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PRESENTATION

Operator

Welcome, and thank you for joining Rayonier's Fourth Quarter and Full Year 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 list some of the factors that may 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 2024.

We are pleased with our overall financial performance in 2023, particularly in light of the challenging and uncertain market conditions that we faced throughout the year. For the full year, we generated GAAP earnings per share of $1.17, pro forma earnings per share of $0.36 and adjusted EBITDA of $297 million. Full year adjusted EBITDA declined 6% versus the prior year as lower results in our timber segments were largely offset by a significantly higher contribution from our Real Estate segment. Our Southern Timber segment full year adjusted EBITDA was relatively flat versus the prior year as the segment benefited from recent acquisitions, which contributed to increased volumes as well as the operational flexibility to target more resilient sawlog markets.

Additionally, non-timber income generated by our Southern Timber segment increased $9 million or 35% relative to the prior year, largely driven by increased revenue from our burgeoning land-based solutions business. In our Pacific Northwest Timber segment, we chose to defer roughly 150,000 tons of planned harvest in response to soft market conditions, which contributed to the significant decrease in adjusted EBITDA versus the prior year. In our New Zealand Timber segment, adjusted EBITDA declined modestly versus the prior year as reduced volumes and lower log prices were largely offset by higher carbon credit sales and significantly lower export shipping costs.

Finally, in our Real Estate segment, we capitalized on strong demand in both the rural HBU market and our improved development projects generating adjusted EBITDA well above our initial expectations entering the year. Overall, I'm proud of how our team was able to navigate an ever-evolving market environment to deliver solid full year financial performance. As Mark will discuss in greater detail later in the call, we're providing full year 2024 adjusted EBITDA guidance of $290 million to $325 million. As we move into 2024, we are cautiously optimistic that timber market conditions have generally stabilized across our portfolio and we further expect to capitalize on a growing pipeline of land-based solutions opportunities as well as continued strong demand for both rural HBU and improved development real estate properties.

Our 2024 guidance reflects a similar contribution from our U.S. Timber segments as compared to last year, a meaningfully higher contribution from our New Zealand Timber segment, and another strong contribution from our Real Estate segment. Importantly, this guidance excludes the potential impact of any additional asset sales as part of the $1 billion disposition target that we established late last year.

Turning back to the fourth quarter. We generated adjusted EBITDA of $94 million and pro forma net income of $25 million or $0.17 per share. Exceptionally strong results in our Real Estate segment more than offset weaker results across our timber segments. Drilling down further on our operating segments. Our Southern Timber segment generated fourth quarter adjusted EBITDA of $32 million, down $1 million from the prior year period. The 12% decline in net stumpage realizations was largely offset by a 17% increase in harvest volumes versus the prior year period, primarily due to incremental volume from the acquisitions completed in late 2022. In our Pacific Northwest Timber segment, fourth quarter adjusted EBITDA of $6 million was down $9 million from the prior year quarter, driven by a 12% decline in weighted average log prices as well as a 25% reduction in harvest volumes as we elected to defer planned harvest in response to weaker domestic and export market demand.

Turning to New Zealand Timber segment. Fourth quarter adjusted EBITDA of $12 million decreased $2 million versus the prior year quarter. The decline in adjusted EBITDA was driven by lower carbon credit sales, a 9% decrease in export sawtimber prices, and 8% lower harvest volumes partially offset by favorable foreign exchange impacts and a significant reduction in port and freight costs. In our Real Estate segment, we generated fourth quarter adjusted EBITDA of $54 million, up $39 million from the prior year period as we closed on a significant rural transaction during the quarter while transaction volume in the prior year period was relatively light.

Additionally, I'd like to provide an update on the $1 billion disposition program we announced in November. In the fourth quarter, we were pleased to close on our previously announced sale of 55,000 acres of timberland in Southwest Oregon for $242 million or $4,400 per acre. We subsequently deployed $150 million of the proceeds to pay down our only floating rate debt and approximately $30 million towards a special dividend that was paid in January. The remaining proceeds are being retained for further debt reduction or other capital allocation purposes. There remains a strong bid for timberland assets in the private market, and we are actively working to bring additional timberland assets to market over the next several months in order to capitalize on the disconnect between public and private market timberland values and to reduce leverage in a higher interest rate environment.

With that, let me turn it over to Mark for more detail on our fourth quarter financial results.

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

Thanks, Dave. Let's start with our financial highlights on Page 5 of the supplement. Sales for the fourth quarter totaled $467 million while operating income was $145 million and net income attributable to Rayonier was $127 million or $0.85 per share. On a pro forma basis, net income was $25 million or $0.17 per share. Pro forma items in the fourth quarter included $105 million of income from a large disposition, a $2 million noncash pension settlement charge and a $200,000 net recovery associated with the legal settlement.

Adjusted EBITDA was $94 million in the fourth quarter, up from $68 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 year was $164 million versus $192 million in the prior year period. The decrease was driven by lower adjusted EBITDA, higher cash interest paid and higher capital expenditures, partially offset by lower cash taxes.

A reconciliation of CAD to cash provided by operating activities and other GAAP measures is provided on Page 8 of the financial supplement. As Dave mentioned earlier, during the fourth quarter, we completed our disposition of 55,000 acres of Timberland in

Oregon for $242 million and used $150 million of the proceeds to pay down our only floating rate debt. This was an important step towards reaching our enhanced leverage targets, including net debt to adjusted EBITDA of 3x or less and net debt to asset value of 20% or less.

We closed the fourth quarter with $208 million of cash and roughly $1.4 billion of debt, implying net debt to 2023 adjusted EBITDA of approximately 3.9x. At quarter end, our weighted average cost of debt was approximately 2.8%, and the weighted average maturity on our debt portfolio was approximately 5 years with no floating rate exposure until August 2024 and no significant debt maturities until 2026. Our net debt to enterprise value based on our closing stock price at the end of the quarter was 19%. With a long-dated and well-staggered debt maturity profile as well as a low-cost fixed-rate debt structure, we plan to be selective and opportunistic in achieving our enhanced leverage targets over the next several quarters. 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. Let's start on Page 9 with our Southern Timber segment. Adjusted EBITDA in the fourth quarter of $32 million was $1 million or 4% below the prior year quarter, driven by lower net stumpage prices and higher costs, partially offset by higher volumes and higher non-timber income. Total harvest volume rose 17% versus the prior year quarter, primarily driven by an increase in pine sawtimber volumes from the successful integration of acquisitions we completed in late 2022.

Meanwhile, the year-over-year improvement in non-timber income was driven in part by revenue from our initial carbon capture and storage lease signed in early 2023. Average sawlog stumpage pricing was $29 per ton, a 15% decrease compared to the prior year period. The moderation in pricing reflected reduced market tension across our operating areas relative to the prior year quarter due to softer demand from sawmills as well as less competition from pulp mills for chip-n-saw volume.

Meanwhile, pulpwood net stumpage pricing fell 16% versus the prior year quarter to roughly $18 per ton as weaker end-market demand weighed on pricing. Overall, weighted average stumpage prices in the fourth quarter fell 12% versus the prior year quarter to roughly $23 per ton. Market conditions in the U.S. South, particularly for pulpwood, were challenging throughout 2023, as many of our customers recalibrated production and shut down underperforming mills amid weakening end market demand.

While our markets have not been immune from the pulp mill closures that have been announced over the past several months, we have seen some offsetting demand from production increases at other mills within our operating areas. As the overall market rationalizes production capacity for a post-COVID environment. As we enter 2024, we're increasingly optimistic that the inventory stocking cycle that has weighed on containerboard demand is largely complete and pulpwood pricing has generally stabilized as a result.

Turning to grade markets. Following a reset in the early 2023, pricing was relatively flat throughout the remainder of the year and has continued to be stable in 2024. We're encouraged by the healthy interest in recent stumpage packages we've brought to market and are cautiously optimistic that increased rainfall, coupled with improving end market demand will translate into higher pricing as the year progresses.

Moving to our Pacific Northwest Timber segment on Page 10. Adjusted EBITDA of $6 million was $9 million below the prior year quarter. The year-over-year decrease was primarily driven by lower harvest volumes, lower net stumpage realizations and higher costs partially offset by slightly higher non-timber income. Volume decreased 25% from the fourth quarter as compared to the prior year period, reflecting our decision to defer some planned harvest in response to soft market conditions as well as reduced volume from our Oregon disposition in preparation for closing. At $94 per ton, average delivered domestic sawlog pricing in the fourth quarter fell 10% from the prior year period due to a combination of weaker demand from domestic lumber mills and reduced export market tension. Meanwhile, at $29 per ton, pulpwood pricing decreased 56% versus the prior year quarter as end market demand remained materially softer than historically high levels seen a year ago.

As we enter 2024, the log market in the Pacific Northwest continues to be challenged by relatively soft domestic lumber markets as well as limited tension from the export market. However, we are cautiously optimistic that demand will improve gradually over the course of the year as mill inventories normalize and lumber production increases to meet the growing mix of single-family housing starts and we've seen early signs of market improvement to start the year.

Overall, while we expect that log prices in the Northwest will improve from current levels, we anticipate that full year average delivered log pricing will likely remain below the levels achieved in 2023 due in part to a less favorable species mix. However, we also expect modestly lower per ton cut and haul costs, which should help to improve net stumpage realizations.

Moving to New Zealand. Page 11 shows results and key operating metrics for our New Zealand Timber segment. Adjusted EBITDA in the fourth quarter of $12 million was $2 million below the prior year quarter. The decrease in adjusted EBITDA compared to the prior year period was primarily driven by lower carbon credit sales and lower harvest volumes, partially offset by favorable foreign exchange impacts and higher weighted average net stumpage realizations. Average delivered export sawtimber prices of $101 per ton declined 9% compared to the prior year quarter, primarily due to ongoing challenges in the Chinese property sector. However, export sawtimber net stumpage realizations were relatively flat as port and freight costs remain significantly below the high levels we contended with in the prior year period.

Heading into the Lunar New Year, we are encouraged that softwood log port inventories in China hit an estimated 2.7 million cubic meters, down over 35% from a year ago, and representing less than 2 months of supply. While there is always a seasonal slowdown in activity during this time of the year, we believe that the anticipated inventory-to-demand ratio coming out of the holiday period should support favorable pricing dynamics in the coming months.

Shifting to the New Zealand domestic market. Fourth quarter average delivered sawlog prices fell 3% from the prior year period and 5% when excluding foreign exchange impacts. The decline in pricing reflects reduced tension from export markets, coupled with the challenges facing the local construction market amid a higher interest rate environment. Fourth quarter non-timber income in New Zealand of $8 million fell $1 million relative to the prior year period. While carbon credit pricing in the fourth quarter was down versus the prior year period, it was well above the lows seen in the first half of 2023, and we suspended our sales program amid unusual market volatility.

We anticipate that we will remain active in the New Zealand carbon market in 2024 as market volatility has largely subsided and pricing has remained relatively strong. Lastly, in our Timber segment -- 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 back over to Mark to cover our real estate results. Mark?

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

Thanks, Doug. As detailed on Page 12, our Real Estate segment delivered strong fourth quarter results. Real estate sales totaled $310 million on roughly 75,500 acres sold, which included the large disposition in Oregon consisting of 55,000 acres for $242 million. Excluding this transaction, fourth quarter sales totaled $68 million on roughly 20,500 acres sold at an average price of $3,300 per acre. Real Estate segment adjusted EBITDA in the fourth quarter was $54 million.

Drilling down, sales, in the improved development category totaled $11 million. In our Wildlight development project north of Jacksonville, Florida, sales consisted of a 58-acre industrial park site for $5.8 million or roughly $100,000 per acre and an 11-acre commercial site to a church for $3.1 million or roughly $300,000 per acre. Our Heartwood development project, South of Savannah, Georgia, sales consisted of 21 finished residential lots to a national homebuilder for $930,000 at an average base price of roughly $44,000 per lot as well as a 2-acre commercial site to a day care provider for $635,000 or roughly $360,000 per acre.

We also generated $200,000 of other net revenue during the quarter, which primarily consisted of $2.6 million of lot true-ups and marketing fees in our Wildlight and Heartwood development projects, largely offset by $2.4 million of deferred revenue recognition on land sales with post-closing construction obligations. Overall, we continue to believe that both of these development projects are very well positioned and will continue to benefit from favorable migration and demographic trends, relatively affordable price points and a diverse mix of residential, commercial and industrial end uses.

Lastly, I'd like to take a moment to recognize an important milestone achieved during the quarter in our Wildlight project. In November, we received unanimous entitlement approval from Nassau County for the next phase of our Wildlight project. These entitlements allow for the development of roughly 15,000 residential units and 1.4 million square feet of nonresidential uses on nearly 15,000 acres. Notably, approximately 7,000 acres or roughly half of the newly entitled acreage will be permanently preserved as part of a conservation habitat network providing open space for wildlife habitat, water quality and recreation.

For context, the first phase of entitlements at Wildlight consisted of roughly 2,900 acres and 3,200 residential units. We plan to go into more detail on the future of our Wildlight development project as well as the rest of our improved development portfolio at our upcoming Investor Day on February 28. Turning to the rural category. Fourth quarter sales totaled $57 million, consisting of approximately 20,200 acres at an average price of roughly $2,800 per acre. Key transactions included the sale of roughly 16,100 acres in Alabama and Georgia for $37 million or roughly $2,300 per acre.

Notably, the property sold consisted of scattered parcels with a relatively high proportion of non-plantable lands. Other key rural transactions in the quarter included a roughly 1,300 acre sale in St. Johns County, Florida for $7.1 million or $5,600 per acre and an 1,100 acre sale in Pacific County, Washington for $5.1 million or roughly $4,600 per acre to a conservation-oriented buyer. Overall, we continue to be encouraged by the healthy demand for rural land and the pipeline of deals we see for 2024. Lastly, during the fourth quarter, we also closed on a 200-acre, non-strategic timberland sale for $400,000 or $2,000 per acre.

Now moving on to our outlook for 2024. 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 2024, we expect to achieve adjusted EBITDA of $290 million to $325 million, net income attributable to Rayonier of $60 million to $80 million and EPS of $0.40 to $0.54. As noted in our earnings release, our guidance excludes the potential impact from any additional asset sales as part of our previously announced $1 billion disposition target. With respect to our individual segments, in our Southern Timber segment, we expect full year harvest volumes of 7.1 million to 7.3 million tons. This represents a modest decrease versus the prior year as we expect logging conditions to normalize following a relatively dry 2023, which translated to strong production output.

Further, we expect that regional pine stumpage realizations will improve modestly versus the prior year based on improving end market demand, coupled with an anticipated increase in rainfall from the El Nino weather pattern. However, we expect these pricing gains will be largely offset by a less favorable geographic mix as compared to 2023. Lastly, we expect higher non-timber income for full year 2024 as compared to full year 2023, primarily driven by additional income from land-based solutions.

Overall, we expect to achieve full year adjusted EBITDA in our Southern Timber segment of $153 million to $163 million. In our Pacific Northwest Timber segment, we expect full year harvest volumes of approximately 1.4 million tons. The anticipated increase relative to 2023 assumes a return to a more normalized level of demand and harvest activity, partially offset by a reduction in our Pacific Northwest sustainable yield due to the recent Oregon disposition. As Doug discussed, we expect that delivered log pricing will improve from current levels, but full year pricing will likely remain below the levels achieved in 2023 due in part to a less favorable species mix.

Overall, we expect to achieve full year adjusted EBITDA in our Pacific Northwest Timber segment of $25 million to $31 million. In our New Zealand Timber segment, we expect full year harvest volumes of 2.4 million to 2.5 million tons. We expect full year domestic and export sawtimber pricing to improve modestly relative to the full year pricing achieved in 2023 as end markets continue to recover. Turning to the carbon market. We anticipate a modest increase in carbon credit sales in 2024 as pricing has remained strong following the significant market volatility experienced in the first half of 2023.

Overall, we expect full year adjusted EBITDA in our New Zealand Timber segment of $57 million to $65 million. In our Real Estate segment, we expect full year adjusted EBITDA of $92 million to $104 million as we continue to see healthy demand for our rural properties as well as continued momentum across our development projects. And similar to 2023, we expect very light closing activity in the first quarter, followed by a significant pickup in the second quarter.

Before turning the call back for closing comments, I want to take a moment to congratulate Dave on his upcoming retirement from Rayonier and to thank him for the tremendous work that he has done in leading our organization for the last decade. When Dave joined Rayonier as CEO in 2014, he brought a unique blend of deep industry knowledge and strategic acumen as well as a strong but humble leadership style. Dave instilled in the organization an intense focus on nimble capital allocation and active portfolio management, all with a view towards building long-term value per share while serving as a responsible steward of our land resources.

He also built a strong and cohesive culture of the company where our people feel empowered to act like owners and are truly dedicated to the company and its stakeholders. Rayonier has taken tremendous strides since we emerged from the spin-off of our Specialty Pulp Manufacturing business in 2014 to become the only pure-play Timber REIT with a best-in-class portfolio and a unique set of growth opportunities in land-based solutions and real estate development. We certainly wouldn't be where we are today without the steadfast leadership and unwavering commitment that Dave brought to the job every single day.

Dave, on behalf of the entire organization, it's truly been a privilege to work alongside you for the past 10 years. You've left an indelible legacy at Rayonier, and we wish you the best in this next chapter.

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

Thanks, Mark. I appreciate the kind words and I have thoroughly enjoyed my -- our partnership over the last 10 years. I'm confident that Rayonier will thrive under your leadership, and I'm excited to watch as you and the rest of the team continue to work towards creating long-term value for our shareholders and other stakeholders, especially amid the secular tailwinds that are emerging for the timberland asset class. I'd like to wrap up our prepared remarks by first thanking our team for the tremendous effort exerted throughout 2023. You learn a great deal observing how a team navigates through a challenging market environment, and this past year was no exception.

I was extremely encouraged to see how our organization came together during difficult market conditions to collaborate and ultimately deliver full year adjusted EBITDA results generally in line with our initial expectations. Consistent with our focus on maximizing long-term shareholder value, we did not seek to compensate for timber pricing headwinds by pushing additional timber volume into the market, but instead took advantage of our pure-play timber model by reshuffling our harvest plans to pivot towards relatively favorable markets while also deferring harvest in more challenged markets.

Despite some transitory pressures on timber pricing, timberland and rural HBU land prices held up remarkably well this past year, allowing us to execute on land sales at a significant premium to underlying timberland values. In addition, the recent 15,000-acre entitlement approval within our Wildlight project will serve to further enhance our real estate development platform where we have assembled a powerful combination of valuable land use entitlements in growing markets along with a talented team of real estate professionals.

While managing our core timber and real estate businesses, we also continued to advance our land-based solutions business. As discussed previously, we now have in place valuable wind, solar and carbon capture and storage leases. We saw positive momentum across our land-based solutions portfolio throughout 2023, and we look forward to sharing future targets for these burgeoning businesses in our Investor Day at the end of this month. In addition, we successfully executed on our plan to sell timberland and Oregon to help reduce our leverage, an important first step in a broader initiative we developed to enhance shareholder value.

While we've been pleased by the investment community's response to our $1 billion disposition plan, we still do not believe that the true value for quality timberland assets is reflected in our share price, and we remain committed to capitalizing on the disconnect between public and private timberland values. Lastly, we made progress on sustainability related initiatives in 2023 and are proud to have been a founding member of the International Sustainability Forestry Coalition and more recently, a signatory to The Climate Pledge.

We believe these commitments are consistent with our goal of supporting a more sustainable future and are excited to join other organizations from across the globe in the effort to accelerate responsible climate action. I'm proud of what we accomplished in 2023 as well as extremely optimistic about the future of our land base and the team we have in place to execute on these exciting new opportunities. As such, today is bitter sweet as it is my last earnings call as CEO of Rayonier. I'd be remiss if I did not take the opportunity to thank the remarkable people that I've had the privilege to work alongside since joining the company nearly a decade ago. The many Board members who have provided invaluable counsel and the investment community that has supported our team as we've sought to leverage our pure-play Timber REIT model to create long-term value for our shareholders.

While I will be retiring at the end of March, I look forward to seeing many of you at our Investor Day in New York City on February 28 as we review our journey as a pure-play Timber REIT as well as the growth opportunities that lie ahead for the industry, our company and our next generation of leaders. During this event, we plan to detail our efforts to grow our land-based solutions business and its associated cash flow potential, take a deeper dive on the progress and potential of our real estate development portfolio and discuss our ongoing portfolio -- ongoing focus on active portfolio management. This concludes our prepared remarks, and I'll now turn the call back to the operator for questions.

QUESTIONS AND ANSWERS

Operator

Our first question comes from Ketan Mamtora.

Ketan Mamtora ***BMO Capital Markets Equity Research - VP & Building Products Analyst***

Dave, I would like to extend my congratulations and wish you all the best in this next chapter. We've really enjoyed working with you and always your thoughtful discussions. Maybe switching over. Can you talk a little bit about what you are seeing on the -- in terms of opportunity on the natural climate solutions, where you're seeing kind of most interesting kind of developments over the next, let's say, 1 to 3 years? And has that view changed at all here as you've done more work?

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

Sure. This is Doug. I'll start with that question. So yes, our teams [quietly] have been building capabilities and relationships in the land-based solutions markets for the past several years. And given the newness of these new businesses, many of the projects are under NDA, so we aren't really at liberty to speak in detail about them. But what I can say is that the pipeline of opportunities in the carbon capture storage, the solar wind and bioenergy that Dave mentioned as well as the carbon sequestration continues to grow, and I'm excited about seeing those results start to meaningfully flow through into our financials as we saw this past year. So really, we're going to get a deeper dive into these types of opportunities and the scale at our upcoming Investor Day.

Ketan Mamtora ***BMO Capital Markets Equity Research - VP & Building Products Analyst***

Understood. Okay. And then to the extent you can, can you provide a little more color on sort of how is the asset sale program kind of evolving here as you kind of look at opportunities. You had initially talked about sort of that 18-month time period -- as you kind of look at the timberland market, as you look at your portfolio and sort of where your leverage is, can you talk about kind of how you see that evolving over the next 12 months or so?

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

Yes, sure, Ketan, this is Mark. I'll take that. Obviously, when we announced the plan, it was a target of $1 billion. Concurrent with that, we announced the Oregon disposition which was $240 million. And we laid out a goal of achieving that $1 billion total target over the course of the next 18 months. In terms of where we're at today, we've identified a number of assets that we think are well suited to accomplish our objectives, really with a focus in concentrating our capital in markets with the strongest cash flow attributes and the most favorable growth prospects that we laid out at the announcement of the plan.

Given the quality and diversity of our portfolio, there are a variety of different asset disposition combinations that would allow us to achieve our target. And we're working simultaneously on various different options. I'd also highlight that unlike our peers, which have manufacturing assets to consider, our pure-play structure affords us pretty considerable flexibility to determine which assets make the most sense for us to recycle capital out of to create value for shareholders. So we're still confident in our initial plan, but we're not quite ready at this point to provide detail on any specific asset -- additional asset sales or target areas at this point.

But just suffice it to say that we are -- we have a number of different options that we've made pretty significant progress on and we'll update you in the investment community in due course.

Operator

The next question comes from Harman Dhatt.

Harman Dhatt ***RBC Capital Markets, Equity Research - Senior Associate***

This is Harman Dhatt behalf of Matt McKellar from RBC Capital Markets. First off, congratulations on the upcoming retirement date. I guess a quick question we would have had is just a clarification, I suppose, but for carbon credit sales that you flagged in New Zealand, would you be expecting a pickup in sales? Or would that be in terms of dollar amount? Or would that be in terms of credit sold?

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

Sure. This is Doug again. I'm happy to answer that one. So we are anticipating a pickup in the dollar amount per unit. Over the course of last year, there was a lot of volatility at the beginning of the year when the New Zealand government made some comments about how they might change the markets. That caused some chaos, I'd say in the markets, but generally, that solved itself. And as we moved into this year, we've seen prices start to increase. So that's on a dollar per ton basis.

Harman Dhatt ***RBC Capital Markets, Equity Research - Senior Associate***

Got you. That's helpful. And I suppose just a quick follow-up and I suppose shifting gears as well. With New Zealand, I note that you mentioned the ratio in terms of inventory to demand in China. How do you expect changes on this front to impact the New Zealand and Pacific Northwest export businesses over the next couple of years coming out of the Lunar New Year and into the balance of '24 or even '25 as a result?

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

Yes. I'll happy to answer that. Again, this is Doug. So to your point, as we mentioned before, we've seen the inventory at lowest point since pre-pandemic. And one of the things I think it's important, while we acknowledge the property market still weak in China, one thing that's also not talked about as much is that while demand is down from the peak, so as supply. It is down by 20 million cubic meters with New Zealand recouping in the market share as port inventories are at those low levels.

And we have seen in China, recovery in the economy was around exports, kind of industrial and retail and radiata is good use in those things. It's a very versatile species that can use everything from furniture to pallets to construction lumber type of thing. So -- as we're very optimistic as we discussed, that coming out of this Lunar New Year that the positive pricing trajectory we've typically seen in the past is when this inventory-to-demand ratio gets below 2 months, typically, yield a price recovery. And so I think long-term, we're seeing less and less supply. The bark beetle in Europe has pretty much run its course. The cost of shipping from Europe also to China has gotten very expensive.

And we've seen less wood coming out of South America. So net-net, we think that the opportunities for New Zealand are very strong as well as we've seen an increase over the first couple of quarters from the U.S. going into China too from Northwest exports. So I think we've hit a somewhat of a low from the U.S. basically and believe that we've passed the low watermark for China and really do believe that West Coast exports will be in greater demand as time moves forward.

Operator

The next question comes from Gregory Andreopoulos.

Gregory Andreopoulos ***Citigroup Inc., Research Division - Research Analyst***

I'm on the line for Anthony this morning. Thank you for all the detail, and thank you for providing 2024 guidance this year. Just one question for me on the transaction market. So we've seen, from our perspective, deal flow pick up a little bit into year-end '23 and now in the first quarter. So I'm curious, how would you characterize the quality of packages coming to market from your perspective, the competitive bidding process, bid-ask spreads and interest from nontraditional owners in January?

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

Sure. This is Dave. I'll take that. If you think about last year, we had roughly $1.5 billion to $2 billion of timberland M&A activity. That was a fairly low level versus historic patterns. As we look out into this year, I think we're in a mode where -- the demand for timber continues to outpace the supply. We estimate that there's roughly $3 billion to $4 billion of dry powder waiting to be deployed. A lot of that is on the TIMO side and particularly with separate account investors. There are also a number of TIMOs that have raised carbon-related or carbon-centric funds. And so we look to see those players playing a bigger role in the markets going forward. This tends to be a slow time of the year in general, but we have -- we are aware of a couple of quality properties that are in the market in the U.S. South right now as well as one larger transaction in New Zealand.

There's also a number of smaller packages in markets that are outside of our area. We're seeing a lot of activity in Latin America right now as well. And so I'd say it's kind of -- the market is heating up. And as we kind of indicated in our prepared remarks, I think -- this is a positive environment right now on the timber M&A space, and we're anticipating to participate that in that with our asset disposition plan.

Gregory Andreopoulos ***Citigroup Inc., Research Division - Research Analyst***

In terms of drivers there, I mean, are you thinking Fed rate cut expectations, incremental capital into the space, carbon opportunities are all drivers? Or are there other factors you think are at play?

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

I mean, I think those are all in play. Keep in mind, I think as the timber asset class has matured, it's also gained additional favor. It's always been an asset class that has a low volatility. And so you see a lot of people wanting to add it to portfolios for that reason. So it's -- when you see periods of market disruption, you tend to see a flight to quality and timber tends to be a beneficiary of that. There's been a lot of research around timber as an inflation hedge. So we see that.

And I think increasingly, we're seeing capital flow into the asset class as it relates to ESG-related matters, and we see that on both the asset level as well as the public equity level in terms of where our investors are coming into the stock and the reasons why they're coming into the stock. And I think all of that also applies to the timber M&A space. So it gets back to that idea that there's more capital trying to get into the space right now than there is available properties.

Operator

(Operator Instructions) The next question comes from Michael Roxland.

Niccolo Piccini ***Truist Securities Inc., Research Division - Equity Research Associate***

This is Niccolo Piccini on for Mike. Congrats Dave on your retirement. I guess just first question around pulpwood. Thanks for the color on that. And you had mentioned prices may be looking more stable now. Just as it affects your harvest guidance? And maybe how you think about given the mill closures and line closures, your harvest rotations, harvest planning going forward?

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

Sure. This is Doug. I'll take this one. So yes, as noted in our prepared remarks, we're encouraged about that pricing that by and large seems to have stabilized. And we've seen some positive signs on the containerboard side over the past few months as supply-demand dynamics are coming into balance after the destocking occurred over much of last year. Industry data is suggesting that U.S. containerboard operating rates have increased to 89% in Q4, which is above 81% in the prior year period.

With no new major plants in our construction, it appears that containerboard capacity remains stable over that near-term and operating rates really should continue to improve on recovering demand as there's a very strong relationship with population growth and containerboard demand, particularly in the food and beverage sector. So we're seeing some positive movement right now on capacity rates at the mills over there as well as market pulp prices have also stabilized since the correction early in 2023 and some grades such as southern bleached softwood kraft in the U.S. have restore pricing improvements there at the end of the year, and we've also seen some modest operating rate improvements there. And kind of one of the last things we've also seen as a 10% increase in softwood chip exports in the U.S. over the first three quarters of 2023, and that was almost none going to China in Q2 and Q3. So this global growth in softwood fiber demand has been slowly growing and the global supply trends look favorable for the U.S. and New Zealand has made softwood plantations in South America are converting to eucalyptus.

So I think there's been some discussion around those that have shut down and there have been some that have. But what we've seen is, also, there are mills that were running at lower operating rates that have picked back up that capacity. And some of those mills have been in our -- favorable to our market wood baskets. So that's why we're feeling pretty good about what we see. And as we've moved out of Q4 and into Q1, we've seen those operating rates tick up. We've seen demand improve and seeing some pricing opportunities along there also. And additionally, kind of over the near-term, as Mark mentioned before, about the wet weather and El Nino, we typically position ourselves to be there to provide wood whatever those the conditions persist and investing capital in our roading systems, and we believe those investments will drive some benefits as we go forward in this kind of El Nino spring.

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

Mike, another thing I'd add to that is that keep in mind that some of these facilities that have been shut down may indeed end up converting into future fiber uses in the context of the growing demand for bioenergy. And so why you don't expect that to be necessarily a short-term phenomenon, we think longer-term, you'll see some recovery in those markets as those uses of the fiber change.

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

Yes, I would agree with Dave. Given, for example, the one in Orange, Texas, given the proximity of refineries and ports in Texas and Louisiana, I don't think there's going to be a long-term structural shift in pulpwood demand in that market. And this closure may actually, as Dave said, turning to a catalyst for new types of demand. Anecdotally, we've heard of multiple nontraditional users who expressed interest in that area. So I do think it's some short-term maybe headwinds, but medium- to long-term, I think it's an opportunity for new markets.

Niccolo Piccini ***Truist Securities Inc., Research Division - Equity Research Associate***

Perfect. That was very helpful. I appreciate it. You guys dialed in my follow-up as well. I guess you've been hearing about the alternative uses in the biomass, bioenergy. Have you to the extent you can comment connected with any potential customers on that? Or is that something you can talk about?

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

Yes, I can't talk specifically about that, but I can say that we're in lots of discussions with many potential users of wood fiber that would be for products that are nontraditional.

Operator

The next question comes from Buck Horne.

Buck Horne ***Raymond James & Associates, Inc., Research Division - SVP of Equity Research***

Quickly, great color on the alternative uses in the biomass. Curious if you've also explored any additional optionality on solar projects or solar leases? Or what are your thoughts about utilizing more land for land leases around solar usage?

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

Yes. This is an area we're very active in, and we'll speak more about that in our upcoming Investor Day. But sure, we see a significant growth in demand for land for solar and particularly large tracks of land that are close to markets as well as have the capacity for power lines and space in the grid. So something we built a team around and we explore that and have a lot of interest and a lot of opportunities for that and continue to work on that and share more about that at our Investor Day.

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

Buck, I'd also note that a lot of that activity, especially in the U.S. South on the solar front, utility scale solar that is really concentrated in Texas and Florida. And if you look at the proportion of our land base in the South, it's in those two states, we think we've got a really good opportunity, both on an absolute basis and on a relative basis relative to other timberland owners.

Buck Horne ***Raymond James & Associates, Inc., Research Division - SVP of Equity Research***

Awesome. Great. And on the Wildlight new entitlements there. So I maybe ran through this a little bit too quickly. Could you run that by me again in terms of how many additional residential lots you guys were able to get entitlement for at Wildlight?

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

Sure. This is Dave. If you go back to the initial entitlements at Wildlight, we had roughly 3,300 residential units and 6.2 million square feet of commercial space on approximately 2,900 acres. And since that time, from those initial entitlements, we've sold roughly 63% of the residential units, entitlement and 33% of the commercial space. So we still have a decent amount left, roughly 1,200 residential units and 4.2 million square feet of commercial space. The new entitlement will add nearly 15,000 additional residential units and 1.4 million additional square feet of commercial space to the project. And we've worked on this for a number of years, and we're really excited to have this completed and have the entitlement approved.

And Wildlight has -- particularly in the post-COVID environment has enjoyed a tremendous success and is drawing more and more interest from major homebuilders and retailers. And we believe that the new entitlement will both -- will help us to both improve our sales absorption pace as well as provide a runway for many, many years' worth of future sales. So we're super excited about it. And it's just -- it's fun to see all the changes going on here.

Buck Horne ***Raymond James & Associates, Inc., Research Division - SVP of Equity Research***

Yes. No doubt. Well, congratulations, that's a big deal. So good job, guys.

Operator

Thank you. There are no other questions at this time.

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

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

Operator

Thank you. That does conclude today's conference call. We appreciate your participation. Have a wonderful rest of your day, and you may disconnect.
