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EDITED TRANSCRIPT

ALEX.N - Q2 2021 Alexander & Baldwin Inc (Hawaii) Earnings Call

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PRESENTATION

Operator

Good afternoon, and welcome to the Second Quarter 2021 Alexander and Baldwin Earnings Conference Call. (Operator Instructions)

At this time, I'd like to turn the conference call over to Steve Swett, Investor Relations. Sir, please go ahead.

Steve Swett *- ICR, LLC - Investor Relations*

Thank you. Aloha, and welcome to our call to discuss Alexander & Baldwin's Second Quarter 2021 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; Clayton Chun, Chief Accounting Officer, who are available for 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 and 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 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.

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The information in 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.

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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, www.alexanderbaldwin.com.

Chris will open up today's presentation with a strategic and operational update. He 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 up the call for your questions.

With that, let me turn it over to Chris.

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

Thanks, Steve, and good afternoon to our listeners.

Our second quarter results were strong, building on the momentum we experienced last quarter. Our commercial real estate portfolio continues to perform very well as Hawaii's economy improves, fueled by a remarkable resurgence of tourism. There also has been a tremendous surge in demand for Hawaii real estate, which has supported our monetization efforts. The company took in approximately $44 million of total net cash from operating and investing activities in the quarter, primarily from the success of our land sales program and the strength of our commercial real estate portfolio. This influx of cash allowed us to hit an important milestone in the second quarter, reducing our net debt to adjusted EBITDA ratio to 5.4x.

For the first time since the 2018 special distribution associated with our REIT conversion, we are within our targeted leverage range of 5x to 6x, and we expect further improvement in delevering as our monetization efforts advance in the coming quarters. This progress not only shrinks our noncommercial real estate asset base but supports a pivot back to growing our portfolio through acquisitions. We're in the early stages of building a pipeline and are pleased to be in a position once again to have dry powder for pursuit of growth.

Another sign of our strengthening performance and outlook is our Board's decision to increase our quarterly dividend $0.02 or 12.5%, following a $0.01 increase last quarter. At $0.18 per share, our dividend is now just $0.01 below pre-COVID levels. I'm proud of our team and pleased by Hawaii's and A&B's exceptional progress year-to-date, and I have growing optimism for the balance of the year.

Let me provide some additional color on the Hawaii economy and the recovery we're experiencing. The state's employment trends are improving rapidly. Year-to-date, through May, the rate of employment growth in Hawaii is nearly double the national average, and the unemployment rate fell more than 2% in the first 5 months of the year. Tourism is accelerating thanks to a vaccine exemption for mainland travelers that was instituted in early July. Inbound passenger levels for June were at 82% of 2019 levels, even with essentially no international travelers and before the vaccine exemption was implemented for the mainland travelers. These are great signs for further growth to come.

While our portfolio is not heavily dependent on direct tourist spend, tourism does drive the overall health of the economy, which, in turn, has supported a dramatic increase in spending at our neighborhood shopping centers. Our 2 resort retail centers, which comprised just 8% of our portfolio's pre-COVID net operating income, or NOI, also are bouncing back nicely.

The accelerating recovery is driving improving results across our commercial real estate portfolio. NOI is up nearly 13% over the prior quarter and up nearly 29% year-over-year, reflecting greatly improved tenant performance and collections. We executed 59 standard leases for approximately 106,000 square feet during the second quarter at average spreads of 11.5% over prior leases and spreads of 14% for retail leases. The 32 new leases signed during the second quarter nearly matched our quarterly record for the Hawaii portfolio. We're obviously quite pleased with the robust leasing activity and demand we continue to experience.

Same-store leased occupancy at quarter end was 94%, up 20 basis points sequentially, and same-store retail occupancy was up 40 basis points sequentially to 92.2%. This strong performance is consistent with and builds on the trends we discussed last quarter, giving us confidence that we'll see continued strong commercial real estate performance in the second half of the year as Brett will discuss shortly.

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Turning to our redevelopment activity. Aikahi Park Shopping Center is progressing well and remains on budget. We have substantially completed improvements to the central shops and have delivered the new vet hospital space to the tenant, who is well along in its build-out. Starbucks celebrated its grand opening in mid-May, and Safeway's exterior has been fully renovated. We continue to upgrade and expand this well-located center in Kailua and project returns of 8% to 9% with anticipated incremental annual NOI uplift of $1.7 million. We'll realize incremental NOI here in 2021 and additional income next year as leasing is completed.

Now on to our simplification efforts. Demand remains very strong for Hawaii assets and land, driven by the enhanced flexibility many people now have to live where they prefer, even if it's far from their jobs. We generated $19 million in total cash proceeds from Kukui'ula joint venture projects and Maui Business Park sales during the second quarter, bringing year-to-date total cash proceeds to approximately $48 million from all noncore asset sales.

During the second quarter, at Maui Business Park, we sold 6.3 acres for approximately $11 million, including $4 million of cash proceeds and a $7 million note. And at Kukui'ula, we closed 14 units and received approximately $15 million from joint venture distributions and other payments. This is the second quarter in a row that the main Kukui'ula partnership made partner distributions, bringing 2021 total distributions to A&B and other payments to approximately $32 million.

With the progress of our simplification efforts in 2021, we're accelerating our strategic transformation to a pure-play Hawaii commercial real estate company. We will continue to market and sell our noncore assets proactively, including potentially larger transactions. Our success on this path provides many advantages to A&B, including a more focused business model in line with our peers, a balance sheet to support a better sustainable growth rate and a more streamlined organization with lower overhead. We are proud of our efforts to date and expect more progress in the coming quarters.

Obviously, the most significant step ahead of us is the sale of Grace Pacific. While there were many positives in the quarter, including strong quarry sales and great progress in closing out old projects and collecting receivables, we continued to experience delays in regulatory and permitting approvals to commence jobs we've won. We still have a strong backlog of paving projects, which at some point will drive meaningful increases in revenue and EBITDA for the business. We know that to fully complete our simplification, we must monetize Grace, and we remain focused on that goal, which we believe will unlock the value of our company for shareholders.

While the dedication and efforts of the entire A&B team are demonstrated by our operating results and improving financial condition, another important part of our collective accomplishments is our commitment to being great stewards of the environment and communities. Rather than veering from these commitments during the pandemic, I believe our team demonstrated more than ever how seriously we take them. We recently issued our annual review of giving and will soon be issuing an updated corporate responsibility report that will demonstrate how we lived and expanded our pledge 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*

Thank you, Chris, and good afternoon, everyone.

Starting with our financial results for the second quarter. We recorded net income of $12.8 million or $0.18 per share compared to a net loss of $4.7 million or negative $0.07 per share in the same quarter of 2020. Second quarter funds from operations was $22.3 million or $0.31 per share compared to $5.9 million or $0.08 per share in the same quarter of the prior year.

Core FFO was $18.5 million or $0.25 per share compared with $13.1 million or $0.18 per share, respectively, in the same quarter of the prior year. Growth in core FFO over the past 12 months was due to improved tenant performance, resulting in higher current rent payments and increased collections of previously reserved amounts. Comparisons to the second quarter last year obviously reflect the recovery from the acute impacts early in the COVID-19 pandemic amid mandated lockdowns and social distancing. On a sequential basis, core FFO increased by 20% or $0.04 per

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share from the same quarter -- or from the first quarter to $0.25 per share, reflecting the continued strengthening across our commercial real estate portfolio so far in 2021.

Let me now turn to our commercial Real Estate segment. CRE revenues of $43.3 million was $9.3 million or 27% higher than the results in the same quarter of 2020. NOI of $28.5 million was $6.3 million or 29% higher than the second quarter of 2020. The increase from the year ago quarter, again, was mainly driven by the enhanced collections of both current and prior period rents.

As tenant performance continues to improve, we have realized meaningful reversal of reserves. Excluding these reversals, NOI growth would have increased approximately 22% over the year ago quarter. On a sequential basis, CRE revenues and NOI increased approximately 9% and 13%, respectively, from the first quarter 2021. Again, excluding the impact of the reversals, NOI growth would have been 6.7% over the prior quarter.

Same-store NOI of $27.8 million was $6.2 million or 29% higher than the second quarter of 2020. On a sequential basis, same-store NOI increased approximately 13% from the first quarter of 2021. Excluding the reversals, same-store NOI growth would have been nearly 22% over the year ago quarter and 6.5% over the prior quarter.

Turning to leasing. We continue to see increased leasing volume across our portfolio. In the second quarter, we completed 59 standard leases, totaling approximately 106,000 square feet. For comparable leases, spreads were 11.5% portfolio-wide and 14% for retail spaces. In addition, this quarter, we signed 16 COVID-related lease modification extensions, totaling approximately 40,000 square feet and at a weighted average term of 1.5 years. The volume of new leases in the quarter of 32 was just one shy of our high watermark for new leases in our Hawaii portfolio. We continue to experience very robust leasing demand across our high-quality and well-located portfolio.

Our land operations business produced revenue of $16 million and generated EBITDA of $9.3 million in the second quarter of 2021 as a result of sales and other operating revenue. Our sales activity this quarter included 14 units at our Kukui'ula joint venture projects and 6.3 acres at Maui Business Park for total cash proceeds of approximately $19 million. As Chris mentioned, due to the sales activity at Kukui'ula, we received approximately $15 million of cash proceeds in the quarter from distributions and other payments.

Our Materials & Construction segment generated adjusted EBITDA of $700,000 for the second quarter. Results were largely impacted by delays associated with the necessary approvals to commence paving jobs we have won. While operations remain challenged, we continue to believe performance can improve over time as we increase paving activity based on the backlog we have built.

Finally, with respect to our G&A, we've been on a steady downward slope over the past few years if you strip out various onetime expenses. We acknowledged earlier this year that we would have some one-time streamlining related charges this year, but we're pleased with our core G&A trajectory and expect the decreases to continue as we advance our simplification and streamlining efforts. Reportable G&A expenses for Q2 were $12.4 million, up from the second quarter of 2020 due to a combination of the very low G&A levels experienced at the height of the pandemic and the 2021 costs of implementing a new ERP system and preparing to shift our pension obligations to a third party. We now expect total G&A to be in the range of $51 million to $55 million this year. However, on a net basis, our expenses should be well below our 2019 run rate, which is consistent with the steady progress we've been making in our streamlining efforts.

Let me now turn to our balance sheet and liquidity metrics. This quarter, we made meaningful progress on our goals to reduce leverage and improve liquidity. At June 30, 2021, our total debt outstanding was $598 million, and we had total liquidity of $443 million, including approximately $20 million of cash and $423 million of remaining capacity on our credit facility. Total liquidity has increased by $42 million from the prior quarter and up by $79 million from 1 year ago.

In the coming weeks, to improve our financial tools as we focus on growth of our portfolio, we will complete a recast of our credit facility. We expect to close the new facility, which has been fully committed and will include favorable changes to all unsecured debt covenants in early August. We also will be establishing an at-the-market equity issuance program to go along with an existing share repurchase authorization. These steps are intended to ensure we have all the arrows we need in our quiver to maximize shareholder value as a REIT. We have no imminent plans to issue or repurchase shares.

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Together, our new credit facility, the ATM and our repurchase authorization will provide us robust capital market tools as we complete our simplification and pivot to growth. After closing the recast credit facility, we will have no material debt maturities until 2024. At quarter end, net debt to trailing 12 months consolidated adjusted EBITDA was 5.4x, down from 6.4x last quarter and from 7.1x 1 year ago. And our debt to total market capitalization stood at 31% at quarter end.

With respect to our dividend, we were very pleased that our Board declared a third quarter dividend of $0.18 per share, which is a 12.5% increase from our $0.16 dividend for the second quarter and our second consecutive quarterly dividend increase. This reflects our improved visibility and growing conviction that Hawaii is on a stronger path to growth. 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 $0.81 to $0.87 from the prior range of $0.69 to $0.77. This guidance reflects our improved outlook and incorporates an updated same-store NOI guidance range of 7% to 10% from the prior 1% to 4% range. Please bear in mind that while our outlook implies less growth in the second half of 2021 compared to the first half, this is largely due to the timing of collections and receivable reversals.

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

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

Thanks, Brett.

With the accelerating recovery of Hawaii and the return of meaningful levels of tourism, our portfolio is approaching pre-pandemic levels of performance. We continue to focus on selling noncore assets, and our progress this quarter reflects both our level of emphasis on this effort and the strength of buyer demand for Hawaii real estate. Our balance sheet is in great shape, highlighting the success of our simplification efforts and supporting our pivot toward a focus on commercial real estate portfolio growth. We believe success in both these efforts will result in meaningful value creation to A&B shareholders in a much simpler business model with every passing quarter.

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

QUESTIONS AND ANSWERS

Operator

Ladies and gentlemen, at this time, we will begin the question-and-answer session. (Operator Instructions) And our first question today comes from Marla Backer from Sidoti. Marla, is it possible your phone is on mute?

(technical difficulty)

And we'll go to our next question. Alexander Goldfarb from Piper Sandler.

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

So on the improvement this quarter versus last, I mean, obviously, it's pretty tremendous. The earnings beat was strong. You guys went down the laundry list. Economic growth in Hawaii is great. Land sales are healthy. Leasing sounds strong. Sounds like things are progressing on Grace. On the capital side, just a little curious on that front. You said that you want to establish an ATM, recasting line of credit. That's normal course. But then you said that you have no plans to issue, but you want to be in a position. So given that the appetite on the island, as far you should take the opportunity on the island to acquire is, it takes a long time, as you guys have shown us. Getting all this capital in place, is that foretelling that there's

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a lot of transaction opportunity that's going to come about? Or is this merely so that on your kitchen cupboard or on the kitchen counter, that you have all these options, it doesn't mean necessarily that you're seeing a commensurate amount of investment opportunity that we should expect?

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

Yes. It's a great question, Alex. I'll start. This is Chris, and then Brett can chime in with anything else he wants to add. I think really the way to think about this is that we -- although we have been a REIT for 3.5 years now, or I guess technically 1/1/2017, so I guess that's 4.5 years, we've obviously not been trading like a REIT. We've had a lot of overhang from our noncore assets. And so we haven't been trading at or near our NAV. We've had some headwinds that we've been dealing with. And because of that, we haven't necessarily had the -- been in a position to use some of the tools that a REIT would traditionally use to finance acquisitions, whether that's used -- doing an UPREIT transaction or issuing equity.

As we get closer to simplification and we get rid of a lot of our noncore assets, we believe that we will be acting and trading much more like a REIT, and we'll be much better positioned to use the traditional tools that a REIT uses. And so what this is really about is putting those tools in place. And so I would say it's more the latter of what you -- of your 2 options.

Having said that, we are pivoting back both on the strength of the simplification and the stronger balance sheet. We are pivoting back towards a growth orientation. And so all the more reason to have these tools available. But I would say it's really more a matter of just making sure that we've got the arrows in our quiver than it is a belief that we have an imminent need, partly because we expect to continue generating good amounts of cash in the coming quarters, and that would be our -- of course, our first preference would be to invest that cash into commercial real estate as we get it from additional monetization proceeds. Anything you want to add, Brett?

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

No, I think you covered it very well. And again, to reiterate Chris' statement, it's really putting the tools in place, having them available for when we do get to a point where we would need that. It's really getting the credit facilities in line with our dedicated REIT peers and then just having those optionalities when we -- when and if we need those.

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

Okay. And then a topic in the weeds, and hopefully, you don't mind. Looking at your same-store breakout by sector. You obviously can appreciate why retail would be up 43%, industrial, really strong. I'm a little curious as to why the ground lease business would have grown 9.5%. I would think that ground leases are pretty stable, a 1% to 2% or 2% to 3% grower year in, year out. And I don't recall you guys having been stiffed on any ground lease rent in the past year or something that would have caused that to surge. So why would ground lease and same-store NOI grow 9.5% year-over-year?

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

Alex, it's Lance. I think your comment is fair in terms of what you might expect on a traditional annual growth rate, although, as we've talked about, one of the beauties of our ground lease portfolio is we do get these mark-to-market or sometimes fixed increases that would drive outsized growth. And so specific to what you're seeing in the supplement, we did have 2 ground leases this year that did reset. One was HART, which is our 36 acres over in Kapolei as well as a shopping center in urban Honolulu, Kaimuki Shopping Center. And so we've received the benefit of both of those, and that's reflected in the numbers.

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

Lance, is that typical? We could -- is this something that -- are these just 2 unique assets? Or this is something that's embedded in your portfolio and this is something that over time, we will see increases like this?

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

Yes. It's really the latter. And I know it's a little difficult to project a run rate of the opportunities. But we do try to illuminate at least the fixed steps in our supplement in our ground lease table. And then we also highlight when we do have these opportunities to step to fair market value. And we provided comps in the past in some of the significant increases that we've been able to get to NOI. And then, of course, the ultimate opportunity within the ground lease portfolio is the reversion of the leasehold improvements at the end of the term, either near it when we can buy it at a discount or at the absolute end of the term, when we get it back for free.

Operator

Our next question comes from Marla Backer from Sidoti.

Marla Susan Backer - *Sidoti & Company, LLC - Research Analyst*

So as you get closer to resumed growth, can you give us any sense of what you think the timeline is between identifying potential assets for acquisition and moving through the process to eventually completing an acquisition?

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

Marla, this is Lance. Let me try to provide some color on just the current state of the investment market here in Hawaii. I will say that over the past 18 months, there's been few investment trades and even fewer marketed opportunities. Now with that said, one of our competitive advantages is our ability to source off-market deals, given the fact that we're here locally and that we have the relationships. But it does take some time, to your point, to build that pipeline. And as Chris indicated in his remarks, given the progress we've made on simplification as well as our strengthening outlook of the market, we have tasked our investment team in really focusing on building that pipeline. Now it may take a little bit of time for us to find the right deals, but we are excited and committed to becoming acquisitive again.

And then I would just also add that in addition to external growth opportunities, we continue to pursue internal growth opportunities within the existing portfolio. So whether it's seeking build-to-suits at Maui Business Park or some current evaluations that are ongoing for repositioning within our retail portfolio, we'll continue to pursue those opportunities as well.

Marla Susan Backer - *Sidoti & Company, LLC - Research Analyst*

Okay. Great, thanks. And so I gather from your answer that you've already identified certain assets that might be appropriately positioned?

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

We have.

Marla Susan Backer - *Sidoti & Company, LLC - Research Analyst*

Okay. And then in terms of the strength that you've seen with demand for loan sales increasing, has there been any variability in that demand that you've seen subsequent to the close of the quarter? Or has demand maintained its strength?

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

You were breaking up a little bit, Marla, but I think you're asking whether we've seen a change in the market just in the last month or 2 since the -- or the last month since the quarter closed. Is that right?

Marla Susan Backer - *Sidoti & Company, LLC - Research Analyst*

Yes.

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

Yes. No, I think if anything, we're seeing sustained and robust demand. And this is both at what I would call the retail level, which is selling individual lots, for example, at a project like Kukui'ula or at the builder parcel level where you would sell a parcel to a third-party to develop homes, and then for the industrial users in Maui Business Park. I think we're seeing good sustained demand. And just in general, the real estate market in Hawaii has been very hot this year. And I don't think we see any signs of that subsiding.

Operator

Our next question comes from Sheila McGrath from Evercore.

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

I apologize if I missed some of this. But the big revision to the same-store NOI on the positive side, I understand, is from reversal of some deferrals. But were there any other changes like occupancy assumptions or leasing spreads that might have also impacted the guidance higher?

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

It's mostly on those reversals. We also expect on the range, it's going to be the inclusion of lower reversals that we -- or excuse me, lower reserves that we would expect on a go-forward basis as well as just the improvements, correct, is what we've seen this year so far with greater tenant demand.

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

Okay. Great. And then with regard to Kukui'ula, the volume has picked up again, and you had another distribution. Chris, does this -- are you still committed to seeking a partner or exit from this? Or does the acceleration of the sales make it an alternative to just hold the asset longer term?

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

No, we're still committed to pursuing monetization of the asset. We feel rather than this being a sign that we should hold the project, we feel it's a great opportunity, actually, to monetize it. And so we are still seeking that path because of the benefits it would have towards our simplification and just cleaning up our story.

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

And with regards to the simplification, both with Grace Pacific and Kukui'ula, are there formal processes that are already going -- ongoing for both of those? Or is it still just a plan?

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

I would describe it as active, but not terribly formal. That's about the best I can do. Rest assured that we're very actively looking at our opportunities, but haven't done a broad public marketing process on either.

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

Okay. Great. And then you did mention moving the team in the past few months more to look at growth in acquisition. Maybe Lance or somebody could just touch on how that process is going. Is there anything in the pipeline at this juncture?

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

Sheila, it's Lance. I did make some comments earlier about the pivot of the investments group and looking at opportunities in the market. I would say that general market conditions are still relatively tight. We are starting to see some slowing in opportunities. And as is typically the case, most of what we're seeing are off-market opportunities given our relationships and the investment team's efforts. So with all of that said, I would expect probably maybe some modest investment opportunities for us this year and then increasing the pipeline for larger acquisitions as, hopefully, market conditions continue to improve into 2022.

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

Okay. And last question for me on Aikahi shopping center. The yield on cost looks like very attractive. Just in terms of us modeling that, when do you expect that asset to start contributing to NOI?

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

So we're already getting some contributions this year with the commencement of the lease and the opening of Starbucks, which was a couple of months early. We've also turned on rent for one of our large relocations, which is the veterinary clinic that moved over to the dormant theater space. And then we've also received the benefit of the increase in rent from Safeway since we completed the majority of the improvements for their area of the shopping center. So those would be all partial year benefits. And then we expect, obviously, full year benefits of those in 2022 as well as some of the rent commencements that we expect to occur from some of the in-line leasing activity that's going on right now.

Operator

And ladies and gentlemen, with that, we'll be concluding today's question-and-answer session. I'd like to turn the conference call back over to Mr. Swett for any closing remarks.

Steve Swett - *ICR, LLC - Investor Relations*

Yes. Thank you for your time today on the call. And feel free to reach out with any questions. Aloha, and have a great day.

Operator

And ladies and gentlemen, with that, we'll conclude today's conference call. We do thank you for joining today's presentation. You may now disconnect your lines.

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