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PRESENTATION

Operator

Good day, and welcome to the First Quarter 2021 Alexander & Baldwin Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to [Kara Smith], Investor Relations. Please go ahead.

Kara Smith - *ICR, LLC - Investor Relations*

Thank you. Aloha, and welcome to our call to discuss Alexander & Baldwin's First Quarter 2021 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 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 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 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 on this call and 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, www.alexanderbaldwin.com. Chris will open up today's presentation with a strategic and operational update. He will then turn the present 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 it over to Chris.

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

Thanks, [Kara], and good afternoon to our listeners. We hope this call finds everyone well. We're very happy today to report a strong first quarter. Hawaii's economy continues to recover steadily, and we are seeing the benefits of the steps we took in 2020 to position us for recovery in 2021. Each of our business segments exceeded our expectations for the quarter. So while we still have work to do, we're off to a good start.

Before I get into the details of our quarterly results, let me provide you with an update on the improving Hawaii economy. The state continues to reopen prudently, not only did Hawaii experience the best health outcomes of any state through the pandemic, but our vaccination program is one of the most successful in the country. We're one of the leading states in the pace of our vaccinations and according to a department of health survey, more than 90% of our residents have indicated a willingness and intent to get the vaccine. All of this creates a safe environment to which tourists and homebuyers are flocking. There is a remarkable rebound in tourism and continued high demand for homes in the islands, with many people from the mainland U.S. relocating or buying second homes here.

Our local stores, restaurants and bars are all open -- are all able to open for business, and most of them are. In the continued move to relax travel restrictions, the state announced a vaccine exemption for Hawaii residents traveling between our islands. This will take effect on May 11, and will further encourage economic recovery by making resident travel significantly easier. As a reminder, traveling between the islands without quarantine has generally required a COVID-19 test -- negative test since October. This vaccine exemption is a precursor to a similar exemption that is expected to be implemented for mainland travelers sometime this summer.

A benefit of the late February lifting of COVID restrictions has been the surge in tourism. In January, tourism levels were just 26% of the same month in 2019. By April, we were already back to 63% of 2019 levels, and the outlook for the summer months is even stronger. With this strong demand, hotels are filling up, more hotels are reopening and we're seeing airlines add capacity. While our portfolio is not heavily tourism dependent, these are all strong signs for our local economy. Already, we've seen the lift in the performance of our neighborhood shopping centers, which make up most of our portfolio, and we expect that our resort retail centers, which comprise just 8% of our portfolio's pre-COVID NOI will show market improvement in the second and third quarters of this year. This economic recovery aligns with the strategy we laid out at the start of the pandemic. We believe then that supporting our tenants and keeping them in place would be our best path to capitalize on the recovery when it arrived. We're very pleased to report today that this strategy is paying off, as demonstrated by the 17% sequential improvement in our net operating income this quarter, directionally consistent with, but even better than our expectations.

Something we didn't anticipate at the beginning of the pandemic was the strong growth in demand for Hawaii assets and land. This demand seems to be rooted in 2 things: the desire of people to be somewhere safe, and the newfound flexibility many people have to live where they want to, not where they have to. Nowhere is this more evident than at our Kukui'ula project, which is experiencing its best sales in 15 years, but we're also seeing it in demand for other development parcels and even unentitled lands. This helps create a positive environment for our noncore asset monetization program on which we made good progress this quarter, having received $29 million in total cash proceeds.

We also believe our Materials & Construction business is positioned for improved performance as the year progresses, but for different reasons. The steps that the Grace leadership team has taken over the past 2 years to win more jobs and achieve greater efficiency, set us up well for 2021. There's a long process involved in turning winning bids into revenue because the work has to be contracted and scheduled. But we believe the majority of the jobs we won in 2020 will commence in 2021 and finally help us turn the corner. For perspective, so far in April, we have paved over 60% of the amount paid for the entire first quarter. We're encouraged by this increased level of work and remain optimistic as more jobs commence from our backlog. All of this progress in land sales and Grace performance will position us for greater simplification of our business model. We remain fully focused on becoming a pure-play Hawaii commercial real estate company in the near term. We're pleased with the progress we've made year-to-date.

Now I'd like to provide some more highlights of our quarterly performance. For the first quarter, as I said, we grew commercial real estate NOI by 17% compared to the prior quarter and cash collections by 5%. Validation that supporting our tenants benefits us as the market recovers. Our focus on collections bore fruit. We collected $8.3 million of cash in the quarter related to cash basis tenants and reserved amounts, including payments for approximately 62% of first quarter cash basis billings, as well as payments related to approximately 10% of prior year billings that were reserved as of year-end 2020. With tenant performance improving, we expect continued improvement in collections and have, in fact, recently negotiated some settlements that will help boost our numbers this quarter. We collected -- this coming quarter, I should say, we collected 87% of first quarter billings, which includes any abatements, 300 basis points ahead of the prior quarter at this same point in time.

Portfolio-wide same-store leased occupancy remained steady at 93.8%, with minimal COVID-related lease terminations. I want to credit my team members for their proactive and strategic approach to working with tenants since the start of the pandemic. Beginning this quarter, we're pleased to provide additional occupancy insight with both leased and economic occupancy metrics provided, expanding on the physical occupancy measures we have historically disclosed. Leasing demand continues to gain momentum as we signed approximately 122,000 square feet of new and renewal leases in the first quarter. Looking ahead, we are pleased with the strength of our leasing pipeline. For perspective, we are seeing meaningful increases in restaurant-leasing activity, both a mix of QSRs and local businesses who may see an opportunity to take space that is rarely available. Just this week, we backfilled a grocer space in one of our resort centers that was vacant due to COVID, another demonstration of the growing optimism we're seeing for the resort retail sector.

With respect to our retail redevelopment, we remain on time and on budget at Aikahi Park Shopping Center, the Safeway anchored center in Kailua that we're upgrading. And in the process, reclaiming some leasable area that had been abandoned by the previous owner. Our return expectations for the project are 8% to 9%, with anticipated incremental annual NOI uplift of $1.7 million. We're making solid progress here and recently delivered the Starbucks space for tenant improvements. We will realize positive incremental NOI here in 2021, even though the project is not slated for completion until the end of this year.

Monetization of noncore assets in the first quarter was strong, producing approximately $29 million in cash proceeds as we accelerated our simplification effort amid strong demand for Hawaii assets. In the quarter, we closed 12 units at Kukui'ula, a pace we haven't seen since before the Great Recession in 2008 and the bulk sale of a large developer parcel as well. This significant activity at Kukui'ula resulted in approximately $17 million of cash proceeds received from Kukui'ula joint venture projects in the quarter, including the first ever capital distribution from the main partnership at Kukui'ula of $10 million. We also completed 6 noncore land sales totaling about 134 acres for another approximately $12 million in proceeds. Since quarter end, we've completed 2 additional sales at Kukui'ula and have a strong pipeline of sales in escrow. Importantly, the demand for housing at Kukui'ula has attracted homebuilders to the project and we're in discussions for possible additional bulk parcel sales.

With respect to our Materials & Construction business, we continue to focus on improving our prospects for future monetization at Grace Pacific. While we anticipated a slower start to the year and an operating loss for the first quarter, our results were better than we initially forecasted. We're optimistic for improved performance as the year progresses based on anticipated timing of projects. As I noted earlier, paving activity has already picked up significantly in the month of April.

Finally, we have a robust ESG program in place, of which we're very proud and on which we've made considerable disclosures, including our inaugural corporate responsibility report in August 2020. I'm proud that our ESG initiatives in 2020 and early 2021 have not been a case of hopping on a bandwagon, but rather expanding many existing programs that I believe are consistent with the DNA of our company and our commitment to be partners for Hawaii.

I'll now turn the call over to Brett for financial details. Brett?

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

Thanks, Chris, and good afternoon, everyone. I'll start with our financial results. For the first quarter, we recorded net income of $9.9 million or $0.14 per share compared to net income of $6.2 million or $0.09 per share in the same quarter of 2020. First quarter funds from operations was $19.2 million or $0.26 per share compared to $15.9 million or $0.22 per share in the same quarter of the prior year.

Core FFO was $15.4 million or $0.21 per share compared with $18.3 million or $0.25 per share, respectively, in the same quarter of the prior year. This decrease was driven primarily by COVID-related tenant rent relief. Our first quarter 2021 core FFO compares favorably with last quarter, fourth quarter 2020 which was $12.1 million or $0.17 per share. This demonstrates the continued improvement we're seeing in our CRE business.

Let me now turn to our commercial Real Estate segment. CRE revenues of $39.9 million was $3.5 million or 8.1% less than the pre-COVID results in the same quarter of 2020, but up 8.1% or $3 million from last quarter. NOI of $25.3 million was $3.6 million or 12.4% less than the pre-COVID results in the same quarter of 2020, but again, up 17.1% or $3.7 million from fourth quarter 2020. The decrease to the year ago quarter was mainly driven by reduced retail rental revenue due to COVID and the increase compared to last quarter is primarily due to lower net bad debt charges as we had strong receipts from cash basis tenants along with the reversal of some tenant reserves.

Continuing with the positive trend, we have now collected more than half of the $5.9 million of total rent we deferred in 2020, with the majority of the remaining balance still due by the end of the year. Early in the first quarter, we granted a limited number of additional rent relief deferrals totaling $1.2 million, for which the balance is also due by the end of this year. During the period, we had collections of $1.4 million of previously reserved rents.

From a leasing perspective, we continue to see increased leasing volume and interest as Hawaii reopens. We completed 51 leases in the first quarter, totaling approximately 122,000 square feet. For comparable leases, spreads were 1.5% portfolio-wide and 3% for retail spaces. Included within the completed leases this quarter were 15 COVID-related lease modification extensions, totaling approximately 28,000 square feet and at a weighted average term of 6 months.

Our land operations business produced revenue of $17.1 million during the first quarter of 2021, and generated EBITDA of $11.7 million in the quarter as a result of sales and other operating revenue. Our sales activity this quarter included 12 units at our Kukui'ula joint venture projects and a bulk sale of a large developer parcel, plus about 134 acres of non-core land on Maui for total cash proceeds of approximately $29 million. As Chris mentioned, due to the sales activity at Kukui'ula, we reserved -- received approximately $17 million of cash proceeds in the quarter, including our first ever capital distribution of $10 million from the main partnership at Kukui'ula.

Our Materials & Construction segment generated adjusted EBITDA of negative $1.4 million for the first quarter compared to positive $100,000 in the same quarter of the prior year. Results were largely impacted by lower paving volumes this year compared to the year ago quarter. On a trailing 12-month basis, our adjusted EBITDA was positive $4.8 million compared to the prior 12-month adjusted EBITDA of negative $3.1 million. We are optimistic for improving performance as we move through the year and commence paving jobs based on the backlog we have built.

Finally, with respect to our G&A, we continue to work to reduce expenses across our businesses. G&A expenses decreased 11.6% to $12.2 million in the first quarter of 2021 compared to $13.8 million in the first quarter of 2020 due primarily to reduced G&A in our CRE and Materials & Construction segments. We expect total G&A to be in the range of $53 million to $56 million this year. Included in the range are certain expenses coming back online as we shift away from COVID, and as previously mentioned last quarter, also included in this year are onetime charges of approximately $4 million related to implementing a new ERP system and preparing to shift our pension obligations to a third party. However, on a net basis, our expenses should be well below our 2019 run rate, which is consistent with the progress we've made since then in our simplification effort.

Let me now turn to our balance sheet and liquidity metrics. We continue to work to reduce leverage to our long-term target range of 5 to 6x EBITDA, and have made meaningful improvement over the past few years. At quarter end, net debt to trailing 12 months consolidated adjusted EBITDA was 6.4x, down from 6.7x last quarter and down from 7.5x 1 year ago. At March 31, total debt outstanding was $655 million, and we had total liquidity of $401 million, including $32 million of cash and $369 million of remaining capacity on our credit facility. We have no material debt maturities until September 2022, and our debt to total market capitalization stood at 35%.

With respect to our dividend, we're very pleased to be able to declare our second quarter dividend at $0.16 per share, which is a 7% increase from our $0.15 dividend for the first quarter. This reflects our improved visibility and growing conviction that Hawaii is on stronger footing. We will continue to work with our board to align our dividend with REIT taxable income.

With respect to guidance, we are raising core FFO per share guidance for 2021 to a range of $0.69 to $0.77 per share from the initial range of $0.67 to $0.77 per share. This guidance reflects our improved outlook and incorporates our expectations on tenant retention for the coming year as our tenants recover from COVID, and is supported by our updated same-store NOI guidance range of 1% to 4% from 0% to 4%, offset by the increased G&A expenses referenced earlier.

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

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

Thanks, Brett. With the steady reopening of Hawaii and the resurgence we've experienced in tourism, we feel confident that Hawaii is starting to put COVID in the rearview mirror. Having closed our state to protect ourselves from the worst health impacts of COVID, we experienced an outsized economic downturn. We believe our tenant-centric approach, preserved occupancy and has positioned us to benefit disproportionately from the reopening, as demonstrated by our 17% sequential increase in NOI in the first quarter.

Further, as we said on our last call, we continue to focus on selling noncore assets and believe our progress this quarter reflects both our level of focus on this effort and the strength of buyer demand. We will continue to push forward, and we believe success here will result in meaningful value creation to A&B shareholders, and a much simpler business model with every passing quarter. After an acquisition hiatus to allow us to sell noncore assets and strengthen our balance sheet, we're turning attention back to growth through acquisitions, and hope to identify opportunities to expand our portfolio later this year and into next, even as we continue our noncore disposition process.

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

QUESTIONS AND ANSWERS

Operator

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

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

I won't even try to do the time change. So I'll just say good day out there. No problem, and especially at the end of a crazy earnings week. Two questions. First, I mean, I guess, Chris, will go to the acquisition part. We'll work backwards. Clearly, a small market and you guys presumably know all the potential sellers and all the owners. What is the transaction market like today for your target assets, meaning industrial and retail? And what makes you hopeful that you'll be able to get product versus either, A, people may not want to transact or, B, others bidding aggressively for it as cap rates seem to once again be on a downward trajectory?

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

Yes. Well, thanks for the question, Alex. I'll also let Lance jump in here with some specific thoughts on the market. Let me just start by kind of reiterating where I think we are in terms of our appetite for acquisitions. As you may recall, even before COVID, we announced kind of late 2019 that we would be kind of putting a hold on our acquisition activity because our primary focus was on strengthening our balance sheet and focusing our investments team more on the disposition side. And I think the numbers that Brett just reported in terms of the success that we had even through COVID and the big NOI hit that we took, still being able to strengthen our balance sheet through that time frame is a great testament to the success of the team in the monetization of assets. And so now that we're in the low 6x debt-to-EBITDA range, obviously, we want to be between 5 and 6, but we look forward, and we think we're going to continue to monetize assets, and we're going to continue to strengthen our balance sheet. So it is time to look back to acquisitions. So the team is out there more actively looking. They've always been connected. We're always connected to the market, but they haven't been actively looking for the last 18 months or so. And maybe, Lance, do you want to elaborate a little bit on kind of where they're looking and what you think about the market for acquisitions right now?

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

Yes, absolutely. Thanks, Chris. And, Alex, so obviously, in addition to our confidence on the balance sheet side, I will say that the market is starting to fall a little bit here in terms of acquisition opportunities. We've seen more specific opportunities in the marketplace that we feel confident at some point in this year, we'll have the right sort of match in terms of the asset class, the type of properties that we want to own and pricing that makes sense. So that's what's really fueling our optimism the fact that we've already seen some of these opportunities. And that's been a shift, I'd say, this quarter versus last quarter.

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

And then as far as the product type, are you seeing sort of even balance of industrial versus retail? Or you think it's going to be more one versus the other?

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

In terms of -- I don't want to go too deep just because we're -- it's a little early in terms of our pursuit of opportunities. But we've talked in the past about the industrial market as a general statement is typically a little tighter, and acquisition opportunities tend to be a little smaller, and that's just a fact of our market here. So that would be representative of kind of what we're seeing now and maybe more bite-size opportunities on the retail front.

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

Okay. And then the second question is, Chris, I mean, your comments on the overall state of Hawaii are just night and day versus prior quarters. So one, that's wonderful for the strong rebound. I'm curious, what does this mean for tenant demand both from a rent perspective, tenant health recovery, meaning all the people who were deferred paying it back? And then finally, a resumption of mainland tenants to come to the islands. I think you guys have pointed out like even people like Trader Joe's or something aren't even out there yet. So still a lot of room to go. So maybe if you could just talk about the demand and the tenant health recovery from those 3 perspectives?

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

So Alex, I'll go ahead and take that, and I'll sort of walk down the list of the question here. So starting with rent, we did have positive rent spreads for the quarter. We feel very good about prospects going forward, both in terms of activity as well as the rents. I think it's fair to say that we haven't seen a lot of degradation in terms of pre-COVID rental rates. We did have some pretty healthy spreads on a few new leases, although the GLA there was relatively small. And so our overall number was a little low, but we feel good about the fact that, that rents have effectively held in terms of prospective deals versus where we were pre-pandemic.

In terms of payback, just generally, tenant health, we talked -- Chris had hit on collections in his remarks. And so we're just seeing a lot of positive trends. Sales figures for our tenants are increasing. We are not dependent on tourism for the performance of our portfolio, but we do have the 2 centers that we've talked about in the past. And with daily visitor counts improving for both Hawaii island, at almost 90% of pre-COVID rates, and Kauai now opting into the safe travels program. We're starting to see the benefit there in terms of tenant performance. And those have really been the outliers of our portfolio. Our collections, it's really not reflective of the portfolio as a whole. It's really been those 2 assets and just a handful of tenants. So feeling good about that as well.

And then lastly, with regard to mainland, we still do have mainland companies that don't have representation here in terms of any store counts that are active in the market. Continue to look. We do have a few that we've been able to strike deals with on the QSR side. That's obviously a very hot segment of the market for the nationals, they continue to be interested. And then there are a couple of mid-box players, like I said, that don't have a presence here that have been exploring opportunities.

Operator

Our next question comes from Steve O'Hara with Sidoti & Company.

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

I think it's morning. So good morning. Yes. I guess just maybe first on moving to Grace. Can you just talk about the -- maybe the -- I mean, it sounded like activity would pick up this year based on the bids you won in 2020. And then maybe what's in the pipeline going forward in that chart? I mean, it looks like the paving market has declined pretty -- since, I guess, 2015 I would think it would be somewhat cyclical. Are we kind of moving back towards a more positive part of that cycle? Or is there anything else going on?

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

Well, it's -- this is Chris. This is -- it's a continuation of what we've been talking about for the past year that a combination of more bids in the market. I don't remember the exact statistics, but last year's level of bids that were available in the market was significantly higher than the prior few years. So there's that. Second of all, our bid win percentage was better last year than it had been in the prior few years. And third, we believe that we have won those jobs at embedded margins that should be more favorable than the most competitive years when we were really having to be extremely aggressive to win jobs. So all of that has been very positive. The one challenge that we've had and the reason that we did not have a profit in the first quarter is that it takes a while from the time of contracting or winning these jobs to get them contracted. And the reason that we've got more optimism as we look to the balance of the year is that we now have contracts, and we have these jobs scheduled and we are feeling better about the pipeline, not just being out there someday, but actually being imminent and being able to actually get this paving work done.

As to the market strength, there have been a lot of indications that there is a lot of pent-up demand that both the counties -- county levels and the state for more work. So we're hoping that this will be another active year of bidding, which will then help support continuation of the momentum next year. But ultimately, we just -- we're at the mercy of the government entities and when they put the bids out and when they contract. So the indications are good, but we always have to wait and actually see them materialize.

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

Okay. That's helpful. And then I'm just kind of curious, there was talk about eliminating some of the 1031 exchanges and things like that, I think, in the most recent $2 trillion spending plan. Can you just talk about how that would impact you guys? And if it would at all? And maybe how you could offset any impact or attempt to do so?

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

Yes, Steve. So just as background for anyone who may not be aware, we have historically made good use of the 1031 exchange rules as we've sold, for example, sold assets on the U.S. Mainland and brought them back to Hawaii. We've been able to do that through tax-efficient transactions when we sold the land the Maui land, the Maui ag land back in 2018, we were able to invest $250 million of proceeds through 1031 exchanges. So it has been historically a very important tool for us. And we would -- as really any real estate company and any commercial real estate company would, we would continue to benefit from that going forward if it stayed in place.

Having said that, it has been a target off and on in Washington over the years for repeal. Those efforts have never really gotten much traction, and there's no way to predict whether it would happen this time. It would be a negative for us, but the main thing that I think we feel good about is the fact that we have completed that mainland migration. We have reinvested those ag land proceeds. And so I think that the impact for us going forward would be far less than if we hadn't gotten those things done. So I think the silver lining is that at least we've gotten those transactions done. But we'll just have to wait and see how it plays out. And I think there's a lot of uncertainty in terms of the various bills that are being presented and the legislative packages that are being presented right now.

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

Okay. And then just maybe lastly, I mean, just on the guidance for core FFO, is there something else happening later in the year that is kind of dragging core FFO down from the current quarter's level? It would seem like things are improving, more or less in Hawaii. If you look at the air travel numbers, they're pretty strong or recovering nicely. But is there anything -- and I guess you have the Aikahi Plaza coming online. So I think that was going to be a benefit. But what else is happening there that's a potential detractor maybe later in the year?

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

Sure, Steve. This is Brett. And so as we look at the quarter -- or the year, I should say, and then the first quarter, obviously very strong. We included some good receipts on cash basis tenants as well as reversed some of the reserves that we took on tenants in 2020. So that was a good lift. And some of that may occur in the future, but you can't really count on that. And so we do have other good positive things going forward as well in the current quarter. We had certain expenses that we will incur later in the year that were on a timing basis, not included in the current quarter. So those 2 items, really, the cash basis tenant receipts that were strong, the reserves that we reversed from prior year and then the timing of certain expenses that we expect to incur later in the year are what caused the run rate not to remain at the current level.

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

Okay. Okay. And did you say what the reversal was in the quarter in terms of either core FFO or core FFO per share?

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

That was $1.4 million reversal of reserves, and that will be approximately $0.02 per share.

Operator

Our next question comes from Sheila McGrath with Evercore.

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

I was wondering if you could give us a little bit more detail on the sales at Kukui'ula, what you think is driving that demand? And in order to continue to satisfy that demand, do you have to put more incremental capital to -- into that project to finish more lots?

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

Thanks, Sheila. I'll take that. This is Chris, and then Lance can chime in if there's anything he wants to add. But it's really been amazing to see what has happened to demand for residential land and homes in Hawaii, particularly at the high end. If you look at Kukui'ula and similar projects, the sales activity has just soared. And I think it's really for the reasons I cited earlier, which is that people can live where they want to live now. That's just kind of one of the realities of the virtual world we're living in. And it's been such a safe environment to be. And that's not only driving what I'd call retail sales, which is sales of individual lots. But as I mentioned, we sold a builder parcel, and we've got discussions going on with other builders there. So it's been a great cash infusion into the project. Some of that cash we were able to pull out. Some of that cash we've left in for the infrastructure work that we need to do now to deliver more lots. Our current projections are that we will not have to put more capital in that the sales themselves are fueling and providing the capital to build out additional inventory. So it's not our expectation that we'll have to put more capital in. And if anything, this provides the prospect for either on a go-forward basis, pulling more capital out or as we've talked about in the past, potentially even monetizing the project and reducing our exposure to that part of our business. So it opens up a lot of possibilities, and it's -- they're all positive. We're either going to be most likely pulling capital out. But we're probably going to be pulling capital out one way or the other, whether it's incrementally over time or more significantly in the near term.

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

Okay. And then you did mention that there was like a $10 million distribution or something. What -- how does that run through the income statement?

Clayton K.Y. Chun - *Alexander & Baldwin, Inc. - SVP & Chief Accounting Officer*

It doesn't. It's just a distribution of cash. And so that resulted in our investment balance for that and joint venture being reduced.

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

Okay. So it doesn't impact income. Okay. And then with the Aikahi Shopping Center, is there much leasing to be done prior to completion of that project? Or will it open pretty much pre-leased?

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

The majority of our -- well, I would say all of our anchors are there, they're pre-leased. Safeway was an existing tenant, and we extended the term with them. We did lease to Starbucks, and we mentioned we were able to turn the improvements over to them actually ahead of schedule. And then we have a few other larger tenants that retained. There are some smaller-base shop space that will be available. And actually, we just had our first letter of intent executed for one of those bases. So we do have that on the market, and we're excited about the prospects for filling that space up.

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

Okay. Great. And last question for me. Looking back at your strategy of working with tenants for proactive deferrals, I think, had a bigger impact than maybe some other shopping centers on same-store NOI, but you held up occupancy arguably better. So I'm just wondering, looking back at it, how you feel about that strategy? If you think it was the right one and just the economics of that driving that decision?

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

Yes. Thanks, Sheila. I think we feel good about it for 2 different but complementary reasons. One is we truly believe it was the right thing and consistent with our focus on the local community and being partners for Hawaii and trying to help our tenants survive. But as you pointed out, it also positions us to have a much better recovery because we have the tenants in place. While we are pleased to be backfilling some of the spaces that did go dark during the pandemic, we're much happier having most of our tenants in place and not having to re-lease the spaces because, of course, inevitably, you've got downtime. And so we're very pleased with the strategy. I'm very proud of and pleased with the team's execution of that strategy because it's very easy to come up with that strategy. It is a lot tougher to be on the front lines, working with tenants day in and day out, navigating through these issues, and the team did a fabulous job under Lance's leadership. So very proud of the approach and very pleased with the early returns on how it worked for us.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to [Kara Smith] for any closing remarks.

Kara Smith - *ICR, LLC - Investor Relations*

Thank you, operator, and 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

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.
