuss Alexander & Baldwin's Second Quarter 2020 Earnings. With me today for our presentation are A&B's President and Chief Executive Officer, Chris Benjamin; and Brett Brown, Chief Financial Officer. 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. And this release 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 the 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 to 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. We hope everyone on this call remains well during these challenging times. COVID certainly is proving to be more of a marathon than a sprint, and I want to start by acknowledging the remarkable efforts of our employees over the past several months. Not only have our property managers and leasing team have been working closely with tenants to address their needs, but employees across the company have been working tirelessly in a radically transformed world to keep our land sale efforts going, increasing efficiency in our paving operation, meet our financial reporting obligations, engage with nonprofit organizations to help address the needs of our community and on and on. I believe our report today demonstrates that we're successfully navigating a challenging situation and positioning the company for long-term success.

The headline news in Hawaii the past few days has been an uncharacteristic surge in COVID cases. After remarkable control early on, including days in May and June with 0 cases statewide, we've recently peaked well above our previous levels. Because we had such low numbers early on, the current numbers are particularly alarming.

But it's important to note that if you look at the past week's case count on a per capita basis, we're still lower than 70% of the states and our numbers are less than 1/4 of several states right now. I don't mean to diminish the significance of the cases we do have, and we must reverse this trend, but I wanted to put our situation in perspective because some of the metrics can be misleading.

I believe we can get our numbers under control again through some relatively modest changes, such as restricting large group gatherings without reversing the retail reopening we've enjoyed since late May. Hawaii residents are generally quite conscientious about the disease. For example, face masks are visible everywhere. But many do let their guard down when it comes to gathering with friends and family or socializing in confined spaces. Our government leaders have reinstated certain gathering restrictions and closed bars temporarily, which should help contain the spread in the coming weeks.

An important determinant of our economic recovery will, of course, be the return of visitors from the mainland and overseas. We had been scheduled to welcome visitors on August 1, so long as they had a negative COVID test. But the shortage of testing supplies due to the recent mainland surge made it impossible to implement. This program is now scheduled to begin September 1, but the logistical challenges do remain, so we'll have to see if we actually proceed at that time.

Despite the continued COVID-19 backdrop, there are many positives in our business right now, including excellent leasing progress in the second quarter, improving collections as tenants have reopened, continued progress in monetizing land and development assets and improving outlook for Grace Pacific and some important changes to our Board of Directors. While we absolutely are focused on managing through near-term challenges, we also are advancing our long-term strategic agenda in getting closer to our goals. I'm proud of the entire A&B team that is making this happen.

Let me now summarize our results and progress in the second quarter. Our commercial real estate revenue and net operating income decreased year-over-year because of the-stay-at-home order that lasted through April and May, as well as the ongoing reduction in tourist arrivals. All of this was, of course, expected, and Brett will provide more details on the quarterly financials in a few moments.

Despite the anticipated revenue and NOI declines, there were several positives in the quarter that I would like to highlight. First, leasing activity was strong. We leased approximately 177,000 square feet of gross leasable area in the quarter, and leasing spreads were 4.9% for comparable leases. This leasing activity gives us optimism looking forward. Notably, 2 grocery anchor tenant renewals occurred in the quarter, along with many other needs-based tenants.

Second, at quarter end, our commercial real estate portfolio was 94.6% occupied, which is just 10 basis points below the same quarter of the prior year. Across our portfolio, the number of tenants that are open continues to increase, from 62% at the end of April to 75% at the end of June and 93% at the end of July. These are positive trends, reflecting the continued gradual reopening of Hawaii's economy.

Third, with respect to our repositioning program, we continue with the redevelopment project at Aikahi Park Shopping Center. We are on schedule to commence significant work in the second half of 2020. This center has fared quite well through the pandemic with a resilient tenant base that includes many essential needs-based uses, including grocery, health care, banking, pet care, professional services and convenient dining options. Occupancy stands at 90.7% at quarter end, an increase of 11.5% year-over-year. As we have said before, this redevelopment positions us to reclaim previously unused GLA, secure longer-term leases with strong local tenants, add a new national tenant, capture an attractive return on investment between 8.2% and 9%. And importantly, enhance this important center for the benefit of the community. We've been very disciplined about reviewing our capital spend as a result of COVID but believe this is a compelling investment that should proceed.

Fourth, we continue to make steady progress on the asset monetization front. Asset sales allow us to achieve the twin goals of unlocking capital and simplifying our company. In the second quarter, we closed on sales of 1.4 acres at Maui Business Park and 7 units at Kukui'ula joint venture projects, and completed a 10-acre noncore land sale on Maui. Post-quarter end, we had -- we have completed 3 additional unit sales at Kukui'ula and 1 additional sale at Maui Business Park. We're pleased with the progress and remain optimistic for continued sales activity in the latter half of 2020.

Finally, let me update you on Grace Pacific in our Materials & Construction segment. We recorded modestly positive adjusted EBITDA in Materials & Construction, both for the second quarter and year-to-date. While the first half of the year was slower than we had hoped, we are encouraged by recent operational momentum and successes in bid wins and contracts at Grace, including a winning bid on a significant Honolulu Airport project expected to start in 2021. In fact, year-to-date, we have already won more bids, measured by total expected contract value, than in any full year since 2016. While many of these jobs will not begin for 6 months or more, the state and counties are beginning to initiate more paving work and our crews are getting busier.

We are anticipating improved EBITDA as the year progresses, but acknowledge that our forecast depends on the scope and timely issuance of state work orders as well as the continued health of our crews. Even essential businesses are not immune to the potential impacts of COVID.

With respect to our ultimate goal to monetize this business, in late June, we completed the sale of a small subsidiary of Grace called GPRM Prestress LLC for $5 million. This is a business that had struggled quite a bit in recent years, selling it will allow us to focus our energy on the core paving business, Grace Pacific, and its paving-related affiliates and joint ventures. As we've said, we believe it is prudent to stay the course and continue to improve Grace Pacific to position it for sale at the right time. We believe this patience will result in better value for our shareholders, both as a result of higher Grace earnings and a stronger M&A market.

As I've indicated, COVID-19 has slowed our local economy. Currently, the unemployment rate in Hawaii is 13.9% compared to 2.7% in January. In this environment, most of our tenants have seen their businesses impacted negatively. A&B's success is linked to the long-term success of our tenants, and we're working proactively with them as needed on a case-by-case basis. Most of our tenant rent assistance program has focused on short-term deferrals with payback in 2020 or 2021, but we are also exploring a range of other assistance options, consistent with particular tenants' needs. For the second quarter, our average monthly rent collection was 70%; and for July, collections, so far, are at 77%. We believe these figures are generally consistent with shopping center peers.

With 93% of our tenants open as of the end of July, up from 62% at the end of April, we do expect to see continued improvement in rent collections. That said, the economic environment right now has many unknowns and remains difficult for many of our tenants. We do expect reduced occupancy in the future but are doing what we can to keep tenants going until the economy picks up again.

Before I turn the call over to Brett, let me discuss 2 additional items. First, we published this week our inaugural Corporate Responsibility Report, which can be found on the Sustainability portion of our website. This report outlines the great work that our teams are doing on the sustainability front, the social initiatives we're undertaking to help our employees and communities, and the governance principles we live by to ensure our integrity and transparency.

The report is not a declaration that we've reached our goals, but rather a snapshot of where we are now and a baseline from which we will continue to improve. Once again, let me express my pride, not only in the team that put this document together, led by our VP of Governance and Sustainability, Alyson Nakamura, but the countless employees behind the efforts documented in the report.

In keeping with our commitment to excellence in environmental, social and governance practices, today, we announced some key changes to our Board that are triggered by our Chairman's decision to retire, which was announced earlier this year. Stan Kuriyama, our current Chairman, will retire on September 30 after 28 years of service to Alexander & Baldwin. Stan was my predecessor as CEO of A&B and has been a key part of the A&B family for nearly 3 decades. He's been a friend and a mentor to me and so many at A&B, and I want to thank him personally for his service and contributions to our company. He agreed to stay on long enough for us to work through a succession plan. And he and I are both very pleased with that plan, which we announced today.

Eric Yeaman, who has served on our Board as an independent director since 2012, will assume the chairmanship of A&B. Eric has a deep background in, and significant ties to the Hawaii business community. I'm excited about working with Eric as we chart the next leg of A&B's journey and very appreciative that he agreed to step into the role.

I also want to thank Doug Pasquale, who has served as our Lead Independent Director, a role that we no longer need given Eric's independence. I know that both Eric and I will continue to rely on Doug's expertise and valuable perspectives as he remains on our Board and continues to chair our Audit Committee.

Finally, I'm very excited to announce that John Leong will be joining our Board as an independent director. John is Founder and CEO of 2 successful, respected Hawaii organizations, Pono Pacific, which focuses on natural resource management; and Kupu, a nonprofit organization that provides hands-on, service learning-based programs to engage and equip young adults in environmental and related fields. John is one of the most highly respected young leaders in Hawaii and will bring valuable business perspective that will help us fulfill our commitment to the environment in Hawaii's communities.

As I mentioned, these changes are all in keeping with our commitment to the principles of ESG. Adding significant leadership in social and environmental stewardship, maintaining a vibrant board with diverse backgrounds and expertise, increasing the independence of the Board and maintaining separate CEO and Chairman roles. All of these principles are important aspects of our ongoing commitment to be the best corporate citizens we can.

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

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

Thank you, Chris, and hello, everyone.

Beginning with our financial results for the second quarter, we recorded a net loss of $4.7 million or $0.07 per share compared to a net loss of $800,000 or $0.01 per share in the same quarter of 2019. The net loss is primarily due to $8.8 million of charges recorded during the quarter related to the collectability of CRE tenant receivables as a result of COVID-19 as well as a $5.6 million charge recorded in the Materials & Construction segment related to the sale of a Grace subsidiary, partially offset by a $7.2 million reduction in G&A expenses.

For the second quarter of 2020, we're reporting funds from operations, or FFO, of $5.9 million and $0.08 per share compared to $8.3 million and $0.11 per share, respectively, for the same quarter of the prior year. Core FFO was $13.1 million and $0.18 per share compared to $15.6 million or $0.22 per share, respectively, in the same quarter of 2019. The decrease in FFO and core FFO was primarily driven by impacts related to the COVID-19 pandemic, which resulted in the charges I mentioned in the income -- charges I mentioned to income in the quarter of $8.8 million or $0.12 per share related to the collectibility of revenue, which includes $2.2 million or $0.03 per share for noncash, straight-line rents receivable.

With regard to performance within the Commercial Real Estate segment, we again note that our performance was -- for this quarter shows the full impact of the COVID-19 pandemic. Revenues were down 13% or $5.1 million from the prior year quarter. Total portfolio NOI decreased $3.1 million or 12.2%, driven by the charges recorded related to the reduced collectability of tenant billings as a result of COVID-19. Same-store NOI for the second quarter decreased by 16.8% compared to the prior year, also primarily due to those charges.

As Chris mentioned, our quarter end occupancy was 94.6%, which was only modestly down from the last year. But we do expect occupancy to trend lower due to ongoing economic challenges in our market and the expected closing of a Foodland grocery store at

Waipouli Town Center on Kauai later this month.

Our land operations business unit produced revenue of $9.8 million during the second quarter of 2020 and generated EBITDA of $5.1 million in the quarter as a result of sales and other operating revenue. As Chris mentioned, during the quarter, we completed sales totaling 1.4 acres of land at Maui Business Park, 7 units at Kukui'ula joint venture projects and a 10-acre land parcel in Maui.

Our Materials & Construction segment generated adjusted EBITDA of $600,000 for the second quarter compared to a $900,000 loss in the same quarter of the prior year, and we believe this is a positive sign and is reflective of our work to improve operations and reduce costs.

At the same time, we continue to reduce costs across our businesses. G&A expenses decreased 44% to $9 million in the second quarter of 2020 compared to $16.2 million in the second quarter of 2019 due primarily to lower personnel and administrative-related costs reflecting the impact of structural changes, along with some one-time reductions. We're expecting the second half of the year to be modestly higher than the first half.

I'll now turn to our balance sheet and liquidity metrics. And as a reminder, we entered this pandemic with an asset base at a 72% commercial real estate and the continued goal to streamline our cost structure and reduce leverage. We've also added our debt maturities well, with nothing material coming due until September 2022.

With significant unknowns related to the economy, we felt it was prudent in the first quarter to proactively draw on our credit facility to ensure we had ample access to capital. However, in June, we elected to repay $50 million of the $120 million from our first quarter line of credit draw, partially with proceeds from asset monetization efforts. We've also taken steps to reduce our capital spend and other investments by approximately $22 million, primarily by delaying certain projects until our visibility improves on market trends.

At June 30, 2020, our total debt outstanding was approximately $769 million, and we had total liquidity of $364 million, including $96 million of cash and approximately $268 million of remaining capacity on our credit facility.

At quarter end, net debt to the trailing 12 months consolidated adjusted EBITDA was 7.1x and our total debt to total capitalization stood at 47%. Finally, while we're very proud of our team's efforts to navigate the COVID-19 pandemic, our visibility, unfortunately, remains limited. Therefore, our Board has decided to continue to suspend our dividend, and we'll not be updating our guidance at this time. Our goal is to remain as flexible as possible so we can best position the company for a recovery. We'll continue to evaluate dividend declarations each quarter with the intention of paying out 100% of REIT-taxable income. As such, if we are required to make a distribution in the fourth quarter, we will do so. But our Board will make a determination at the appropriate time.

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

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

Thanks, Brett. I got to get my facemask off here and not drop my glasses. Okay. Here we go. Thanks very much.

We're far from done with COVID-19, but as much as we're focused on getting past the current challenges, we're dedicated to position ourselves to thrive in a post-COVID world. And I believe we will do so.

We're capitalizing on the still robust market for Hawaii land to simplify our operating model and generate cash. We're taking advantage of the essential nature of Grace and its improving market outlook to restore it to profitability and improve our longer-term options for monetizing it. We're anticipating market trends in commercial real estate and developing strategies for capitalizing on them. And we're ensuring that we have the right governance and management model in place for long-term value creation. I'm proud of the way our team is balancing these myriad of demands and positioning us for increasing success.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Alexander Goldfarb from Piper Sandler.

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

It's Alex Goldfarb. So just a few questions and apologies, I had an overlapping conference call, so I missed the first part. But Brett, can you just go over again, the percent of your tenants of -- sort of the write-off? And then also the percent -- on a percent of ABR basis, who deferred, who abated, and how many are still in discussions?

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

Got you. So we have a great slide that we put in our deck, Alex, Slide 29 that has...

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

Actually, it's 27.

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

Oh, 27. Pardon me.

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

Is that the PowerPoint or the supp?

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

The PowerPoint. And so with that, we have the collections laid out on a percentage basis by month. We also have the deferrals in there also by month. And then the amount that's still outstanding as far as reserved or unresolved.

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

Okay. Okay. So it's -- okay, great. Which then leads to the second, and maybe you'll say, hey, Alex, if you switch to the next slide, you'll see. Do you have a breakout of how this was between your -- the retail, meaning the -- your core operating real estate versus ground lease?

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

So we have the collections based on those, and that is included in the slide deck, yes.

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

Okay. Okay. Perfect. And then just, I guess, just finally, how are things looking as far as the economy, tourism? And you mentioned the 13% unemployment, and there seemed to be some caution in your voice. How are you thinking about how the rest of the year shakes out? And how do you think, as you sit here today with your tenants, you still have another 15% that you need to resolve. How do you think about the, I guess, the survivability and what happens if it remains depressed through year-end? Or maybe you're seeing signs of life that even without tourism coming back in full force that you're seeing people return to their lives and you have confidence that, that 15% will get resolved?

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

Well, let me start, Alex. Thanks for the question. This is Chris. Let me start with some of the economic perspective, at least as I see it, of course, nobody has the answer. And then I'll let Lance jump in a little bit with respect to his perspective on tenants.

And if you joined a little bit late, you may have missed some of my commentary about where we are with COVID. We've had, as I said, the headline news has been an increase in cases recently, but we're still at a relatively low level compared to some of the national results. So while we're not enjoying the trend over the last couple of weeks, I think it could relatively easily turn around, and we could see not only no reversal of the reopening, but we could see the addition of tourists coming in before too long.

Technically, right now, the order is that the mainland tourists can return on September 1 if they have a negative COVID test. But I acknowledged in my remarks that we have to wait and see if the governor sticks to that date or decides that logistically, it's too hard to handle.

So it's a very difficult time right now to predict how it could go. The good news is, I think it could go fairly well. If we get our cases back down a little bit, and we can proceed with that September 1, or frankly, even October 1 return of mainland tourists, I think we could have a robust recovery by the end of the year. But I think we just have to acknowledge the unpredictability of it.

And with that, let me ask Lance to provide any additional perspective on how the tenants are faring and would fare under those 2 scenarios.

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

Thanks, Chris. Alex, this is Lance. Good question. So I would really sort of echo Chris' comments relative to our views on the overall economy and the tide of tourism a lot to that gap in our uncollected rents. We've talked in the past about our desire to be proactive and really take the long view with our tenants and measuring our long-term value creation based on their ability to stay in business. And so that led us to go out proactively with some rent deferrals early in the pandemic and we've maintained that philosophy in doing what we need to do to keep our tenants open.

So with that said, we do have a couple of centers and 2 specifically that do have tourism exposure. And so that's really where we view sort of the risk and the uncollectibility that's left, that's unresolved. And I would just say that we're going to do what we need to and get creative with some of these tenants to take the long-term perspective with them.

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

So you said just those 2 centers of tourism?

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

Yes. The 2 that I'm referencing specifically would be the shops at Kukui'ula in Poipu, on the island of Kauai; and Queens' MarketPlace in Waikoloa, on the big island of Hawaii.

Operator

And our next question comes from the line of Sheila McGrath with Evercore.

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

Yes, on the deferrals, Lance, in general, are they paid back by 2021? Or what's the time period, in general, on the payback period?

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

Sheila, yes, good question. Let me give you some color into that. So on the deferral side, this would not be specific to the quarter, but this would take us through July. So if we look at it in its totality, we've deferred about 9.8% of our total billings.

And the way that we've structured those repayments, we get about 32% paid back by the end of this year, about 62% paid back in 2020. And then the remaining -- I'm sorry, in 2021, thank you, Brett. And then the remaining 6% thereafter.

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

Okay. Great. And then maybe you could provide a little bit more detail on the Aikahi Shopping Center, the movie theater going out and recapturing space? Just want to understand the opportunity there.

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

Sure. So we've been very prudent in our review of capital spend for the year. But we view this as an opportunity to continue to invest and get appropriate risk-adjusted yield on that investment. Aikahi's a center that's embedded in a very important community on the island of Oahu, within Kailua. And this was some long-term vacancy that was in the center at the old theater space prior to our acquisition of it. And we were able to take an existing tenant, in this case, a veterinarian clinic that has long standing in the community and expand them into that space. So that was a big driver of our occupancy pickup for the quarter.

But importantly, that was one of the legs of the stool where we viewed, again, on a risk-adjusted basis, the desire to continue funding. And so between that, our existing grocer with Safeway, and Chris referenced a national tenant that we've signed a lease yet but have not yet announced, we feel very good about the prospects there.

So total investment is pegged in the $18 million range. We've spent about $2.4 million to date. So remaining spend is roughly about $16 million, and we think that's appropriate. We expect to have the deal completed sometime next year. And once stabilized, returning a yield in the 8% to 9% range.

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

Okay. Great. And then, Chris, you did have a pretty active quarter on the monetization of non-CRE assets, especially considering market conditions, closing 7 units at Kukui'ula. Just wondering, if you look at the second half of the year, how many units might be in escrow? Or just any visibility that you might have on either Maui Business Park or Kukui'ula?

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

Yes, I'll actually -- if Lance has any contract information he can provide in a moment, I'll let him do that. But I want to make the point that it's not just our development projects where we're seeking to monetize. It's some noncore land, it's also some operating assets that are no longer core to our business.

And so overall, I think we've been pleasantly surprised, but frankly, it's been with a lot of hard work by our team, but pleasantly surprised by the stickiness of some of these deals and the fact that they have not -- the buyers have not canceled despite what's happening with the economy and COVID-19. And this is true at Kukui'ula, at Maui Business Park, on some noncore land sales and on some operating asset sales.

So I can't get too specific only because we're very cautious about -- talking about sales until they're binding. But I will say that I am hopeful that we have some progress on all of those fronts in the second half of the year. And so far, things are lining up pretty well for that.

Now specific to Maui Business Park and Kukui'ula, Lance, can you refresh my memory on what sales may be in the pipeline?

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

Sure. So specific to Maui Business Park, Sheila, we did close a transaction in the month of July, and we have another one lined up that we do expect to close in short order with some additional escrows that are a little further out. So to Chris' point, a little tough to provide too much insight into those. But suffice it to say that we've been pleased with the level of activity and interest that not only allowed sales to close through COVID, but continued to have buyers look. And because it's really more of a local-driven buyer market there in the island of Maui, travel restrictions, et cetera, did not preclude us from putting new contracts into escrow.

And then with regard to Kukui'ula, slightly different in that our buyer profile is typically West Coast Mainland as well as some Canada. And so travel restrictions are a little bit more challenging for people to get over and actually view product. But that said, we did put and closed 2 escrows through the COVID period. And so we are optimistic that to the extent travel restrictions ease and people come back over, that we'll be able to see continued momentum with the project there. We're certainly hearing anecdotally across the country of pickup in sales and interest for second home resort buyers, and we would expect that to hold true for our project as well.

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

And just moving to the Materials & Construction. You completed the sale of some subsidiary of Grace. Can you just tell us what that is? And also if that write-down in the Materials & Construction, was that related to that sale of the Grace subsidiary?

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

It was. And I'll make a statement in a moment that Clayton can probably fine-tune or correct. But let me first give the context for what that sale was.

When we acquired Grace, we acquired some subsidiaries that were, in some cases, directly related to, and had operating connections to the paving business and also a couple of subsidiaries that were really more just -- they were in the construction industry, but they were not really in any way related to or integrated with the paving business. And this was one of those, and this was a pre-stressed concrete business. It is a construction business that is -- its fortunes are tied very much to the construction cycle and the use of precast concrete in construction projects.

And while we had a few good years, that market has tapered off quite a bit in the last couple of years. And so the business was struggling a bit.

We had a natural buyer for that asset in our JV partner. It was a JV. Our JV partner agreed to step up and buy the business. The write-down was essentially roughly equivalent to the goodwill in that business. That's the part you can correct, Clayton.

Clayton K.Y Chun ***Alexander & Baldwin, Inc. - Senior VP, CAO & Corporate Controller***

Yes. For the most part, it is, and it was tied to the sale itself. So...

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

Yes. And so it was a -- as soon as we went binding on that deal, I think.

Clayton K.Y Chun ***Alexander & Baldwin, Inc. - Senior VP, CAO & Corporate Controller***

Right. So effectively, the deal closed towards the end of the quarter. The write-down occurred at the time that we were committed to that sale itself, which was still within the quarter itself. So all of this happened in the second quarter. And what Chris is describing is spot-on, is a joint venture subsidiary that was consolidated because we had the majority interest in that entity.

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

And if you exclude that but -- I'm sorry.

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

Sheila, I'd say the good news on that one is, while we were certainly disappointed by the recent performance and the need to take that impairment, the good news is that it allows the management team to really focus on the paving business, and they've been doing that, and I think it will better position us to really extract maximum value from the core business over time and not have the distraction of this ancillary business.

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

Chris, if you exclude the write-down of that, how close to profitability are you at Grace? Anything you can give us on the second half of the year for that?

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

As far as the outlook going forward?

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

Yes. Just because you've made a lot of cost cuts, you said the backlog was improving. Just wondering how that all comes together.

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

Yes. I think we are incrementally teeing up better and better performance for the business. The reason I say incrementally is while we have built up backlog, winning a bid is not the last step to doing the work, as you all know. So what we need in the third and fourth quarter is to see a lot of this backlog converted to contracts.

I will say that we have a number of things that, on different time lines, are tracking very favorably. In the near term, we have both the state and the county are trying to spend all of their appropriated dollars by the end of the year to provide some stimulus to the economy. And they are scrambling to identify jobs that can be done. A lot of these are under maintenance contracts that we already have won. And so that's a relatively quick turn, and that should come into our -- come into revenue in the third and fourth quarter. Then you get into second -- next year and a lot of the bids that we won this year should come to fruition by virtue of the contracts being issued. And so -- but a lot of that bidding that we've won this year should materialize in the contract next year.

And then the longest-term piece would be federal stimulus money that would be sort of directly or indirectly COVID-related that probably has a little bit longer time line on it. That's probably going to be more later 2021, 2022 before we see much of that. But because we've got these near-term opportunities, I think that we should see steady improvement. I can't project EBITDA for the second half, but I certainly expect it to be positive, and I think we're on a positive trajectory there.

Operator

(Operator Instructions) And our next question is from the line of Steve O'Hara from Sidoti.

Stephen Michael O'Hara ***Sidoti & Company, LLC - Research Analyst***

Just kind of curious, maybe you mentioned this, maybe you didn't. But I think you noted in the press release that comparable lease spreads improved during the quarter. And I was curious, was the timing fairly consistent through the quarter? Was it better towards the end or the beginning? Maybe people expected a shorter duration, and were more optimistic? Or is there anything telling in that timing?

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

I'll ask Lance to address that to the extent you've got that insight.

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

Steve, this is Lance. Yes, I would -- we were pleased with our leasing activity for the quarter, not just on an absolute basis, but I would say on a relative basis as well. With the 42 leases that we did in the quarter that compares to 43 that we did in Q1, which we had minimal impacts of COVID. So we were pleased with the activity that our team was able to generate.

I would say that we did see some lease terms that started to reflect, I would say, more current conditions with COVID. But by and large, we were able to continue with a lot of leasing activity that we had that came into Q2. So examples of that were 2 deals specifically that we mentioned -- or that Chris did in his prepared remarks, about anchors, 2 grocery anchors that renewed leases. And in addition to that, we had 2 QSR pad leases that we leased, which were new leases. So not only were we pleased with the quantity as well as the lease spreads, but I'd say we were pleased with the quality of the leasing as well.

Stephen Michael O'Hara ***Sidoti & Company, LLC - Research Analyst***

Okay. That's very helpful. And then turning to the industrial comments. I think you talked about occupancy on the same-store was up 350 basis points. Is that -- was there anything in there kind of related to the pandemic? Is industrial -- I mean, I would think there'd be some improving demand in industrial with kind of maybe the nature of delivery and things like that. I mean, maybe it's different in Hawaii. But can you talk about that a little bit?

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

Sure. I'll talk specifically to our pickup in occupancy, and that was as a result of about 36,000 square feet of space that we leased that had been some vacancy that we've been carrying for a little while over in our Komohana Industrial Park, and the deal that we had working with that was actually pre-COVID. But to your point, I would say that industrial activity remains active here in the state. And we still have a very low vacancy rate statewide, as well as on the island of Oahu.

So probably too difficult to show any trends as a result of that interest just because our occupancy rate is so low at sub 2%, but we still feel very good about where that market -- that asset class stands.

Stephen Michael O'Hara ***Sidoti & Company, LLC - Research Analyst***

Okay. And then just maybe on the CRE revenue. And I'm just trying to make sure I understand it. The decline, I think, was about 13%. But that doesn't include the deferrals. Can you just explain kind of -- what maybe the kind of deferral revenue was? Or how that works versus the actual decline? Is that just from tenants that you felt weren't capable of deferring? Is that what that decline was from?

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

That's correct. Steve, it's Brett. So you're correct. The deferrals are still included in earnings and in NOI. And then it's -- we did take a pretty sizable reserve, as we mentioned, about $6.6 million, and that is the impact of collectibility and what we determined to be collectible of the revenues that we had originally recorded for the quarter.

Clayton K.Y Chun ***Alexander & Baldwin, Inc. - Senior VP, CAO & Corporate Controller***

If I could just add. On top of that, there is also within revenue, which was affecting the reduction. There's the impact of straight-line rent. That was $2.2 million. So all in, with Brett's $6.6 million that was referenced and the $2.2 million, that was $8.8 million of charges that was -- that we're considering specific to COVID.

Stephen Michael O'Hara ***Sidoti & Company, LLC - Research Analyst***

Okay -- and okay. But -- and kind of going forward, how does that -- what's the -- I mean, is that something that would occur going forward as well? Or would that -- would those numbers kind of go away because you've taken the reserve? Or does it kind of get -- you have to take the reserve again, but on a lower rate because you have more collections and things like that?

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

We'll continue to evaluate on a go-forward basis. I mean we literally went through tenant-by-tenant as far as what the outstanding receivables were. And we'll do the same thing at the end of the third quarter and continue to monitor that. And hard to say at this point what the over/under is on those adjustments, but we'll continue to monitor that, for sure.

Stephen Michael O'Hara ***Sidoti & Company, LLC - Research Analyst***

Okay. And then maybe just lastly. You noted that -- I think you'd mostly use deferrals at this point. You're exploring a range of options. I mean, can you talk about what those options are? And maybe how palatable -- kind of most palatable, least palatable?

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

Sure. Well, certainly, on the spectrum of most palatable for us has been deferred rent, and we continue to look at that as sort of the first option in terms of tenant relief and support, in addition to enhanced marketing and safety and other things that we're doing in all of our centers.

But beyond that, and particularly in some of our resort areas, to the extent that we need to have conversations about some abated rent, we will certainly do that. In some cases, percentage rent for a period of time, maybe an appropriate thing to do. And when we're having these conversations, wherever we are in the spectrum of rent relief discussions, we are very cautious and careful to think about what other opportunities present themselves for us. So whether it's extending term or looking at existing contract conditions that we can better, we will certainly take advantage of those as well.

Operator

And we have no further questions at this time. I will now turn the call back over to Steve Swett for your closing remarks.

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

Thank you, Jen, and thanks, everybody, 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

That does conclude your conference call for today. We thank you for your participation and ask that you please disconnect your lines. Thank you, and have a great day.