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Corporate Speakers

- Collin Mings; Rayonier Inc; VP of Capital Markets & Strategic Planning
- Mark McHugh; Rayonier Inc; President and CEO
- April Tice; Rayonier Inc; CFO
- Douglas Long; Rayonier Inc; EVP & Chief Resource Officer

Participants

- Mark Weintraub; Seaport Research Partners; Analyst
- Matthew McKellar; RBC Capital Markets; Analyst
- Ketan Mamtora; BMO Capital Markets Equity Research; Analyst
- Buck Horne; Raymond James & Associates, Inc.; Analyst
- Michael Roxland; Truist Securities, Inc.; Analyst

PRESENTATION

Operator^ Welcome. And thank you for joining Rayonier's Third Quarter 2025 Conference Call. (Operator Instructions)

Today's conference is being recorded.

If you have any objections, you may disconnect at this time.

Now I will turn the meeting over to Mr. Collin Mings, Vice President, Capital Markets and Strategic Planning.

Collin Mings^ Thank you. And good morning.

Welcome to Rayonier's investor teleconference covering third quarter earnings.

Our earnings statements and financial supplement were released yesterday afternoon and are available on our website at rayonier.com.

I would like to remind you that in these presentations, we include forward-looking statements made pursuant to the safe harbor provisions of federal securities laws. Our earnings release and Forms 10-K and 10-Q filed with the SEC list some of the factors that may cause actual results to differ materially from the forward-looking statements we may make.

They're also referenced on Page 2 of our financial supplement.

Throughout these presentations, we will also discuss non-GAAP financial measures, which are defined and reconciled to the nearest GAAP measures in our earnings release and supplemental materials.

With that, let's start our teleconference with opening comments from Mark McHugh, our President and CEO.

Mark?

Mark McHugh^ Thanks, Collin. Good morning, everyone.

Before turning to our third quarter results, I'd like to briefly touch on the proposed merger of equals transaction that we announced with PotlatchDeltic on October 14.

As detailed on our joint conference call a few weeks ago, we believe that this transaction will deliver significant strategic and financial benefits beyond what either company could achieve independently including roughly $40 million of estimated run rate synergies. The combination will create a premier land resources company with a high-quality, well-diversified timberland portfolio spanning over 4 million acres, a dynamic real estate platform and a well-positioned wood products manufacturing business.

The merger will drive -- will further drive enhanced opportunities to grow our land-based solutions and Natural Climate Solutions business, given our increased scale and complementary revenue streams. The combined company will benefit from a strong balance sheet, exceptional talent pool and a shared focus on disciplined capital allocation.

I'm both excited and confident about the long-term value creation potential of this merger for our shareholders.

The merger remains on track to close in late first quarter or early second quarter of 2026, subject to the satisfaction of customary closing conditions including the receipt of required regulatory approvals and the approval of Rayonier and PotlatchDeltic shareholders.

I've been pleased by the progress made during the initial phases of our integration planning, which is a testament to the cultural alignment of the two companies. Both organizations are very focused on the opportunity to create value for our shareholders through synergies, operational efficiencies and the sharing of best practices, and we look forward to providing further updates as we get closer to closing.

Moving to our third quarter financial results.

I'll make some high-level comments before turning it over to April Tice, Senior Vice President and Chief Financial Officer, to review our consolidated financial results. Then Doug Long, Executive Vice President and Chief Resource Officer, will comment on our Timber results. And following the review of our Timber segments, April will discuss our real estate results and our outlook for the balance of the year.

In the third quarter, we generated adjusted EBITDA of $114 million and pro forma net income of $50 million or $0.32 per share. Adjusted EBITDA roughly doubled compared to the prior year quarter, driven by strong performance in our Real Estate segment, improved results in our Southern Timber segment and favorable overhead costs, which were partially offset by lower results in our Pacific Northwest Timber segment.

In our Southern Timber segment, we generated third quarter adjusted EBITDA of $43 million, which was up 13% from the prior year period as increased harvest volumes more than offset a modest decline in weighted average net stumpage realizations. The 24% increase in harvest volumes versus the prior year quarter reflects drier weather conditions as well as the normalization of green log demand following significant salvage activity during the first half of the year.

While overall market conditions continue to be challenging, we are pleased with our operational execution and financial results during the quarter.

Turning to the Pacific Northwest Timber segment. Third quarter adjusted EBITDA of $6 million was roughly $2 million below the prior year quarter as higher log prices and lower costs were more than offset by a 34% decline in harvest volumes due to the Washington dispositions we completed at the end of last year.

In our Real Estate segment, we generated adjusted EBITDA of $74 million in the third quarter, up $54 million from the prior year period. The significant increase in adjusted EBITDA reflects a large contribution from a conservation sale in Florida as well as strong results in our real estate development business.

Turning to our outlook for the balance of 2025. We are on track to achieve full year adjusted EBITDA at or above the higher end of our prior guidance range, driven largely by the continued strong momentum in our real estate business.

With that, let me turn it over to April for more details on our third quarter financial results.

April Tice^ Thanks, Mark.

As you review our financial results for the quarter, please note that all periods presented have been retrospectively adjusted to recast the historical results of the former Trading segment into the Southern Timber and Pacific Northwest Timber segments as we have eliminated the Trading segment following the sale of our New Zealand business.

Moving to the financial highlights on Page 5 of the supplement.

For the third quarter, sales totaled $178 million, while operating income was $42 million and net income attributable to Rayonier was $43 million or $0.28 per share.

On a pro forma basis, net income was $50 million or $0.32 per share. Pro forma items in the quarter included a $7 million asset impairment charge associated with the fair value assessment of certain real estate assets that were part of the Pope Resources acquisition.

Our adjusted EBITDA was $114 million in the third quarter, up from $57 million in the prior year period.

Moving to our capital resources and liquidity at the bottom of Page 5.

Our cash available for distribution, or CAD, for the first nine months of the year was $154 million versus $77 million in the prior year period. The significant increase was driven by a combination of higher adjusted EBITDA, lower cash interest expense, higher interest income and lower capital expenditures. A reconciliation of CAD to cash provided by operating activities and other GAAP measures is provided on Page 8 of the financial supplement.

During the third quarter, we repurchased 1.2 million shares at an average price of $24.55 per share or $30 million in total, as we continue to believe that share repurchases represent a compelling use of capital.

As of September 30, we had $232 million remaining on our current share repurchase authorization. However given our pending merger with PotlatchDeltic, our ability to repurchase shares has been and will continue to be limited prior to the closing.

We finished the third quarter with $920 million of cash and roughly $1.1 billion of debt.

At quarter end, our weighted average cost of debt was approximately 2.4% and the weighted average maturity on our debt portfolio was approximately four years.

Our net debt to enterprise value based on our closing stock price at the end of the quarter was 3%, and our net debt was less than 1x the midpoint of our adjusted EBITDA guidance.

As a result of the taxable gains arising from the sale of our New Zealand joint venture interest, we declared a $1.40 per share special dividend on October 14, which will be paid on December 12 in a combination of cash and shares. The number of common shares issued as a result of the dividend will be calculated based on the volume weighted average trading prices of the company's common shares on the New York Stock Exchange on December 1st, 2nd and 3rd.

Similar to the dividend paid earlier this year by issuing shares to meet part of our REIT taxable income distribution requirement, we have retained significant flexibility for allocation priorities.

I'll now turn the call over to Doug to provide a more detailed review of our Timber results.

Douglas Long^ Thanks, April.

Let's start on Page 9 with our Southern Timber segment.

Adjusted EBITDA in the third quarter of $43 million was 13% above the prior year quarter as higher harvest volumes more than offset lower net stumpage realizations. Total harvest volumes increased 24% versus the prior year quarter as production improved due to drier weather conditions and increased demand for green logs as salvage operations in our

Atlantic region subside. Meanwhile, non-timber revenue was modestly lower compared to an exceptionally strong prior year period due to lower pipeline easement revenue.

Average sawlog net stumpage pricing was $27 per ton, a 3% decrease compared to the prior year period, primarily due to reduced sawmill demand, coupled with the lingering market impacts of elevated salvage volume earlier in the year. Pulpwood net stumpage pricing of roughly $14 per ton was 20% lower than the prior year quarter, driven by weaker demand following recent mill closure announcements, excess supply due to prior salvage operations and an unfavorable shift in geographic mix.

Overall, third quarter weighted average net stumpage realizations fell 5% versus the prior year quarter to roughly $20 per ton as lower pulpwood pricing was partially offset by an increased proportion of salt timber volume. Last quarter, we noted that salvage volume from hurricanes in 2024 was normalizing in our Atlantic markets, with mills shifting back for green log curement.

While salvage operations are largely in the rearview mirror, pricing improvements to date have been limited as recent mill closure announcements have tempered the pulpwood demand outlook in certain market areas.

Looking beyond the current market headwinds, we continue to expect the supply side of the equation to tighten significantly in these markets over the next several years. The Georgia Forestry Association estimates that approximately 26 million tons of pine and 30 million tons of hardwood were impacted by last year's hurricanes, a substantial hit to regional supply that the market will contend with for years to come.

In gray markets, soft end market demand, coupled with weaker residual markets, led some sawmills to reduce production during the quarter. Although construction activity is slowing seasonally, we expect U.S. lumber production to eventually ramp up in response to higher duties on Canadian lumber imports, the recently announced Section 232 tariffs of 10% on all softwood lumber imports and the prospect of additional interest rate cuts and improved housing demand as we move forward.

In pulpwood markets, conditions remain challenging through Q3. Mill closures announced earlier this year in the Gulf region, followed by more recent announcements in Atlantic markets have reduced regional demand and weighed on pricing.

In our Gulf markets, dry conditions led to softer pricing but allowed us to harvest some difficult access areas.

In the Atlantic, retail mill closures have resulted in some pricing pressure as wind flows adjust to these new demand patterns.

As we move forward, we are optimistic that the recent capacity reductions to support improved operating rates across the remaining containerboard mill base, although the benefits will vary by region given the localized nature of pulpwood markets.

Moving to our Pacific Northwest Timber segment on Page 10.

Third quarter adjusted EBITDA of $6 million was 26% below the prior year quarter due to lower harvest volumes, partially offset by higher log prices and costs. Total harvest volumes decreased 34% in the third quarter as compared to the prior year period, reflecting the impact of the Washington dispositions we completed late last year.

At $100 per ton average delivered domestic sawlog pricing, the third quarter increased 5% from the prior year period, primarily due to a favorable species mix. Meanwhile, at $36 per ton, pulpwood pricing was up 20% versus the prior year quarter.

While lumber prices softened during the quarter, leading mills to build inventories, reduce production and implement quotas, we remain confident in the region's positioning for the structural changes ahead. Lumber produced in Pacific Northwest competes more directly with Canadian production making those in the region, particularly well positioned to capture market share as higher duties constrain the supply hearing from Canada. The region should also benefit from the Section 232 tariffs on imported lumber further supporting domestic producers over time.

I'll now turn it back over to April to cover our real estate results. April?

April Tice^ Thanks, Doug.

As detailed on Page 11, the contribution from our Real Estate segment during the third quarter was significantly above the prior year quarter due to a higher number of acres sold, partially offset by a lower weighted average price per acre. Real estate revenue totaled $91 million on roughly 23,300 acres sold at an average price of $3,500 per acre, which included a 21,600 acre conservation sale in Florida. Real Estate segment adjusted EBITDA in the third quarter was $74 million, above our prior guidance range of $50 million to $65 million due to the successful closing of the large conservation sales as well as better-than-expected results in our improved development category.

Drilling down, sales in our improved development category totaled $21 million, with our Wildlight development project contributing $17 million, and our Heartwood development project contributing $4 million.

Sales in Wildlight consisted of three residential pods totaling 212 acres at an average price of $78,000 per acre. These sales represent the first closings within the second phase of entitlements at Wildlight or DSAP 2, which allows for the development of about 15,000 homes and 1.4 million square feet of commercial uses.

Key infrastructure supporting DSAP 2 was completed during the third quarter, and we were excited to announce the initial builders involved in this new face of Wildlight during September.

As we have discussed in the past, we will capture additional value from these pod sales through participation fees received from the homebuilders as deliveries occur based on the final home sale prices.

Heartwood sales in the quarter consisted of a 14-acre parcel for the development of a senior living community for $4 million or $271,000 per acre.

We also sold a 2-acre commercial used parcel in Kitsap County, Washington, for roughly $400,000 or $200,000 per acre.

Overall, we continue to see a favorable growth trajectory for both Wildlight and Heartwood moving forward. The work we've done over the last several years to build our entitlements pipeline, enhance infrastructure and catalyze these markets continues to translate into strong interest from both commercial and residential end users.

In the rural category, third quarter sales totaled $7 million, consisting of approximately 1,500 acres at an average price of roughly $4,800 per acre.

We experienced a fairly light quarter of closing activity, but our pipeline for rural land sales remain strong, and we continue to see healthy interest from potential buyers.

Timberland and nonstrategic sales during the quarter totaled $53.5 million, which consisted of a 21,600 acre property in Levy County, Florida, sold to a conservation-oriented buyer for roughly $2,500 per acre.

We view this property as nonstrategic as it was only 55% plantable, had an average plantation age class of just seven years and was fairly distant from our core holdings in the region. The pricing we achieved on this sale reflects a strong premium to timberland value and a strong return on our original investment, and we're pleased that the property will now provide a unique recreation and conservation area in the state of Florida.

Now turning to our outlook for the balance of 2025.

As Mark discussed earlier, we are on track to achieve full year adjusted EBITDA and pro forma EPS at or above the higher end of our prior guidance range of $215 million to $235 million and $0.34 to $0.41, respectively.

With respect to our individual segments, starting with our Southern Timber segment, we expect full year adjusted EBITDA will be modestly below our prior guidance range, due to continued softness in end market demand and lower anticipated harvest volumes.

In our Pacific Northwest Timber segment, we expect full year adjusted EBITDA toward the lower end of our prior guidance range, as the anticipated improvement in lumber markets from the increase in duties on Canadian imports has been slower to materialize than previously expected.

In our Real Estate segment, we expect full year adjusted EBITDA to exceed the high end of our prior guidance range due to our strong third quarter results and our transaction pipeline for the remainder of the year.

And as in recent quarters, we are providing quarterly guidance for our overall adjusted EBITDA and EPS to help manage expectations around quarter-to-quarter variability.

For the fourth quarter, we currently expect net income attributable to Rayonier of $13 million to $17 million, EPS of $0.08 to $0.11 and adjusted EBITDA of $50 million to $60 million.

I'll now turn the call back to Mark for closing comments.

Mark McHugh^ Thanks, April.

As we wrap up our comments on the quarter, I'd like to commend our team for their relentless focus on operational execution amid challenging market conditions.

We continue to focus on optimizing our near-term financial results while also advancing important strategic initiatives and allocating our capital with a view towards building long-term value per share.

As we discussed last quarter, housing starts and repair and remodel activity have underwhelmed in 2025.

However we are optimistic as we approach 2026 that a combination of factors including higher duty rates, new tariffs stemming from the Section 232 investigation and lower mortgage rates will collectively drive increased U.S. lumber production, which should be a positive for U.S. timberland owners.

In addition, with greater clarity on tariffs, and anticipated improvements in pulp and paper mill operating rates, we're optimistic that our pulpwood customers will see fundamentals improve next year as well.

In our real estate business, we are on pace for another strong year in 2025. We continue to capitalize on opportunities to unlock value across our portfolio given the continued strong demand for our rural properties, the healthy interest from conservation-oriented buyers and the favorable momentum at both our Wildlight and Heartwood development projects.

On the land-based solutions front, our team continues to advance solar, carbon capture and storage and carbon offset project opportunities with high-quality counterparties.

I remain very encouraged about the long-term value creation potential from our land-based solutions business. In particular, the substantial capital that continues to flow into AI and data center infrastructure is driving significant growth in energy demand and utility solar remains poised to play a major role in meeting the need for cost-effective renewable energy.

Turning to the merger with PotlatchDeltic.

I see a tremendous runway for the combined company as significant strategic and financial benefits will be realized by combining our portfolios and our teams.

Our shareholders will benefit from a more diversified timberland portfolio, a complementary Wood Products manufacturing business and an enhanced platform to unlock value through HBU real estate opportunities as well as natural climate and land-based solutions.

We continue to estimate run rate synergies of $40 million by the end of year two, which will be primarily driven by corporate and operational cost optimization.

Integration planning is progressing well and our teams are working to position the combined company to hit the ground running following the closing of the merger.

In sum, while timber markets continue to face some headwinds, our team is focused on navigating the current environment with a long-term perspective and we're energized by the significant value creation potential that we see on the horizon.

That concludes our prepared remarks, and I'll now turn the call back to the operator for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) The first question in the queue is from Mark Weintraub with Seaport Research Partners.

Mark Weintraub^ So definitely lots of positive developments, it seems on the real estate side. And maybe I wanted to get a little bit an update on how sustainable some of like the increased activity in the various categories might be as you see it?

And then separately, though, also on the pulpwood side, it's quite challenging. And in the past, there has been conversations about alternative demand sources. And just curious whether or not you have any updated views on whether there might be any developments there to help offset some of the lost demand we've seen as mills have shut.

Mark McHugh^ Mark, this is Mark. I'll take the first question on real estate, and then I'll turn it over to Doug to address the pulpwood question.

As we discussed in the past, real estate sales are invariably going to be lumpy. And in this particular quarter, we had a large conservation sale as well as a pretty strong results in our development business. Recognize that it can take quite a while for a conservation transaction of this scale to come together, this particular transaction has actually been in the works for about a year now.

So even though it's a lower price per acre than we typically see for some of our smaller rural HBU transactions, we still felt that the value was pretty compelling given the timberland attributes relative to the conservation potential of this particular property.

Look, if we can realize a significant premium to underlying timberland value and even more significant premium the implied public market trading value of our lands, we see that as a smart arbitrage opportunity.

So this level of real estate activity is certainly not going to be the type of thing we're going to see on a regular basis. But we were very pleased to have a couple major transactions get over the finish line in the third quarter.

Douglas Long^ Mark, this is Doug. I'll take the second part of your question around the pulpwood.

Yes, as you know we're always looking at other strategic alternatives to diversify our pulpwood markets, kind of beyond our traditional domestic pulp and paper customers. And while not nearly as meaningful as it was before China ban logs from the U.S., we started to see some renewed export activity to other markets, particularly in that area. And as part of the larger trade barrier negotiations, the Trump administration is actively involved in seeking some regulatory relief for timber exports to Europe, specifically challenging to ease restrictions on fumigation for southern yellow pine chips.

So this is one is an important market for pulpwood chips. And so we're kind of actively involved in that and seeking to see what happens there.

But there's also been renewed interest from the European side as we're looking for European deforestation, free regulation compliant fiber. So I think there's definitely a push from our side and there's some interest from the other side, and we'll see that plays out.

But probably going more to what you're talking about. The volatility and the policy shifts that have happened over the last year or so, I guess, let's say, put more risk in large scale investments for biofuel refineries and things like that currently.

But we're still seeing growing demand globally for products such as sustainable fuel and biofuels for those industries are hard to abate like aviation shipping. And so this opportunity continues to work, but I'd say it's much more behind the scenes now. So you don't see as many press releases about it and things like that as folks are keeping their head down and trying to work through that.

So announced projects in Louisiana and East Texas, totaling over $10 billion investment, and they're backed by major airlines and then some Japanese investors could collectively consume several million tons of woody biomass annually in that area. And to date, best of our knowledge, none of those have achieved final investment decision, but successful execution of any of those facilities would establish that biofuels market and be a significant new demand for southern timber markets.

In addition to that, our land-based solutions team continues to see strong interest in the voluntary carbon market but not only for IFM projects also for use of pine biomass for carbon dioxide removal credits. And you think things like biochar or biocoke and different things like that, while these individually won't be as a multibillion-dollar refinery, they are a fraction of the cost to establish and they're replicable.

So you can build one of these for something in the tens of millions of dollars. And so if you have those in specific wood basket, it could be meaningful for that area. So we continue to work with folks on projects like this and seek that and believe that there's a good opportunity for those in the near future.

Operator^ The next question in the queue is from Matthew McKellar with RBC Capital Markets.

Matthew McKellar^ First, for me, the comment about the volume of timber destroyed in Georgia through last year's hurricanes was pretty interesting. Do you have a sense in percentage terms of how much less potential supply there should be in that market over the next few years?

Douglas Long^ Yes. I don't have a quantitative percentage. I just have more of an anecdotal from driving around and seeing the devastation. And I would say -- it's definitely significant.

I mean, Georgia is a large timber production state, so don’t get me wrong, there is still a lot of timber there for the existing mills, but it has definitely put a significant dent. When you drive around, there are a lot of stands that were younger harvested than they should have been and a lot of mature stands that were not harvested. So I can’t quantify it, but qualitatively, I can say it’s definitely going to be impactful for the near term, for sure.

Matthew McKellar^ That's fair enough. That's helpful. And then just a quick one on real estate. Are you seeing any differences in strength of rural real estate sales by geography compared to maybe one or two years ago?

Mark McHugh^ Yes. I wouldn't say it's really changed. I mean our strongest HBU markets continue to be Texas and Florida. And really, that's where we see the most opportunity. And again, I think it's worth noting that we have a large portfolio in both areas. And so if you look at our historical HBU realizations, I think that they've generally been sector-leading. And so we expect that, that will continue.

Operator^ And the next question in the queue is from Ketan Mamtora with BMO Capital Markets.

Ketan Mamtora^ Maybe to start with, on the South Timber, there was a pretty nice uptick in that non-timber sales line. Can you just give us some sense of kind of what is driving that? And how should we think about it going forward?

Douglas Long^ Yes. This is Doug. I'll take that.

Yes. So that nice uptick in Q3 was probably around pipeline easements. We had similar kind of uptick last year in that. So these are kind of episodic as they happen, but we do tend to have them almost every year, they come through. And so just coincidence, they happen to be both in the same in the Q3.

But so that's something we see, and particularly as we've seen growth in the area and support for the kind of oil and gas industry as well as carbon capture storage industries, we see there's opportunities for pipelines to continue on going forward. But that was kind of a onetime in Q3.

That said, we expect to have more of those. We're in negotiations talking to folks about those. So they kind of continually are in discussions year-over-year on these things, and they just happen to be when they occur. It sound like real estate, they happen at one time.

Ketan Mamtora^ Understood. Okay. No. That's helpful. And then Doug, one more on the pulpwood dynamics, you kind of mentioned a lot of other potential revenue streams. Do you have a sense on how should we think about the timing of some of these things materializing for actual pulpwood demand? Is it -- are we talking about a couple of years? Are we talking about three to five years? How would you have us think about it?

Because we've seen a number of these mill curtailments the pulp paper side here in the U.S. South. So beyond -- if you just see the cyclical element aside, just structurally, there has been a lot of demand pressure on the pulpwood side.

Douglas Long^ Yes. I think the traditional expense we've heard about it, Georgia-Pacific-Altona River and IP Riverdale and places like that. Those are going to be more immediate, obviously those are traditional manufacturing where they're making adjustments. And so I think those are going to be very short term.

When you talk about things like the biofuels biorefineries, you're right, those are still -- I mean I think those are five years out, those are not quick.

The other ones I mentioned that the smaller ones are generating other uses from biomass. I believe those are shorter term. Those could be in that several year type of opportunity.

I think that's -- one of the things I would say also, just with respect to pulpwood markets, they are very regional. And one thing, while we never want to see mills close down as we've seen in one area, it tends to help the operating rates in other areas.

So we have seen other areas of the opportunities where mills start operating 5% and 10% more than they were before. So hopeful to see those end markets recover for them, and then we see them really start to make progress.

Ketan Mamtora^ Got it. And that's in the short term. I'm talking about, let's say, one to two years. Is there anything you can do to modulate harvest for pulpwood here, given sort of the current pricing dynamics? Is that -- do you have kind of much flexibility to do that?

Douglas Long^ There's some ability, I'd say it's probably more on the sawlog side of things and that a lot of times, the pulpwood is coming along. We don't typically go out and just harvest a pulpwood stand, so it's often part of the harvest of a sawlog stand, or it's part of our silviculture regime for thinning. And so you can do some things there, but the reality is a lot of that is part of the process we're working through.

So I would say it's more on the sawlog side we have that flexibility. But we do have some flexibility around there. What more we have is flexibility to move it geographically with our kind of spread from South Carolina to Georgia to Texas across the south.

If we see weakness in a particular market, we can shift away from that market for a period of time and harvest in other areas and hope to see some more balance come back in play. So I'd say really being able to shift volumes around across the diversity of the asset is an important part of that process.

Mark McHugh^ Ketan, this is Mark.

I would note that we've also been continuing to shift our product mix increasingly towards sawtimber. So while we saw a pretty material decline in pulpwood pricing on a period-over-period basis, that the mix of sawtimber improved. So the weighted average decline was actually quite a bit less than that.

So that's a trend that we continue to -- we expect to continue to increase in that direction. And so that's a positive shift just in terms of long-term outlook.

Operator^ And the next question in the queue is from Buck Horne with Raymond James.

Buck Horne^ Just a quick question on capital allocation thoughts going into year-end. I fully appreciate that you guys are somewhat limited on repurchases until the deal closes, and you still have to get through the special dividend process and all those calculations.

But thinking out maybe into early next year, if this massive public versus private market timber disconnects were to persist. I'm wondering as you've had a chance to kind of evaluate both the combined portfolios, what would your thoughts be around potentially accelerating some noncore timber dispositions to try to -- you need to prove out this disconnect or reallocate capital to more accretive uses?

Mark McHugh^ Yes. Maybe just at a high level from a capital allocation standpoint, recognizing that we're anticipating the merger with PotlatchDeltic to close early next year.

As we discussed in the merger call a few weeks ago, I'd say the Rayonier and PotlatchDeltic share a very similar philosophy on capital allocation. I'd say we've both been nimble and opportunistic with a view towards building long-term value per share. We both shied away from putting out prescriptive targets as market conditions and the merits of different capital allocation strategies can certainly change over time. And sometimes, it can change pretty rapidly.

I'd say the playbook we've followed historically as two separate companies will likely be very similar going forward as a combined company. We laid out some of those key capital allocation priorities in the presentation materials for the merger call. That includes maintaining an investment-grade balance sheet, growing our dividend over time and investing in growth opportunities, when we think it makes sense to do so.

To your point, we also see share buybacks is very compelling at the current share price, and we expect to have ample flexibility to be opportunistic on that front after we close the merger as well recognizing that at least in the near term, we will be navigating some of these regulatory hurdles.

Buck Horne^ Appreciate that. And just kind of as a follow-up. I mean as it stands today, obviously the stock price is dynamic and things like that. But if we were in a similar position a few months out from now, what would be a more accretive or attractive use of incremental capital for you potentially repurchases? Or reinvesting or growing the Potlatch Wood Products division?

Mark McHugh^ Yes. Again, our philosophy on capital allocation is to play the hand that we're dealt. Certainly, in the current environment, assuming kind of status quo, where the stock price is today on a post-closing basis, we continue to believe that buybacks are very compelling.

But again, we view the Wood Products manufacturing business is just another tool in the capital allocation toolkit. And if we see an opportunity for high return projects there, we will certainly evaluate that.

But we're going to look at that through the same lens as we look at and any other capital allocation priority, it's really with a view towards building long-term value per share and what's the best alternative. Hard to -- it's a pretty high bar, though, for external growth right now kind of given where the stock price is.

Operator^ (Operator Instructions) The next question in the queue is from Michael Roxland with Truist Securities.

Michael Roxland^ Congrats on all the progress. Doug, I just wanted to follow up, not trying to beat this topic of death here. But just on pulpwood in the U.S. South, you mentioned the potential for once some of these mills are closed for the remaining assets of these companies to run at higher utilization rates and they will consume more pulpwood. But that's -- you're still going to be -- it's going to be a net loss, right? You're not going to see one for one. Is that fair to say?

Douglas Long^ Yes. That's fair to say. I'd say we've seen growth in both the pulp business and the OSB business over time and continue to see more investments in that. But to your point, in specific markets, there's going to be excess pulpwood over demand.

Michael Roxland^ Got it. All right. Perfect. And then just on the Pacific Northwest. Last quarter, you mentioned not seeing any tension there. It sounds like that those conditions have persisted in 3Q as well. Or are there any signs of things that are going to change? What are you seeing in the Pacific Northwest? Is there -- I mean I think one of the overhangs was maybe going back a quarter or so is -- there's lumber inventories in the channel.

I think a lot from what I've been hearing a lot has been worked through. Wondering if the Pacific Northwest is not positioned in a better place where you could start to see some tensioning whether it be through less supply or just for maybe housing picking up in near term sometime next year.

So any color you have in the Pacific Northwest and what's happening and why there's still a lot of -- why it's not as tensioned as I think it should be.

Douglas Long^ Yes. Sure. Kind of two questions there. I think one thing kind of on -- just going back on the pulpwood side of things, and obviously a lot of questions around that.

I think we're -- on that -- a lot of questions has been around basically how we see those things. The one thing I talked about is that one of the things we've seen where we've had the pulp mill closures in our operating area is that like the IP mills that closed in the Savannah area, we have eight other major pulpwood outlets within 100 miles that shuttered mill basically. So kind of different in some places where a mill shut down and then there wasn't much demand there.

We still have quite a few mills that are within a short distance of our -- or a short minimal haul distance for our operating region there in that northeast corner. So while we see those impacts are significant, I think the hurricane impacts have also been a major impact in that area. And so we're still working through what that looks like and [contends] there.

So it's kind of -- we're optimistic that there's improved operating rates that I mentioned before, these other mills, will help in some of that process of offsetting that and fiber will find its way around, just kind of following up on that one.

But moving to the Northwest, you're right, that market has softened a little bit in recent months, and that was not what we kind of thought was going into here. Earlier there was a pretty substantial premium on Douglas fir lumber, and that helps support log pricing, but that premium has eroded as we haven't seen that in demand really grow as much as we thought.

Last call, we talked about some before the tariffs went in place, that there was a considerable amount of lumber that came from Canada into the Pacific Northwest and really all the way into Houston basically in the United States. And so I think we're still seeing with a more muted demand working through that as we go forward. So I think that's part of why we haven't seen that kind of response we thought we'd see.

The good news is most facilities, they have spare capacity and they can ramp up quickly to your point. So if we start to see that in demand happen, I think we'll see some improvement there.

Log inventories kind of this type of year typically start to get constrained by weather. So -- and so that's an important part of this process.

But lumber inventories right now in that area in particular still remain a bit elevated. And so that's something we need to see work through.

In the South, I've heard of some mills basically taking some slower production time going through the holidays basically and trying to come out here with lean inventories as they move forward. Just don't want that inventory in the books.

I think we're seeing a little bit in the Northwest also. We've heard about some recent mills, talking about taking some downtime and shutting some shifts down.

So I think what we're seeing is folks are trying to kind of constrain and restrict that lumber inventory. They built up thinking things are going to go great when tariffs went in place. We've seen that kind of muted demand, still need the housing and repair and remodeling took the step back, which we see these -- hopefully, we see these forecasted reductions in rates going into next year, and we'll see that happen.

So I think there is some optimism, but at the same point in time, people don't want to just keep cutting wood on top of what they have.

So I think you mentioned that the China markets and that has historically been something that provided pricing support. And while we don't have that now, I do believe that the Douglas fir, the SPF market is a strong market, and it can recover very quickly. We've seen this happen before in that market where things can swing quite quickly.

So if we see a housing demand kind of start to rebound, I think it's going to be one of the first places with the well-tensioned markets, where we'll see that response come back.

Operator^ And I'm showing no further questions at this time and we'll turn the call over to Collin Mings.

Collin Mings^ All right. This is Collin Mings. I'd like to thank everybody for joining us. Please contact us with any follow-up questions.

Operator^ This concludes today's call. Thank you for your participation. You may disconnect at this time.