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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the second quarter 2007 Alexander & Baldwin earnings conference call.

My name is Nicole, and I'll be your coordinator for today. At this time all participants are in a listen-only mode. We will conduct a question-and-answer session towards the end of this conference. (OPERATOR INSTRUCTIONS)

I would now like to turn the call over to Mr. Kevin Halloran, Vice President, Corporate Development and Investor Relations. Please proceed.

Kevin Halloran - *Alexander & Baldwin - VP Investor Relations*

Thank you, operator. Good day, and welcome.

Before we commence, I should note that statements in this call that set forth expectations or predictions are based on facts and situations that are known to us as of today, July 26, 2007. Actual results may differ materially due to risks and uncertainties such as those described on pages 16 through 22 of the Form 10-K in our 2006 annual report and our other subsequent filings with the SEC. Statements in this call are not guarantees of future performance.

I would also note that slides from this presentation are available for download at our website, www.alexanderbaldwin.com. You will see an icon in the upper left hand corner of the home page that will direct you to the slides.

Now to the call. Joining me today in Honolulu are Allen Doane, Chairman and CEO, and Chris Benjamin, Senior Vice President, Chief Financial Officer, and Treasurer. Jim Andrasick, CEO of Matson Navigation, and Stan Kuriyama, CEO of A&B Properties are also participating in the call and will be available during the question-and-answer session.

Slide three provides an agenda for our presentation, after which we will take your questions. We'll start with Allen, who will provide insight into the performance for the quarter, which was very good, and provide a high level outlook for the balance of 2007.

Allen?

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Thank you, Kevin.

Aloha, everyone. Before talking about the financial results for the quarter, let me point out some noteworthy performance and trends for the quarter. The China story has been, simply put, remarkable. Our ships are sailing at nearly 100% utilization and in the most recent contracting cycle, which concluded in May, we were able to affect almost double digit rate increases. The full effect of these increases will materialize in the third quarter and beyond, but the increases validate our value proposition, we're the fastest, most reliable trans-Pacific ocean carrier.

In Guam, a rising tide of economic activity is providing uplift in volume, coupled with our positive results in China, I'm pleased to state that after five full quarters of operation, we have met all initial marketing, operating, and financial objectives for the Guam-China string service. With limited real estate closings, we have focused on our development efforts on moving our projects along. We continue to make steady progress in construction and sales in our development activity, our lease portfolio continues to perform at optimum levels, and several properties are being lined up for future closings.

We'll speak about some of the market trends we're seeing in greater detail in the call, but we do note that the Hawaii economy has moderated, however, we are seeing resiliency in commercial and residential markets and our projects are favorably positioned, primarily through pre-sales and a relatively negligible amount of sub-prime exposure. On the logistics front, we are seeing flat to declining volume environments for intermodal and highway business.

Before talking about the financial results for the quarter, let me now move to a high level summary of our quarterly results, which are very good. We posted net income of $32 million, operating profit of about $62 million, Matson Navigation led the way with an impressive 60% increase in operating profit, a reflection of both our China service and cost containment efforts at Matson. Both Matson Integrated Logistics and our real estate leasing segments posted small gains. As expected, there was limited real estate sales activity in the quarter.

This slide shows on a year-to-date basis our earnings were at $1.32, certainly off the pace set in 2006, but right in-line with our expectations, given the lower level of planned real estate sales activity. Our very strong first quarter of 2006 reflected the recognition of sales at our Hokua luxury condominium joint venture. Conversely, we expect real estate sales activity for the balance of 2007 to be strong, surpassing results from last year, and as we regularly state, the benchmarks we set in this area are annual.

This slide is, I think, a very important one. It gives a summary of our updated outlook for 2007 that we're going to be talking about in more detail in a few moments. We now expect full year earnings to be higher than we previously expected, as demonstrated here. We present our current outlook and it really does show full year-over-year growth for a number of our business segments.

This high-level outlook and the confidence in our prospects for the year are a reflection of our continued confidence in our business and the solid operation of our company and a number of good investment decisions that we made, both past and present, that are yielding results today. You'll note that our principle earnings drivers, real estate and transportation, show increased growth in this new forecast.

To summarize, we expect to achieve our full year targets by steady progress in our core businesses, including the sales of several commercial properties over the course of the next few quarters. As for China, we see continued strength in that market that will offset volume softness in Hawaii. For Matson Integrated Logistics, the challenging volume environment I referenced earlier is expected to impact that business' growth rate. We will see moderate growth, but not as favorable as in years past.

And the leasing portfolio will continue to offer stability and underlying earnings depth. What our past performance and our 2007 outlook show is that our multi-industry, multi-market strategy provides a strong hedge against cyclicality and individual business segments while additionally providing potential upside.

With these summary comments complete, I'll now turn the call over to Chris Benjamin, who will walk us through the operating performance for the quarter.

Chris Benjamin - *Alexander & Baldwin - CFO*

Thanks, Allen.

As usual, I'll start with Matson's Ocean Transportation segment, which posted a remarkable quarter amid a challenging volume environment in Hawaii. Matson's strong performance, as was noted earlier, reflects the growing strength of our China service. We're sailing virtually full from China and are beginning to see the benefits of rate increases that we achieved in the recent contracting season, though most of these didn't kick in until late in the second quarter.

Most notably, we achieved strong rate growth for cargo traveling to U.S. inland destinations, which helps us to offset increasing intermodal costs for that cargo. Complementing the financial performance, as Allen indicated, we're continuing to sail on time and provide the fastest transit time from Shanghai to Long Beach.

In Hawaii, while our container volume was down by 5%, favorable cargo mix and yields provided support and, very importantly, we were able to respond to volume softness by reducing the number of vessel voyage days and by achieving shore side efficiencies. These actions drove significant margin gains. We continue to see reduced volumes for our auto carriage business, which reflects lower rental fleet replenishment and a moderation in retail sales. The financial impact of the lower auto volumes is muted, though, as incremental volumes are typically transported through less cost effective means.

For the balance of the year, our focus in China will continue to be on yield management as we see the full benefit of the recent pricing improvements I mentioned, and we may see upside thanks to peak season pricing opportunities. In Hawaii we'll continue to pursue cost containment initiatives to offset the flat volumes that we forecast for the market. Similar efforts boosted Matson's second quarter margin and operating profit, but the opportunities will be a little bit more limited in the second half due to a rigorous dry dock schedule that will limit our ability to undertake some of the fleet redeployment activities as we did in the second quarter.

In Guam we see continued expansion of the economy and potential increases in freight volume, so that's a good story, and overall for the second half, we will face some contractual wage increases in our shore side oriented operations coupled with more limited fleet deployment flexibility. So these will offset some of the China strength and return margins to historical levels and year-over-year comparisons may be flat to marginally unfavorable for Matson in the second half.

On a final note, there has been a considerable amount of coverage of ongoing contract negotiations with the office clerical union and shipping companies and in the ports of L.A. and Long Beach, and that includes Matson. Our outlook assumes labor stability, which is our current expectation.

The logistics segment produced another good quarter amid an increasingly challenging volume environment in the intermodal and highway sectors. Despite the macro headwinds, MIL was able to improve its unit yield in all major service segments. Its expedited service line is emerging as a potential core product offering.

Looking ahead, we're now forecasting moderate year-over-year growth for MIL in the second half based on our near-term outlook for the industry, but are undertaking initiatives that provide possible upside. These initiatives include the potential accretive benefits of acquisitions and the ramp-up in Matson Global. While neither of these will impact 2007 earnings, we're optimistic about the potential long term prospects for both and, of course, MIL continues to benefit from and also support Matson's China service.

Moving to real estate, the real estate leasing segment produced another solid quarter of earnings. Excluding higher interest income earned last year in the second quarter 2006, our operating profit increased by 5% for the second quarter of 2007. This was fueled primarily by net additions to the portfolio subsequent to the second quarter of 2006, common area maintenance recoveries and higher leasing activity at existing properties. Overall, we're confident in the diversity and depth of the portfolio.

As we look out to the balance of the year, we expect continued market strength. There's likely to be some modest revenue decreases in the second half due to planned dispositions, coupled with some positive non-recurring items that occurred in the second half of 2006, including the settlement of insurance claims and favorable lease adjustments. We do expect that second half year-over-year operating profit comparisons are likely to be somewhat unfavorable in the leasing segment.

Before I move off of leasing, I am pleased to announce today that within the next few weeks, we will release a supplemental information packet containing additional information about our commercial leasing portfolio. The additional disclosure is part of our ongoing effort to enhance visibility into our various assets, including our commercial properties. Our portfolio is a significant part of our strong asset base and we believe that the information will be illuminating and helpful for purposes of understanding and valuing this portion of our business.

As this is our first such supplemental information packet, I encourage you to provide direct feedback to Kevin or me. I will also note that we intend to provide another supplement at the end of the year, most likely in February, and thereafter intend to provide it annually at the end of each year.

Moving to real estate sales, this segment performed in line with our expectations for the quarter, which were limited based on the planned calendarization of sales activity for later in the year. We had 29 closings at Kai Malu in the second quarter and expect all homes there to be closed by the end of the second quarter of next year. We also benefited in the quarter from the sale of a parcel at one of our Valencia, California joint ventures. More importantly we continue to make good progress at several development projects that will produce earnings in the months and years ahead, though they did not impact the second quarter.

At Port Allen on Kauai we have now 56 of 60 homes under binding contract and our condominium project there at the same site, is tracking well. At Kukui'ula, sales progress was good in the quarter with 36 lots sold year to date and 53 overall, and remember at Kukui'ula, these are closings, not just contracts. Perhaps more importantly construction is in full swing at Kukui'ula and we're enthused about the progress there. Finally sales also continue apace at the 43 story Keola La'i condo project in Honolulu which is now 87% under binding contracts and in July we topped off the building, which is an important construction milestone.

We previously mentioned a planned monetization of certain commercial properties. The next slide earmarks the specifics of one of those transactions. Collectively, these planned real estate sales in the second half are expected to result in exceptional earnings for the segment, and to propel the earnings for the entire company.

To shed some more light on one transaction, as I mentioned, we recently entered into a binding contract to sell a 4-acre commercial parcel in Honolulu to the current tenant of the property. The deal metrics here, as you can see, are quite compelling and validate the underlying strengths of the commercial markets in Hawaii. We purchased the property at a favorable cap rate and based on a strong unsolicited bid for the property by the current tenant, we decided to sell it and we have an expected close date in the second half of this year. This sale is a good example of our core strategy of turning over fully valued commercial properties to reinvest the proceeds through tax advantage 1031 exchanges.

Agribusiness results were adversely impacted by a decline in raw sugar prices and also by lower production estimates for the full year. These were exacerbated by dry weather conditions on Maui that reduced production volumes. As a result, we produced only nominal profitability in the quarter. We've revised our production forecast downward for 2007, as I noted, which will result in only nominal profitability for the full year and will negate a portion of the operating profit realized through the first two quarters.

On a brighter note, we do continue to make incremental capital investments into our specialty sugar efforts project and are optimistic about its prospects.

And then turning very briefly to the financial statements, operating cash flows for the first quarter remain strong. We had a modest year-over-year reduction, which is attributable to the non-recurrence of last year's significant Hokua condominium sales.

I would note that capital expenditures as defined by GAAP are down from the prior year due to the 2006 first quarter investments that we made in the China start-up, but as you'll see on the next slide, capital expenditures as a whole, as we measure them internally were $111 million, including acquisition capital, construction at our development projects and the reinvestment of 1031 funds. Our capital outlook for 2007 remains robust with over $300 million projected to be invested. This slide shows the tie-out between our internal view of CapEx and the GAAP numbers that we report.

And with that I'd like to turn the call over to Kevin, who will take us through an economic and market outlook.

Kevin Halloran - *Alexander & Baldwin - VP Investor Relations*

Thank you, Chris.

As you will note in slide 26, the Hawaii economy has moderated somewhat from when we spoke last, but still remains on a very solid footing. The most notable change that we've seen in the forecast is the revision to visitor arrival growth. There's some slight moderation in payroll job and real personal income growth as well.

Notwithstanding these modest decreases, forecasts indicate that the unemployment rate is expected to improve to a very low 2.4%. What these numbers tell us is that the underlying strength in the economy is in place. On the commercial real estate front, we haven't seen weakness, in fact, the very tight industrial market is now at unprecedented strength, as evidenced by the national low vacancy rate seen in this past quarter, and if this sounds like our outlook from the first quarter, it is. (inaudible) sales The Kaheka sale speaks volume about the commercial markets in Hawaii. And underscoring that, our Hawaii occupancy levels are at 98% for both industrial and retail space and we expect that rental rates will continue to improve throughout the year.

On the residential side, we reported last quarter that we had entered a plateau and the new numbers may indicate that we are emerging from this static level. In the second quarter we saw a modest return to year-over-year increases, though of course not near the double digit growth we experienced in prior years. Inventory is down, which reflects a continuing; tightening supply and that may exert modest, upward pressure on pricing and hopefully accelerate sales velocity as well.

In all, we would characterize the supply constrained Hawaii market as highly resilient. As an aside, Hawaii has very limited sub-prime exposure, as Allen spoke to earlier, which obviously is a positive sign for continued activity. As I just mentioned, we've experienced an uptick in the sales price of single family homes in the most recent quarter on Oahu with slight year-over-year declines on Maui and Kauai. We are encouraged by the positive signals on Oahu and will certainly keep a close eye on this trend over the coming months for our properties throughout Hawaii.

On slide 30, you will note similar characteristics for the condominium sales, albeit with greater amplitude, especially for the island of Kauai, where a number of new, higher end projects had come online with greater sales velocity in this last quarter. We won't read too much into the Kauai numbers as there is a small base of sales upon which the average is calculated. That said, we continue to have confidence in this asset class and of course in this marketplace.

Now I would like to turn the call back to Allen for closing commentary and remarks.

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Earlier this year we embarked upon a strategic planning process that would complement the specific and wide ranging growth initiatives we are pursuing. Several of the growth initiatives are well on their way to fruition, but the strategic planning process gives us a chance to really think about the next five to ten years in ways we are going to direct our business and to create shareholder value.

As the plan is nearing completion, I can say that we're confident about the future of A&B and we do plan to review elements of the strategic plan in a webcast slated for September 20th. I don't think we've published that yet, have we, Kevin?

Kevin Halloran - *Alexander & Baldwin - VP Investor Relations*

We have not yet, no.

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

But we're planning on doing it September 20 and we'll be really talking in more depth about our plan and about where we believe the business is going to be going in the future at that point in time. So with that, we'll turn it over to our operator and turn it over to our participants for their questions and comments.

QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTIONS)

Your first question comes from the line of Jonathan Chappell with JPMorgan. Please proceed.

Jonathan Chappell - *JPMorgan Chase & Co. - Analyst*

Thank you. Good morning, guys.

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Good afternoon, Jonathan.

Jonathan Chappell - *JPMorgan Chase & Co. - Analyst*

Allen and probably Jim, the tone I would think I would say on your China business has definitely changed in the last 12 months, definitely sounds a lot more optimistic. I'm sensing that your volume growth continues to exceed your original expectations, especially given your service, but the pricing it seems like is coming around a little bit as well.

How would you characterize pricing, vis-a-vis how you thought about it a year ago? You had been saying in the last few quarters that pricing had been a little bit disappointing versus plan, but the business in general had been better. Has that part of the equation actually caught up to plan and is starting to exceed your expectations?

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

This is Allen. I'm going to have Jim follow on and give you a little bit more detail, but we're feeling very good about China at this point. As I noted, we've really first met our operating objectives, then we've met our marketing objectives and now we're meeting our financial objectives. The pricing environment is still not as good as we thought it would have been a year ago, but we are achieving some pretty good gains in our pricing based upon our service level.

So the story has been very, very favorable and I think that we kind of finally decided that it's time to say that this thing is really working and we've got something here that we feel has real sustainability to it because we're providing a product and a reliable service that frankly gives us some distinction in the marketplace.

Jim?

Jim Andrasick - *Alexander & Baldwin - CEO, Matson Navigation*

I would just add that, Jonathan, it's all about yield management from our perspective, starting out new in what is a very highly competitive trade route with probably a dozen major competitors was certainly a challenge for us, and our initial customer base is not what it looks like today after the first full contracting season that we've been through. So I would say that, as pointed out in the release, our intermodal rates probably got the greatest lift because I think all the carriers were interested in helping to offset those increased costs from the rails and truckers and so forth.

But overall, our customer mix has improved and we're quite pleased with the 200 or so contracts that we've entered into for this season in addition to our spot business, and it's all about distinguishing the service, and I think we've achieved that goal and it will serve us well now and into the future.

Jonathan Chappell - *JPMorgan Chase & Co. - Analyst*

Good, and on the core Hawaii business, obviously the margins were really strong in the second quarter and I understand the guidance you gave to the second half about the heavy dry dock schedule and how that will have margins return to historical levels, but I found interesting that you can have such a great impact on one quarter from your cost efficiencies.

Can you speak a little bit more about what exactly these cost controls and efficiencies were and once you get past this heavy dry dock schedule in the second half of 2007, can that return and drive stronger margin growth in 2008 and beyond?

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Jim, please?

Jim Andrasick - *Alexander & Baldwin - CEO, Matson Navigation*

Well, as you know, we're a highly fixed cost business and the whole management task is to make those fixed costs variable, and we did it during the second quarter by constantly, and I really do mean constantly, adjusting our fleet configuration. We off chartered one vessel, which certainly accounted for some part of the cost savings that we achieved second quarter this year versus a year ago. We sidelined another reserve ship on an intermittent basis to match our cargo flows and our [terminaling] terminal handling operation, we had a multi-pronged effort in Hawaii, Sand Island is our big hub.

To improve safety performance, which we've done a terrific job there, the management needs to be commended for that at Sand Island and the volume downturn, I think, has been effectively neutralized as a result of all these actions. So it's no one thing, Jonathan. It's many things and it's attention to detail throughout our system.

Jonathan Chappell - *JPMorgan Chase & Co. - Analyst*

Okay, and last one, on the logistics side, is there any update on the joint venture with JB Hunt and the guaranteed service? And also you mentioned in the presentation, acquisition appetite. What are you seeing out there as far as further expanding the logistics business inland?

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Jim, why don't you do both of those and I'll make a comment on the acquisition side after you do.

Jim Andrasick - *Alexander & Baldwin - CEO, Matson Navigation*

Certainly. Well, our guaranteed expedited service was rolled out earlier this month. We had sales force training, we developed a marketing plan, and initial customer contacts were made.

The value proposition to the customers may seem obvious, it certainly did to us, but this is really a longer term sell based on how most traffic managers are motivated and compensated, but we remain very optimistic about the future prospects for this unique product and--but it's not really expected to have any material impact on second half earnings.

I would say the other point here is that the more options you give a perspective customer, the more likely you are to win their business. So success here may be measured in an overall improvement in our revenue performance as opposed to hitting a home run, just with this service.

As far as the acquisition front go at MIL, we continue to actively pursue a number of potential transactions and none of those would be entirely outside of our current business model. We do expect, though, to be looking at leveraging our success in China in every way we can and that may lead to other options, but it's an active program, we have people dedicated to it and it's a fairly competitive environment right now in this sector, despite the downturns in volumes.

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

I would just add, from a corporate standpoint that a major element is to grow Matson Integrated Logistics over the period of our strategic plan. You'll be hearing more about that, but one element of that growth will involve acquisitions and exactly what acquisition happens when will be determined, but you can depend on that being a core part of our growth plan for the future.

Jonathan Chappell - *JPMorgan Chase & Co. - Analyst*

Okay. That was all very helpful. Thank you, Allen, and thanks a lot, Jim.

Jim Andrasick - *Alexander & Baldwin - CEO, Matson Navigation*

My pleasure.

Operator

Your next question comes from the line of Sloan Bohlen with Goldman Sachs. Please proceed.

Sloan Bohlen - *Goldman Sachs - Analyst*

Good morning, guys. This might be a question for Stan. Just on the Honolulu sale, the commercial side (inaudible-technical difficulties) sale, was that initiated by the tenant, or was that initiated by you guys, and then also just with regards to what you do with the proceeds, is that something you're going to look to redeploy this year or next year? I'm just trying to get an idea of the timing?

Stan Kuriyama - *Alexander & Baldwin - CEO, A&B Properties*

The sale was initiated by the tenant. They approached us and we eventually were able to negotiate, obviously, a very good price for the property. We definitely do plan to reinvest the proceeds. This will be a 1031 exchange, so the proceeds would have to be reinvested within that 180 day period, but we expect to reinvest it a lot sooner than that if we can. As to whether it closes--the reinvestment occurs this year or next year, that will turn on the timing of when the sale closes.

Sloan Bohlen - *Goldman Sachs - Analyst*

Okay, and in terms of where you look to put that capital to use, is that mainland or Hawaii or, a particular property type?

Stan Kuriyama - *Alexander & Baldwin - CEO, A&B Properties*

In all likelihood will end up on the mainland. We can generally get better returns on our investments on the mainland right now, so it will probably end up on the mainland.

Sloan Bohlen - *Goldman Sachs - Analyst*

Okay, thank you, and then turning to shipping--

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

If I could just add for some kind of strategic context, while this deal was initiated by the tenant, we're always looking at whether we hold or sell. And when we feel like selling creates more value than holding, then we go down that path, so this is just a core part of our business. This is not an adjunct to what we do, this is a central part of how we see value creation and realization.

Sloan Bohlen - *Goldman Sachs - Analyst*

Thanks for that, and just turning to shipping, just for my own background, what's the potential impact to Matson if the workers do strike at the Long Beach port?

Kevin Halloran - *Alexander & Baldwin - VP Investor Relations*

Actually, this is Kevin, Sloan. I think we can answer that. We have just received word that the parties have reached an agreement that's subject to member ratification.

Sloan Bohlen - *Goldman Sachs - Analyst*

Okay. All right. Great news. Thanks.

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

That came out in the last 5 minutes.

Kevin Halloran - *Alexander & Baldwin - VP Investor Relations*

Yes.

Operator

(OPERATOR INSTRUCTIONS)

Your next comes from the line of Chris Haley with Wachovia. Please proceed.

Chris Haley - *Wachovia Securities - Analyst*

Isn't it great to get fresh information.

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Happens every day.

Chris Haley - *Wachovia Securities - Analyst*

I'm sorry, the purpose--so we can get fresh information on shipping and California, but the September 20th, I wanted to kind of go into this, what are you hoping to accomplish with regard to this event?

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Well, what we're going to do, Chris, and we've done this twice before. Sometimes we feel like we get so caught up in explaining the quarter, the year-to-date, and what we're going to do in the next three to six months that we don't communicate as effectively as we could what the Company is doing to create value over a two, three, four, five year period or longer. So it's about the sustainability of the value proposition and about some of the ways that we intend to grow the Company.

So you get bits and pieces of this on calls and discussions when we have investor meetings, but part of what we're doing is just bringing all of this together with a periodic update of our strategic plan, which we're just about finished doing, and it's taken four months and a lot of time inside the Company, and we're going to do the best we can to tell our owners where we're going, and the story isn't going to be any dramatic departure from the strategies that we have currently in place, but it's just going to involve an expression of different, new business ideas that we've got, some of which will be farther along than others.

Chris Haley - *Wachovia Securities - Analyst*

Okay. Related to your full year outlook, as outlined on your business outlook page, page 7, when I look at your real estate operations, looking at--I guess it's operating profit, the big jump is a decision on your part to monetize more of the portfolio than you originally had planned. Is that fair?

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Stan?

Stan Kuriyama - *Alexander & Baldwin - CEO, A&B Properties*

No, Chris, no, I don't think that's the case.

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

What we are going to do is we are going to be realizing some values that are higher than maybe we thought we would realize, and it may represent a slight increase in sort of the underlying volume activity, but it's not a--it's not a huge change and not actually from a strategic standpoint or how we think about our company, not a big change at all.

Chris Haley - *Wachovia Securities - Analyst*

But at this range here, let's just call it 12% to 15%, the prior outlook or the previous outlook and the current outlook is a roughly a 10% increase year-over-year for '07 versus '06. In the leasing business, I would have a tough time understanding how the leasing business could be driving that, so most of it is probably coming from the sales business, which the development side is just from a timing perspective is not going to be contributing that much to this year but we'll pick up in out years, however, this sale of assets, whether it be for sale residential units or commercial properties that you're now selling, they must be the ones that are driving this increase to your outlook, is that correct or not correct?

Stan Kuriyama - *Alexander & Baldwin - CEO, A&B Properties*

Sorry, Chris, I had misunderstood the question earlier. You're correct in your assessment.

Chris Haley - *Wachovia Securities - Analyst*

Okay. Is this mostly because you are monetizing assets that you had previously not included in the "previous outlook"?

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Well -- go ahead, Stan.

Stan Kuriyama - *Alexander & Baldwin - CEO, A&B Properties*

When we create our projections for the year, Chris, we don't necessarily have all of our specific properties targeted.

Chris Haley - *Wachovia Securities - Analyst*

Right.

Stan Kuriyama - *Alexander & Baldwin - CEO, A&B Properties*

So during the course of the year, as Allen indicated, we look at our portfolio and decide which ones are where we maximize values and which ones we want to sell, and so that mix and the margin we generate from those sales will vary from our original projections, and given where we are right now and the sales we're forecasting, that results in this latest forecast that's been presented today.

Chris Haley - *Wachovia Securities - Analyst*

Got it, got it. So not necessarily we're less concerned about year-over-year earnings growth for your company and your real estate businesses, it's because we're valuing those on a DCF or NPV basis, so what you're saying is potentially a good thing is that you might be monetizing these assets earlier because you maybe think the values are better today and you don't want to sell those later on?

Stan Kuriyama - *Alexander & Baldwin - CEO, A&B Properties*

I think in some cases that's true. I think in every case where we do have a sale, it's because we feel we have maximized values. This (inaudible) Kaheka sale that we just described is an example, we didn't start off the year anticipating that this property would be sold, but given the terms of the sale, it's just a great deal for the Company and for the shareholders and so we decide to do it and by reinvesting those proceeds, we'll continue to generate good income from the sale of the property.

Chris Haley - *Wachovia Securities - Analyst*

Okay, and when you guys report or provide this supplemental disclosure on the property portfolio, will you outline those assets and what the rates of return had been or the yields on the sales of the assets that are in the process of being sold or have been sold year-to-date?

Chris Benjamin - *Alexander & Baldwin - CFO*

No, Chris. This is Chris, and no, we won't provide that level of detail. We will be providing net operating income, but it will be aggregated pretty much by geography and asset type.

So we will have Hawaii improved properties, Hawaii unimproved properties and mainland improved properties aggregated. So we won't directly be providing property level information, we'll let you calculate that.

Chris Haley - *Wachovia Securities - Analyst*

So when you look at the value of the assets that you might be selling this year, the net operating income over the sales prices that you're seeing in the market, how would you describe the yields or cap rates of the assets you're selling relative to Hawaii versus mainland and quality, or asset type?

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Without being numerically specific about any one, the value--the cap rates are good ones, and what's funny is sometimes you sell properties at cap rates that aren't as attractive just because you can't--the value of the property, all property isn't created equal. So sometimes you sell properties because you believe that it's the right time, it's the right price, and it's very attractive. Other times, you have a property and a portfolio, and it's a good time to sell. This is not the greatest property for us, maybe somebody else can figure out how to operate it better. So the motivations vary, but I think you know better than we do that cap rates are at very attractive levels and we're going to take advantage of it.

Chris Haley - *Wachovia Securities - Analyst*

Okay. My last nutty question would be, have you thought about providing us any information on your shipping portfolio?

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

In what respect?

Chris Haley - *Wachovia Securities - Analyst*

A lot of--

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

You mean in terms of segment breakouts?

Chris Haley - *Wachovia Securities - Analyst*

Yes.

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

That's an easy one. We don't know of a national or an international shipping company that does that, unlike real estate. The competitive issues in providing segmented market specific profitability are such that it's just not done. So we're not going to do it.

Chris Haley - *Wachovia Securities - Analyst*

Okay. Just thought I'd ask. Thank you very much and congratulations.

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Thanks, Chris.

Operator

(OPERATOR INSTRUCTIONS)

Allen Doane - *Alexander & Baldwin - Chairman & CEO*

Okay. If there are no more questions, then we'll look forward to first scheduling and then giving you a good idea of our strategic plan and our future prospects in September. So thanks a lot, everyone.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day.