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PRESENTATION

Operator

Welcome, and thank you for joining Rayonier's Fourth Quarter and Year-end 2022 Teleconference 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 Philip Mings ***Rayonier Inc. - VP of Capital Markets & Strategic Planning***

Thank you, and good morning. Welcome to Rayonier's investor teleconference covering fourth 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 lists some of the factors that cause actual results to differ materially from the forward-looking statements we may make. They are 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 Dave Nunes, our CEO. Dave?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Thanks, Collin. Good morning, everyone. First, I'll make some high-level comments before turning it over to Mark McHugh, President and Chief Financial Officer, to review our consolidated financial results. Then we'll ask Doug Long, Executive Vice President and Chief Resource Officer, to comment on our U.S. and New Zealand timber results. And following the review of our timber segments, Mark will discuss our Real Estate results as well as our outlook for 2023.

We are pleased with our overall financial performance in 2022, particularly given the challenging macroeconomic backdrop that developed during the course of the year. For the full year, we generated GAAP earnings per share of $0.73, pro forma earnings per share of $0.62 and adjusted EBITDA of $314 million. Notably, our 3 timber segments generated total adjusted EBITDA of $275 million, representing the highest ever result for the company and roughly 8% above the previous record achieved in 2021.

Despite deteriorating market conditions towards the end of 2022, in response to rising interest rates, growing macroeconomic uncertainty and a slowing U.S. housing market, we still achieved record full year adjusted EBITDA in both our Southern and Pacific Northwest Timber segments. We believe this underscores the relative strength of our timber markets and the ability of our team to navigate an ever-evolving operating environment.

The strong full year results in our U.S. timber operations were partially offset by lower adjusted EBITDA versus the prior year in our New Zealand Timber segment, which contended with slower economic activity in China as well as higher operating costs.

Meanwhile, in our Real Estate segment, we achieved solid results that were generally in line with our expectations entering the year, reflecting our continued focus on optimizing the value of our portfolio through the sale of rural and recreational properties, land entitled for development and nonstrategic holdings.

As Mark will discuss in greater detail later in the call, we are providing full year 2023 adjusted EBITDA guidance of $280 million to $320 million. This is a wider range than we've historically provided for full year adjusted EBITDA guidance, which reflects heightened macroeconomic uncertainty as well as log pricing headwinds entering the year. That said, we've seen some recent signs of end market improvement, including increased wood products pricing, a more stable interest rate environment and improving homebuilder sentiment which suggests that timber market conditions may be poised to rebound to some extent, which is reflected in the higher end of our guidance range.

Stepping back to the fourth quarter, we generated adjusted EBITDA of $68 million and pro forma earnings per share of $0.11. Fourth quarter adjusted EBITDA increased 36% versus the prior year quarter as stronger results in our Pacific Northwest and New Zealand Timber segments as well as higher -- a higher contribution from our Real Estate segment more than offset a slightly lower contribution from our Southern Timber segment.

Drilling down deeper -- further on our operating segments. Our Southern Timber segment generated adjusted EBITDA of $33 million in the fourth quarter, which was 1% below the prior year period. While weighted average net stumpage realizations increased by 7% versus the prior year quarter, this was more than offset by an 11% decrease in harvest volumes. In general, our Southern Timber segment continued to benefit from our concentration in some of the most tensioned log markets across the U.S. South, although both demand and pricing were impacted late in the fourth quarter, as market conditions deteriorated.

In our Pacific Northwest Timber segment, we achieved fourth quarter adjusted EBITDA of $16 million, up 18% from the prior year quarter. The year-over-year increase was attributable to 17% higher weighted average log prices and a 3% increase in harvest volumes. Our operations in the region continued to benefit throughout the fourth quarter from favorable supply-demand dynamics as domestic lumber markets, export markets and pulpwood markets competed for a limited supply of logs.

Turning to our New Zealand Timber segment. Fourth quarter adjusted EBITDA of $14 million increased 39% from the prior year period due to increased carbon credit sales and 7% higher harvest volumes, which more than offset lower log pricing amid continued export market headwinds.

In our Real Estate segment, we generated adjusted EBITDA of $14 million in the fourth quarter, up significantly from $3 million in the prior year period. The improved results were driven by increased sales in the Wildlight development project north of Jacksonville, Florida, as well as a higher number of rural acres sold and higher per acre value realizations versus the prior year period.

Despite the increase in interest rates as compared to a year ago, demand for rural land remains strong as we enter 2023, and we continue to be pleased by the favorable momentum in both our Wildlight and Heartwood development projects.

As previously announced, in the fourth quarter, we also completed the acquisition of approximately 137,800 acres of high-quality commercial timberlands located in Texas, Georgia, Alabama and Louisiana for an aggregate purchase price of $454 million from Manulife Investment Management, a leading timberland investment manager. The acquired properties are well stocked and highly productive timberlands located in some of the strongest timber markets in the U.S. South. We are pleased to have successfully integrated these properties into our portfolio and have been encouraged by the customer response to our initial timber sales from these assets. Looking ahead, we're very excited about managing these timberlands for long-term value creation.

And with that, let me turn it over to Mark for more details on our fourth quarter financial results.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Thanks, Dave. Let's start on Page 5 with our financial highlights.

Sales for the fourth quarter totaled $245 million, while operating income was $44 million and net income attributable to Rayonier was $33 million or $0.22 per share. On a pro forma basis, net income was $16 million or $0.11 per share. Pro forma items in the fourth quarter included $16.6 million of income from large dispositions and a $0.4 million favorable adjustment to a timber write-off taken in the third quarter. Adjusted EBITDA was $68 million in the fourth quarter, up from $50 million in the prior year period.

On the bottom of Page 5, we provide an overview of our capital resources and liquidity. Our cash available for distribution, or CAD, for the full year was $189 million versus $208 million in the prior year period. The decrease was primarily driven by lower adjusted EBITDA, higher cash taxes and higher capital expenditures, partially offset by lower cash interest paid. As previously discussed, cash taxes were elevated in 2022 due to the required timing of estimated tax payments for our New Zealand subsidiary, following the full utilization of its NOLs. 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 fourth quarter, we closed on the previously announced 5-year $250 million incremental term loan through the farm credit system to partially fund the U.S. South acquisitions that Dave discussed. The company also entered into an interest rate swap agreement to fix $100 million of the term loan at an all-in effective cost of approximately 4.6% net of estimated patronage refunds. Additionally, in the fourth quarter, we replaced our prior at-the-market, or ATM, equity offering program with a new $300 million ATM program.

During the quarter, we raised approximately $30 million through the new ATM program at an average price of $35.51 per share. We continue to view the ATM as a cost-effective tool to opportunistically raise equity capital and fund capital allocation priorities.

In sum, we closed the fourth quarter with $114 million of cash and $1.5 billion of debt. At year-end, our weighted average cost of debt was approximately 3% and the weighted average maturity on our debt portfolio was approximately 6 years with no significant debt maturities until 2026. Our net debt of approximately $1.4 billion represented 22% of our enterprise value based on our closing stock price at the end of the year.

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

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Thanks, Mark. Good morning. Let's start on Page 9 with the Southern Timber segment. Adjusted EBITDA in the fourth quarter of $33 million was 1% below the prior year quarter, driven by lower harvest volumes, largely offset by higher net stumpage pricing, lower leased land reforestation costs and higher non-timber income. Volume decreased 11% versus the prior year quarter as macroeconomic headwinds led to softer demand in certain markets, particularly for pulpwood.

Average sawlog stumpage pricing was $34 per ton, an 11% increase compared to the prior year period. The improved pricing reflected healthy demand from sawmills across most of our operating areas, despite a significant decline in lumber prices relative to the prior year period. Meanwhile, pulpwood net stumpage pricing decreased 1% to roughly $21 per ton versus the prior year quarter, primarily due to weaker end market demand and an increase in available supply as a result of drier weather conditions.

Overall, weighted average stumpage prices in the fourth quarter improved 7% versus the prior year quarter to nearly $26 per ton.

Entering 2023, we have seen some decline in both sawtimber and pulpwood pricing compared to the fourth quarter as our customers are approaching the New Year cautiously, given the slowdown in residential construction activity and other macroeconomic challenges. Notwithstanding these near-term headwinds, we believe that the longer-term outlook for Southern timber prices remains favorable. Specifically, we expect that lower lumber pricing will lead to additional sawmill curtailments in British Columbia, which should allow the U.S. South to continue to capture a greater market share of North American lumber production. Importantly, we also anticipate that the Southern Timber markets with more favorable supply-demand dynamics and corresponding price elasticity will benefit disproportionately from this transition relative to the U.S. South as a whole.

Moving to our Pacific Northwest Timber segment on Page 10. Adjusted EBITDA of $16 million was 18% higher than the prior year quarter. The year-over-year increase was driven by the sale of a timber reservation to a conservation group. Higher net stumpage realizations, lower costs and higher volumes, partially offset by lower non-timber income. Volume increased 3% in the fourth quarter as compared to the prior year period, primarily due to labor strikes in the region, causing a reduction in supply of pulpwood and residuals on the market.

Turning to pricing. At nearly $112 per ton, our average delivered sawlog price in the fourth quarter was up 14% from the prior year period, primarily driven by strong demand from domestic lumber mills as well as a favorable species mix with a higher proportion of Douglas fir volume.

Meanwhile, fourth quarter pulpwood pricing of $66 per ton increased 80% over the prior year quarter, reflecting strong end-market demand, coupled with supply constraints due to fewer residuals and increased competition from mills for limited supply of smaller-sized logs. However, similar to the U.S. South, in Pacific Northwest, we have seen declines in both sawtimber and pulpwood pricing in early 2023 as compared to the relatively strong pricing realizations we achieved throughout 2022. A slowdown in residential construction activity has weighed-on lumber prices and, in turn, sawtimber prices, while pulpwood pricing has retreated from the exceptionally high levels achieved at the end of 2022 due to softening demand as well as the temporary curtailment of a mill in the region.

Although current market conditions are more challenging, we believe our nimble approach to operational decision-making, the relative strength of our markets and the optionality offered by our export market capabilities position us well to adapt to ongoing changes in the operating environment.

Moving to New Zealand. Page 11 shows results in key operating metrics for our New Zealand Timber segment. Adjusted EBITDA in the fourth quarter of $14 million was $4 million above the prior year quarter. The increase in adjusted EBITDA compared to the prior year quarter was driven by increased carbon credit sales and higher harvest volumes, partially offset by lower net stumpage realizations and unfavorable foreign exchange impacts.

Average delivered export sawtimber prices of $111 per ton declined 16% as compared to the prior year quarter, reflecting reduced demand from China. While our New Zealand export business faced a number of headwinds last year, we're optimistic that the recent relaxation of COVID-19 containment measures and fiscal support of the property sector by the Chinese government will lead to a gradual increase in export log demand and pricing versus the prior year.

In addition, Chinese port inventories were at relatively normalized levels heading into the Lunar New Year, which coupled with ongoing supply side constraints, including a reduced flow of European salvage logs into China and the ongoing Russian log export ban provide us with further optimism that the export market will gradually improve as the year progresses. On the cost side, we expect the decline in freight rates versus the elevated levels seen in 2022 should contribute to improved margins year-over-year.

Shifting to the New Zealand domestic market. Fourth quarter average delivered sawlog prices declined 20% from the prior year period to $65 per ton, largely driven by a sharp decline in the New Zealand dollar, U.S. dollar exchange rate. Excluding foreign exchange impacts, domestic sawtimber prices decreased 5%, reflecting weaker domestic market demand due to reduced competition from export markets as well as higher mortgage rates negatively impacting the demand for construction materials.

Domestic pulpwood prices in New Zealand were likewise impacted by foreign exchange rates, declining 24% on a U.S. dollar basis compared to the prior year quarter.

Excluding foreign exchange impacts, domestic pulpwood prices declined 9%, reflecting less competition from export markets for lower quality logs. While log markets in the New Zealand remained challenging in the fourth quarter, nontimber income in New Zealand, which primally reflects carbon credit sales, continue to bolster our financial results during $9.1 million of revenue in the quarter. Going forward, we plan to remain opportunisitic in our sale of carbon credits, depending on carbon credit market conditions and our pricing outlook.

Lastly, in our Trading segment, we posted a slight operating profit in the fourth quarter. As a reminder, our trading activities typically generate low margins and are primarily designed to provide additional economies of scale to our fee timber export business.

I'll now turn it over to Mark to cover our real estate results.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Thanks, Doug. As detailed on Page 12, our Real Estate segment delivered strong results in the fourth quarter. Real estate sales totaled $57 million on roughly 13,100 acres sold, which included a large disposition in Washington, consisting of roughly 11,000 acres sold to a conservation-oriented buyer for approximately $30 million. Excluding this transaction, fourth quarter sales totaled $27 million on roughly 2,100 acres sold at an average price of over $13,700 per acre.

Real Estate segment adjusted EBITDA in the fourth quarter was $14 million. Drilling down, sales in the improved development category totaled $17 million, including $15 million of sales from our Wildlight development project north of Jacksonville, Florida; $700,000 for an industrial use parcel in Kitsap County, Washington; and $400,000 from our Heartwood development project south of Savannah, Georgia.

Sales in Wildlight included a $7.3 million sale of 87 acres to an industrial park developer and a $3 million sale of 16 acres for a senior housing community. On the residential side, we also sold a 74 lot residential pod to a national homebuilder for $4.3 million and 13 developed lots for $800,000 at an average base price of $65,000 per lot.

Sales in our Heartwood development project consisted of 10 developed residential lots at an average base price of roughly $43,000 per lot. While Heartwood is still in its early stages, we are excited about the 2 new Hyundai facilities that have been announced in Bryan County, Georgia. With an estimated 9,500 jobs being created within a 30-minute drive from Heartwood, we believe the project is well situated to capture incremental demand from these facilities as well as the ancillary suppliers they are likely to attract.

Overall, our Wildlight and Heartwood development projects continue to benefit from favorable migration and demographic trends, relatively affordable price points and a diverse mix of residential, commercial and industrial end uses that each help to catalyze demand for one another.

Turning to the rural category. Fourth quarter sales totaled $12 million, consisting of approximately 2,000 acres at an average price of roughly $6,200 per acre. Key transactions included the sale of 615 acres in Nassau County, Florida for $3.8 million or roughly $6,300 per acre and the sale of 290 acres of former Pope Resources property in Jefferson County, Washington for $4.1 million or $14,200 per acre.

Now moving on to our outlook for 2023. Page 14 shows our financial guidance by segment and Schedule G of our earnings release provides a reconciliation of our guidance from net income attributable to Rayonier to adjusted EBITDA. For full year 2023, we expect to achieve adjusted EBITDA of $280 million to $320 million. Net income attributable to Rayonier of $52 million to $73 million and EPS of $0.36 to $0.50.

As noted in our earnings release, we generally expect the results in the first half of the year will be meaningfully lower than results in the second half of the year as end market demand continues to normalize following the rapid rise in interest rates and associated market volatility. We further expect the year-over-year net income attributable to Rayonier and EPS will be impacted by increased depletion rates in our Southern Timber segment following the completion of the U.S. South acquisition that Dave discussed earlier.

With respect to our individual segments, in our Southern Timber segment, we expect full year harvest volumes of 6.7 million to 7 million tons. The anticipated increase relative to the prior year reflects the additional volume associated with the acquisition of 137,800 acres in Texas, Georgia, Alabama and Louisiana. We also anticipate higher non-timber income for the full year 2023 as compared to 2022. However, we expect that these positive variances will be largely offset by lower weighted average stumpage realizations in 2023, relative to 2022 due to softer demand as well as higher cut and haul costs. Overall, we expect full year adjusted EBITDA in our Southern Timber segment of $145 million to $160 million.

In our Pacific Northwest Timber segment, we expect full year harvest volumes of 1.5 million to 1.6 million tons. The anticipated decrease relative to the prior year reflects recent land sales activity, a more muted domestic demand outlook and an ongoing mix shift towards Douglas fir, which has a lower MBF to ton conversion ratio. Furthermore, we expect weighted average pricing in 2023 to decline relative to full year 2022 due to weaker macroeconomic conditions and lower lumber prices. Overall, we expect full year adjusted EBITDA in our Pacific Northwest Timber segment of $42 million to $52 million.

In our New Zealand Timber segment, we expect full year harvest volumes of 2.5 million to 2.7 million tons. As Doug discussed, we are optimistic that export market conditions will continue to improve as the operating environment in China normalizes following the COVID-related disruptions that persisted throughout 2022. We further expect that favorable carbon credit pricing and volumes will contribute to improved results in 2023. Overall, we expect full year adjusted EBITDA in our New Zealand Timber segment of $58 million to $64 million.

In our Real Estate segment, we are encouraged by the continued interest in both our development projects and rural properties despite the higher interest rate environment. Overall, we expect full year adjusted EBITDA of $68 million to $77 million. We anticipate the real estate activity in 2023 will be significantly weighted to the second half of the year with the first quarter in particular being relatively light.

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

David L. Nunes ***Rayonier Inc. - CEO & Director***

Thanks, Mark. As I reflect on 2022, I'm pleased with how our team was able to work together to deliver strong financial performance while contending with considerable challenges during the year. These challenges included significant inflationary pressures, which were exacerbated by the Russia-Ukraine war, a slowdown in U.S. housing activity driven by a dramatic increase in interest rates and a challenging export environment due to COVID-related disruptions in China. Nevertheless, our team was able to adapt quickly amid a very volatile business environment to deliver strong results throughout the year.

While our products and markets are certainly not immune from the macroeconomic headwinds facing the broader economy, I believe that the dedication of our talented employees, the geographic diversity of our portfolio and the tensioned log markets in which we operate position us well to build long-term value for our shareholders across economic cycles.

On the capital markets strength, following a very active 2021, we entered 2022 with our balance sheet in an excellent position to deploy capital if the right growth opportunities emerged. To this end, we were pleased to close on 7 transactions totaling 140,000 acres for $458 million during the year, which was primarily driven by the large acquisition in the U.S. South that we closed in the fourth quarter.

While we are very excited about these acquisitions, our active portfolio management strategy also remained focused on addition through subtraction as we completed a large disposition of nearly 11,000 acres of less strategic holdings during the fourth quarter for over $30 million.

In sum, over the past year, we improved our portfolio through acquisitions that will further bolster our competitive positioning, recycled less productive capital toward uses with a better risk return profile and opportunistically raised capital through our ATM program to fund growth opportunities.

In addition to our focus on achieving important financial goals and ongoing portfolio management objectives, we also continued to advance initiatives related to nature-based solutions throughout the year. We made great strides in advancing various opportunities in solar energy, carbon capture and storage and voluntary carbon markets. As we move forward, we believe we are well positioned to capitalize on these nascent business opportunities, and we'll continue allocating resources as these markets develop. All said, I'm confident that the operational flexibility afforded by our pure play timber REIT model, the ongoing improvements to our portfolio and the resiliency of our team will enable us to stay focused on long-term value creation as we continue to navigate the uncertainty facing the U.S. housing market and broader economy in 2023.

Before turning the call back over to the operator, I'd also like to congratulate Mark and Doug on their recent promotions. In late January, we announced that Mark has been appointed to the additional position of President. Mark has been a valued partner to me over the last several years, and we are pleased to be expanding his leadership role within the company. In addition to his current duties as CFO, Mark will be taking on a greater role in leading our strategic planning efforts as well as participating in broader operational and personnel decision-making.

Additionally, we announced that Doug has been promoted to the position of Executive Vice President and Chief Resource Officer. In this expanded role, Doug will continue to oversee our global forestry operations while also devoting more time toward developing business opportunities around nature-based solutions. We believe these announcements underscore our commitment to continuously developing talent, including our senior leaders, our thoughtful approach to succession planning and our continued focus on allocating resources to the emerging opportunities for timberland owners in a low carbon economy.

This concludes our prepared remarks, and I'll now turn it back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will come from Mark Weintraub with Seaport Research Partners.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Thanks for the details, Dave, Mark. So first, just a couple of questions, if I could. One, so the more tensioned wood baskets in the South, which help you when things are good. Does that mean that things soften a bit more when things are weak and then you get more upside when they tighten again in the future kind of similar to how in the Pacific Northwest, there's a bit more volatility or not necessarily? What's your view on that?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yes. This is Doug. I'll take a swing at that one first. Yes, I think you've kind of categorized that correctly. For example, some of the highest-priced baskets that we saw the biggest year-over-year improvements in 2022, and while we're seeing some decline relative to those levels reached last year, the absolute pricing level in a majority of our markets is still very favorable compared to the South as a whole and we're still seeing weighted average total pricing exceeding 2021 levels. But I think that price elasticity, you point out, is exactly right that when there's tension, we see prices really ramp up, but then we also can see them slowly come back down off those sometimes.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

I think it's also worth noting, Mark, that the overall pricing is quite a bit higher in those tension markets. And so again, we saw very significant lifts in 2021 and then again in 2022 in some of those more tensioned markets, whereas bottom quartile markets really saw a relatively flat pricing or very modest increases. And so again, while we have seen prices come off, those extraordinary highs that we saw in 2022, the absolute pricing level in those markets is still considerably higher.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Understood. And then second, in New Zealand, if I could kind of look back the last since 7, 8 years, EBITDAs ranged from $55 million, I think, to $100 million plus. And your guidance for next year is obviously towards the low end of what we've seen. Can you talk about kind of what you think the medium to longer term right type of normalized level is? And how important is China to where -- when we start seeing higher profitability there? And then any more color you can provide about the changes in the China property market initiatives and -- et cetera, as to how that might factor into the timing of when the improvement might develop?

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Yes, sure, Mark. This is Mark. I'll take that. I mean in terms of a normalized EBITDA there, again, we -- to your point, I mean, we've seen EBITDA as low as the 30s back a number of years ago and sort of peaking probably in the '90s. And so New Zealand has always been more volatile, and that's really driven by the much more heavy reliance on export markets, just the cost structure there. A lot of the land is leased. You've got a much higher cost component in terms of delivering wood in the export market.

So obviously, headline price volatility translates to greater margin volatility in New Zealand, certainly relative to, say, the U.S. South where we're -- a lot of our sales are stumpage. And so it's a very high EBITDA margin on the stumpage sales. I certainly don't think that

New Zealand is going to retreat to levels that we saw in '13, '14, '15. But obviously, we've normalized kind of off of the levels that we saw 3, 4 years ago as well.

I think -- as it relates to China, obviously, China was very challenged in 2022, given the COVID containment measures as well as some challenges in the property sector there. I'd say we're very optimistic that now that China is reopening. We've already seen some bounce back in export pricing there. As the supply chain in general has loosened up, we've seen some relaxation of export freight costs there. And obviously, carbon has been a bright spot in New Zealand as well. So a lot of moving pieces, I'd be reluctant to kind of characterize what we see as a normalized EBITDA. But certainly, we're hopefully trending back towards that type of level here as we move into 2023.

David L. Nunes ***Rayonier Inc. - CEO & Director***

Mark, this is Dave. I'd add just a couple of things I'd add to that is keep in mind that a lot of the drivers are also around relative supply from other regions, and you've had historically, a lot of wood going into China from Russia as well as Australia. Those 2 sources are essentially done. And what really overwhelmed the last number of years was flow of salvage wood from Europe, which took Europe's market share from essentially next to nothing to right behind New Zealand.

And so I think where we have a lot of optimism is that is tapering off as they've essentially gone through that wood. And we feel like New Zealand is very well positioned going forward, and we expect to see less volatility certainly than we had over the last year in things like shipping costs. And so notwithstanding some of the headwinds in 2022, we remain pretty optimistic about how that's positioned. And it shows in our cash flow generation on a per acre basis is superior to all of our other regions.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Right. And I guess -- and I recognize you're juggling lots of variables coming up with your various outlooks by regions. But I know it's kind of the range you had for New Zealand is actually maybe less wide than you had it for some of the U.S. regions, which I guess surprised me a little bit given the uncertainties of exactly when and how China plays out as well as the historical greater volatility. And I don't know if that's communicating something specific? Or again, it's really just a function of your juggling lots of variables and coming up with your best assessments and that's the way it came out? Any color on that?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yes. This is Doug again. I'll take the start this one. I think what that shows is we really are having some optimism around what's happening in China as they come out their COVID restrictions. Prior to the Lunar New Year, we saw demand really pick up. The headline numbers only averaged 55,000 cubes per day, which doesn't sound that amazing. But really, what we saw is a real pickup towards the right before the Lunar New Year. And as mentioned by, I think it was Mark, we've seen a trend where the log brokers have additional confidence now to hold inventories because they're forecasting higher demand and pricing after the holidays. So we're foreseeing some potential really green shoots in that area.

And then with -- I think you mentioned there that the property markets, and we've seen quite a bit -- policymakers and all governments have pledged quite a bit of money to restart construction in the areas, and we're seeing that start to flow back through into demand also. So the People's Bank of China have recently launched a CNY 200 billion relending program and quite a few regional banks have also kind of matched that.

And so kind of what we're hearing kind of on the ground is that expecting property sales to stabilize at lower levels, obviously, in these coming months, but then to rebound gradually from the second quarter onward. And that's really being helped by that reopening of China.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Okay. I promise you, last one just on the same thing. So I guess what I'm trying to understand is, if things play out as you are kind of seeing, is that particular -- New Zealand, is that one region where maybe if we look into next year, you can really get an outsized increase relative to what one might expect in North America? Or is that not necessarily a right avenue to be thinking about at this point? Again, I apologize because that's looking quite far out.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

I mean, it's certainly possible, Mark. Again, if you look at where New Zealand EBITDA has been last year and kind of what we're forecasting for 2023, it's generally kind of below the level that we've averaged for the last 5 years. And so '22 is obviously very challenging. We're expecting to see some recovery in 2023. And to your point, if that trajectory continues, we're obviously not providing 2024 guidance, but you could certainly see some outsized gains there.

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

I would just add one more thing that's kind of probably not appreciated a little more in the details. But due to some fumigant issues that we've had being banned in New Zealand, the India market has not been an option for us for most of last year. And we're seeing discussions between India and New Zealand officials basically around that. And so we think that, that market to India could also open up for us in this current year or in the next year. So some more optimism around that.

David L. Nunes ***Rayonier Inc. - CEO & Director***

I think another -- lastly, Mark, I think another thing to think about is, historically, carbon credit sales have not been a very big factor in New Zealand, and that market has really evolved to a point where it's making meaningful contributions last year, and we expect that's going to play a role going forward as well.

Operator

(Operator Instructions) Our next question comes from Paul Quinn with RBC Capital Markets.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Just following on update on your comment on carbon markets. I saw that $21 million in sales in New Zealand in '22 versus kind of just over the $1 million that you did in '21. Maybe you could give us a background of what those -- How you achieved that and what your expectation is for '23?

David L. Nunes ***Rayonier Inc. - CEO & Director***

I'll start on that, and I'll let Doug provide a little bit more color. Keep in mind that historically, the carbon credit market there had been at a fairly low pricing level. And so we had sort of taken a very opportunistic approach. It was one of the reasons that we really didn't have much in the way of sales a couple of years ago, but that market really took off. And they conduct quarterly auctions by the government where they release carbon credits out onto the market, and we watch that pretty carefully. And that started giving us confidence that that the market was going to head up.

And some of that's also predicated on prices that the government sets where they will release incremental carbon credits onto the market. And those prices tended to lead the market up. And so it gave us a lot of confidence to bring more volume forward last year of our credits. And Doug can provide a little bit more color as to as to where we stand on the credits as we enter this year, but it's definitely playing a bigger role in how we think about those -- that region.

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yes. Thanks, Dave. I think as Dave mentioned, with those actions, the government does set these cost containment reserve prices that basically at that point, if the price is reached, they'll release some more credits into the market. And so they often kind of do tend to set I wouldn't say a floor, but that's where targeting seems to be towards. And so we saw -- the current one is around $80. And so we saw pricing last year in the $70 to $80 range. And as Dave said, it's markedly up from years before where it's been as low as single digits to probably more recently in the $30 to $40 range. So we saw a pretty drastic step-up and the opportunity to execute on those as we said, the opportunistic around that.

David L. Nunes ***Rayonier Inc. - CEO & Director***

And those are all New Zealand dollars.

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Sorry, all New Zealand dollars. Yes, thanks, Dave for correction on that. And as we go into this year, we're building new units as we go, growing them up, but we also come in with roughly around 1.6 million in NZUs that we had. We do have to surrender units as we harvest and then we also gain units as we grow timber. And so as we go through the year, we have the opportunity to sell some more and can be somewhere. I don't want to give out our exact -- what our plans are to the market but exceeded at the end of the year over 2 million units type of thing and potentially more than that, just depends on how we see the pricing flow through year and how we decide to execute.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Okay. And if I could compare that to what you're seeing in North American markets on the carbon side?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yes, the North American markets, those are still voluntary. So basically, not -- and they still have a lot of standardization, I guess,is what I would say, So there are a few obviously firms that are basically focused on getting that standardization. But we've seen as everyone is seeing some issues around people talking about green washing and different things. And so what I think is happening now is that the buyers are starting to figure out what is a valuable credit to them and looking for those. And so we've really seen pricing move around in the single digits to $20, $30 a ton depending on how it's being produced.

And so I think what we're still waiting on in that market is for more standardization and for the market to realize what the value is and to possibly get rid of some of these lower value credits that are out there right now. So we've got some projects in our back pockets, but we haven't actually registered those yet because we feel like there's still opportunity in that market -- yet before we do that.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Okay. And then just turning over overall, it looks like with your '23 guidance, you're expecting to slow down in North America on the timberland side, that percentage of real estate of EBITDA -- of your total EBITDA is kind of holding up a lot better than the your timberlands business. Just wondering if that's a lag and you expect a slowdown in '24 as a result? Or maybe you could comment on that.

David L. Nunes ***Rayonier Inc. - CEO & Director***

I think some of what you're seeing, Paul, is that we have these 2 big projects, one that's in the Jacksonville, Florida area, the other in Savannah, Georgia. And as they kind of pick up heads of steam, they have been running at more kind of regular levels. And so over the past number of years, we've seen that Wildlight project here in Florida growing larger and larger. And meanwhile, the project in Savannah is really just getting started, but we're very encouraged by the developments that we've seen there and we're leveraging a lot of the learnings that we've had here.

And one of the things that we're particularly excited about, there's a large investment being made by Hyundai around electric vehicles and other aspects that's going to bring substantial employment into the area right adjacent to our project. And we think that's going to translate into further demand. And one of the things that we've done in both our Florida and our Georgia projects is we've got a really nice mix of product types from developed lots to residential pods, to build-for-sale, to multifamily. All of those things, I think, are helping to propel the momentum on those 2 projects. And so I think that those 2 projects, as they exit kind of their beginning stages, are going to supply a more stable stream of cash flow going forward.

And then shifting to our more rural product mix. That's one that's always been relatively stable. And I think as we've seen pressures on land values. You've seen that translate in terms of the types of values that we're getting. And we're really focused on selling lands where we can get a good premium. And so we've been happy with the progress that we've seen on the real estate side and don't see that kind of tailing off as we go down the road.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Okay. That's great. And then just overall, I mean, one of your competitors mentioned that their expectation for 2023 timberland sales was more muted than what we saw in '22. Do you have the same expectation? Or what is your view of the future on M&A?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Yes, I wouldn't -- I'm not sure I agree with that. And -- but having said that, it's a hard thing to peg. And so you have -- increasingly, you have situations where a lot of the -- a lot of the TIMO downstream investment clients are controlling the exits of sales and forcing that to occur through separate accounts. And as that occurs, you really have to kind of get into the mindset of those ultimate owners of those properties, and they're all over the board.

You've got some people that had desire to sell during COVID that weren't able to because you really couldn't do much due diligence. And I think that contributed to some of the outsized volume that we saw last year, and I suspect there's still maybe some of that at play.

I think another thing to keep in mind is as we've seen stronger pricing, we've seen the NCREIF Index is now over $2,000 an acre in the South and certainly on the higher-quality properties like the one that we completed in Q4, where you're seeing really outsized cash flow generation, those are generating large values. And I think that's going to have the potential of spurring additional volume on the market as the ultimate owners of those properties decide they want to cash in.

The flip side of that, I think, is there's a greater recognition that you've got optionality around ESG and carbon-related values. And I think some -- there will be some owners that want to stick around and see if they can see that translate into their properties. As we look across the 3 geographies that we're in, I think we see more potential for strong -- stronger activity in the U.S. South than we do in the Northwest and New Zealand. I think we've seen much more tepid volume of offerings in those 2 geographies, and we expect that to continue.

Operator

Our last question will come from Tousley Hyde with Raymond James.

Tousley Hyde ***Raymond James - Analyst***

Mark and Doug, congratulations on the new roles.

Look at the 2023 outlook for the Southern Timber segment. I was hoping you could provide some additional color as to what your demand picture kind of looks like right now? And how much of an impact are you expecting that to have on log pricing? And also if there's been any changes to the assumptions for the recent acquisition?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yes. There are always moving pieces in kind of terms of our geographic mix and other factors, and we're looking at it kind of year-over-year comparisons. And we have seen some decline for demand and particularly along the East Coast here of the U.S. And a lot of that -- we're in a drought situation right now, so there's plentiful wood out there. But also, I think given the kind of macroeconomic uncertainty at the end of 2022, many of our customers, we're trying to manage inventories quite closely, and they were reluctant to secure log volume by locking in pricing beyond Q1.

But as we progress through the month of January, and we see more positive news on lumber pricing and homebuilder sentiment and things like that, we start to see increased interest by mills to secure forward volume. So I think we're cautiously optimistic that things are starting to move around and turn around in the market and those things. But we did factor that in as we thought about our guidance.

With respect to Project D, the new acquisitions that we talked about we take the combined acquisitions with our overall harvest plans. And then there's always some changes we look to stay nimble with our operations based on how we see the current market conditions. And so we're working those in as we think about them and basically take into account how we think about the market and where we should harvest and where we should maybe pull back and allow markets to regain strength.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

But overall, I'd say our estimates for that acquisition are largely intact. I don't think anything has changed in terms of our 10-year outlook or certainly our harvest flows that we provided when we announced that acquisition.

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Absolutely correct.

Tousley Hyde ***Raymond James - Analyst***

Okay. That's pretty helpful. And just to follow-up on that. You noted that you're seeing increases in cost. I'm just trying to get a little bit of gauge as to how significant increases may be. Should we expect something similar to year over year growth in 2022? Or do you think it's going to come out a little higher?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

We've actually seen costs moderate over the last couple of quarters. So really, while there really more folks are on diesel now. Labor seems to have settled down and equipment is starting to work through the process -- through the chain, supply chain, things like that. So I would say that we still see increased costs, but they're not near what they were kind of going from '21 into '22.

Operator

We are showing no further questions at this time.

Collin Philip Mings ***Rayonier Inc. - VP of Capital Markets & Strategic Planning***

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

Operator

That does conclude today's conference. Thank you for participating. You may disconnect at this time.