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Q4 2020 Rayonier Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 04, 2021 / 3:00PM GMT

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PRESENTATION

Operator

Welcome, and thank you for joining Rayonier's Fourth Quarter 2020 Teleconference Call. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time.

Now I would like to turn the meeting over to Mr. Collin Mings, Vice President, Capital Markets and Strategic Planning. Sir, you may begin.

Collin Mings

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 Form 10-K 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 measure in our earnings release and supplemental materials.

With that, let's start our teleconference with opening comments from Dave Nunes, President and CEO. Dave?

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

Thanks, Collin, and good morning, everyone. First, I'll make some high-level comments before turning it over to Mark McHugh, our Senior Vice President and Chief Financial Officer, to review our consolidated financial results. And then we'll ask Doug Long, Senior Vice President of Forest Resources, 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 2021. We finished 2020 with encouraging momentum across all businesses, generating adjusted EBITDA of $75 million and pro forma EPS of $0.08 per share in the fourth quarter.

Adjusted EBITDA exceeded the prior year quarter by 15% as favorable results in the Pacific Northwest Timber, New Zealand Timber and Real Estate segments more than offset a decline in adjusted EBITDA from the Southern Timber segment. As we reflect on 2020 in its entirety, we are pleased with our performance across all our business lines, especially given the significant disruption and uncertainty created by the COVID-19 pandemic.

The diversity of our timber markets, the positioning of our real estate portfolio and the resiliency of our people during challenging operating conditions, all contributed to our solid performance. Moreover, despite the logistical challenges created by the pandemic, we successfully closed and integrated the Pope Resources acquisition. We continue to believe the assets acquired as well as the expertise and dedication of the Pope team that are now -- that has now joined Rayonier will play a critical role in our pursuit of long-term value creation for shareholders.

For the full year, we generated GAAP EPS of $0.27 per share and pro forma EPS of $0.25 per share. Full year adjusted EBITDA of $267 million increased 8% versus the prior year. In our Southern Timber segment, we achieved full year adjusted EBITDA of $109 million, which represents a decrease of 9% versus the prior year.

Core Timber results were stable year-over-year with slightly higher volumes more than offsetting a slight decline in weighted average stumpage pricing. However, non-Timber income declined significantly due to lower pipeline easement income following a record year in 2019.

In our Pacific Northwest Timber segment, we generated full year adjusted EBITDA of $37 million. This result represents a more than doubling of the prior year result, which is attributable to a partial year contribution of our Pope Resources acquisition as well as a sharp increase in log pricing, given strong domestic demand and robust lumber markets.

In our New Zealand Timber segment, full year adjusted EBITDA declined 27% to $55 million. The year-over-year decline in adjusted EBITDA was primarily driven by lower volumes due to the government-mandated lockdown in the first half of the year as well as lower log pricing amid COVID-related export headwinds.

Lastly, our Real Estate segment, we generated full year adjusted EBITDA of $91 million, an increase of over 50% from the prior year result. This year-over-year improvement was driven by an increase in acres sold amid growing buyer demand for rural land as well as residential lots and commercial properties within our real estate development project areas.

While the bulk of our real estate sales activity garnered significant premiums to timberland hold values, the successful completion of some low-value nonstrategic sales in 2020 brought down our weighted average sales price. These nonstrategic sales reflect our ongoing focus on improving the quality of our portfolio through both addition and subtraction.

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

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

Thanks, Dave. Let's start on Page 5 with our financial highlights. Sales for the quarter totaled $206 million, while pro forma sales totaled $196 million. Operating income was $22 million, including $700,000 of cost related to the Pope merger.

Net income attributable to Rayonier was $10 million or $0.07 per share. Excluding these costs and adjusting for the operating income attributable to the noncontrolling interest in our Timber Funds segment, pro forma operating income was also $22 million. Pro forma net income was $11 million or $0.08 per share.

Fourth quarter adjusted EBITDA of $75 million was above the prior year quarter, primarily due to significantly higher results in our Real Estate and Pacific Northwest Timber segments, partially offset by a lower contribution from our Southern Timber segment.

On the bottom of Page 5, we provide an overview of our capital resources and liquidity at year-end as well as a comparison to the prior year. Our cash available for distribution, or CAD for the year, was $162 million compared to $149 million in the prior year, primarily due to higher adjusted EBITDA and lower cash taxes, partially offset by higher capital expenditures and higher cash interest. A reconciliation of CAD to cash provided by operating activities and other GAAP measures is provided on Page 8 of the financial supplement.

Consistent with our nimble approach to capital allocation, we raised over $30 million through our at the market, or ATM, equity offering program during the fourth quarter at an average price of $30.26 per share. As discussed on our last earnings call, we view the ATM program as a cost-effective tool to opportunistically raise capital, strengthen our balance sheet and match fund bolt-on acquisitions.

In sum, we closed the year with $81 million of cash and $1.3 billion of debt, both of which exclude cash and debt attributable to the Timber Funds segment, which is nonrecourse to Rayonier. Our net debt of $1.2 billion represented 23% of our enterprise value based on our closing stock price at year-end.

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

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Thanks, Mark. Good morning. Let's start on Page 9 with our Southern Timber segment. Adjusted EBITDA in the fourth quarter of $23 million was $5 million below the prior year quarter. The decline in adjusted EBITDA relative to the prior year quarter was largely attributable to lower volumes due to the timing of harvest activity in 2020 as well as lower non-Timber sales. For the full year, harvest volumes totaled 6.2 million tons, an increase of 2% from 2019 and consistent with the high end of the revised guidance range we provided in August.

However, following notable year-over-year increases during both the second and third quarter, fourth quarter harvest volumes of 1.3 million tons were 15% below the prior year quarter. The decline in volumes during the fourth quarter was partially offset by stronger pricing. Specifically, average sawlog stumpage pricing was roughly $25 a ton, a 10% increase compared to the prior year quarter.

We are encouraged to see evidence of increased price intention in multiple U.S. South markets during the quarter amid robust lumber markets, growing competition among those for logs and improved demand for expert grade logs in our coastal markets. Geographic mix also contributed to stronger average pricing as the contribution from our higher-priced coastal Atlantic markets increased considerably year-over-year.

Pulpwood pricing climbed 6% from the prior year quarter, also reflecting favorable mix shift towards our Atlantic coastal markets. Fourth quarter non-Timber income of $5 million was $2 million below the prior year quarter. Recall that 2019 marked a record high year for our non-Timber income business.

Moving to our Pacific Northwest Timber segment on Page 10. Adjusted EBITDA of $14 million was $6 million above the prior year quarter. The year-over-year improvement was driven by substantially higher solid pricing as market dynamics improved under the historic surge in lumber prices. Fourth quarter harvest volume was 5% below the prior year quarter. The drop in volume was partially attributable to our decision to defer some stumpage sales in the region.

Sawmills in the region generally continued to run at full capacity during the quarter, but export market demand remained sluggish. We attribute the continued softness in the export market to the availability of European sprew salvage logs for construction applications in China as well as the increased price of logs from Pacific Northwest. For the full year, harvest volumes in the Pacific Northwest totaled 1.6 million tons. A 32% increase from 2019 was largely driven by the partial year contribution from the Pope Resources acquisition and was in line with the revised guidance range we provided in August.

At $96 per ton, our average delivered sawlog price during the fourth quarter was at its highest level since 2018 and up 23% from the prior year quarter. Meanwhile, pulpwood pricing fell 14% in the fourth quarter relative to the prior year quarter as sawmill residuals remain plentiful and with increased lumber production and soft chip export demand.

I'd also like to offer some comments on the impact of last year's wildfires in the Pacific Northwest. Importantly, none of our Feed Timber properties were directly impacted by the fires, although roughly 10,000 acres of Timber Fund properties sustained some fire damage. Overall, our operations in the region have not been materially impacted from the salvage efforts, conducted by others thus far, although we are seeing some localized impact on market conditions in Oregon, primarily related to lumber producers that also in timberland.

While these producers have been harvesting burnt wood on their own timberland to feed their mills, the impacts on overall market conditions has not been as widespread as we initially thought it could be. We continue to closely monitor the situation but would note that the quality of brunt logs deteriorate over time, likely limiting any incremental impact to the first half of 2021.

Given the location of our timberland, the solid demand for green logs for many of our customers, the steady business we have been able to provide to our logging crews in the region, we are optimistic that the impact for our operations from fire-related salvage efforts in the region will remain minimal.

In sum, we believe we are well positioned to capitalize on the solid demand trends and favorable pricing conditions we currently see in the Pacific Northwest, especially given our increased presence and operational flexibility in the region following the successful integration of Pope resources.

Page 11 shows results and key operating metrics for our New Zealand Timber segment. Adjusted EBITDA in the fourth quarter of $17 million was slightly above the $16 million that was reported a year ago. Fourth quarter harvest volume of 702,000 tons was up 2% compared to the prior year quarter. As discussed on previous earnings calls, following the expiration of the government mandated lockdown, our team did an excellent job ramping up production. For the full year, we were pleased to see harvest volumes in New Zealand total approximately 2.5 million tons, consistent with the high end of the revised guidance range we provided in August.

Turning to pricing. Average delivered prices for export sawtimber increased 2% from the prior year quarter to $105 per ton, largely reflecting improved China demand. In addition, escalating tensions between China and Australia resulted in China implementing a ban on Australian log imports during the fourth quarter, further increasing the demand for New Zealand logs.

For context, prior to the ban, Australia was exporting approximately 400,000 cubic meters of softwood logs a month to China, or roughly 10% of the total volume imported by China. Shifting to the market -- the domestic market in New Zealand, average delivered prices for domestic sawtimber increased 6% from the prior year period to $74 per ton. The increase in U.S. dollar pricing was driven primarily by foreign exchange rates as New Zealand dollar domestic pricing was relatively flat in the fourth quarter versus the prior year quarter.

Average domestic pulpwood pricing slipped 2% as compared to the prior year quarter. As we enter 2021, we are pleasantly surprised to see a more moderate seasonal slowdown in demand from China ahead of Chinese New Year. While we've seen a slight increase in inventories as we enter the Chinese New Year, we don't believe the build will be nearly as significant as last year when China was battling COVID. We are currently seeing stronger demand with some mills even running through the holiday to prevent employees from returning to their home cities and risking exposure to COVID. As demand improved seasonally, past the holidays, we believe we are well positioned to capitalize on further strengthening the Chinese economy as well as any prolonged reduction in log imports from Australia.

I'll now briefly discuss the results from our Timber Funds segment. Highlighted on Page 12, the timber Funds segment generated consolidated EBITDA of $5 million in the fourth quarter on harvest volume of 115,000 tons. Adjusted EBITDA, which reflects the look-through contribution from the timber funds was $900,000. Lastly, in our Trading segment, we reported breakeven adjusted EBITDA in the fourth quarter.

As a reminder, our trading activities typically generate low margins and are primarily designed to provide additional 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. - Senior VP & CFO***

Thanks, Doug. As detailed on Page 13, our real estate team capitalized on growing demand for rural land as well as finished lots and commercial parcels within our development projects. After a very slow start to 2020, given the uncertainty created by the pandemic, we saw a sharp rebound in activity and finished the year with encouraging momentum across our real estate categories.

In the fourth quarter, sales totaled $32 million or roughly 12,500 acres sold at an average price of over $2,400 per acre. Real Estate adjusted EBITDA was $26 million in the fourth quarter, marking our second strongest quarter since 2018. Sales in the Improved Development category totaled $6.7 million. Specifically, we sold a parcel in the Belfast Commerce Park development project, south of Savannah, Georgia for $4.6 million. In our Wildlight development project, north of Jacksonville, Florida, we sold 25 residential lots for $1.6 million or $64,000 per lot.

In addition, we sold a small development property in Washington state from the Pope real estate portfolio for roughly $500,000. In the rural category, fourth quarter sales totaled $14 million on roughly 3,600 acres sold at an average price of $3,900 per acre. Interest in rural recreation and residential lots in the 5- to 40-acre size range continues to build as households are planning for more permanent work-from-home arrangements and desire to leave crowded urban and suburban areas.

The space, privacy and recreational opportunities offered by these properties are attracting buyers, and we believe this momentum will continue into 2021. Timberland and nonstrategic sales of $9.6 million comprise just over 8,700 acres in total. These properties were nonstrategic to our core timber operations as they consisted of numerous scattered parcels with a relatively high percentage of non-plantable lands.

Overall, we believe favorable tailwinds for our real estate business are growing and remain optimistic that a combination of demographic trends, historically low mortgage rates and an increased need for space will benefit our various real estate sales categories.

On the development front, we have been encouraged by homebuilder demand for finished lots and entitled infrastructure served land. We believe we are well positioned to meet this demand with a building pipeline of opportunities in Wildlight Florida, Richmond Hill, Georgia and the West Puget Sound area of Washington.

With 2020 marking our fourth year of development in Wildlight, this project is looking increasingly like an established community with a growing list of amenities, helping to drive additional interest from builders. Meanwhile, in Richmond Hill, the new I-95 interchange embedded within our land holdings recently opened. We view the interchange as an important catalyst for our real estate holdings in the area and have been encouraged by recent interest in land entitled for industrial uses at the Belfast Commerce Park as well as land entitled for commercial and residential uses adjacent to the interchange.

Now moving on to our guidance for the year. Page 15 shows our financial guidance by segment for 2021, and schedule G of our earnings release provides a reconciliation of our adjusted EBITDA guidance to net income attributable to Rayonier and EPS. For full year 2021, we expect total adjusted EBITDA of $285 million to $315 million, net income attributable to Rayonier of $44 million to $56 million and EPS of $0.32 to $0.41.

The projected year-over-year increase in adjusted EBITDA is driven by our expectation that the contribution from each of our key Timber segments will increase in 2021. However, we believe this will be partially offset by a lower contribution from the Real Estate segment, following an exceptionally strong 2020. Overall, we are encouraged by the positive momentum across our business segments to start the year.

In our Southern Timber segment, we expect to achieve full year harvest volumes of 6.2 million to 6.4 million tons. As we start 2021, we are seeing some upward momentum in grade timber pricing driven by increased mill capacity, strong lumber prices and improved log export markets.

In addition, we are seeing strong demand for pulpwood in our core markets, driven by continued positive trends in containerboard and tissue markets. Overall, we expect a modest improvement in our weighted average pricing relative to full year 2020, driven by these demand trends as well as a higher mix of sawtimber, partially offset by an increased proportion of planned harvest volume from relatively lower-priced markets.

In sum, we expect that Southern Timber will contribute 2021 adjusted EBITDA of $114 million to $120 million. In our Pacific Northwest Timber segment, we expect to achieve full year harvest volumes of 1.7 million to 1.8 million tons as we realize a full year contribution from the Pope Resources acquisition.

We further anticipate higher average sawtimber prices in 2021 versus 2020 as we expect continued strong domestic demand trends given the favorable outlook for lumber prices. That said, we expect that this increased log pricing, coupled with continued competition from European spruce salvage, will limit China export demand growth. Overall, we expect 2021 adjusted EBITDA in the Pacific Northwest Timber segment of $50 million to $55 million.

In our New Zealand Timber segment, we expect to achieve harvest volumes of 2.6 million to 2.8 million tons, up modestly year-over-year following the operational disruptions imposed by the pandemic in 2020. We believe strong demand from both China and local markets, coupled with reduced supply from Australia, will lead to improved export and domestic prices. That said, we anticipate some increase in shipping costs due to reduced ship availability. Overall, we expect 2021 adjusted EBITDA in the New Zealand Timber segment of $71 million to $75 million.

In our Real Estate segment, we continue to focus on unlocking the long-term value of our HBU development and rural property portfolio. Following exceptionally strong real estate results in 2020, we currently anticipate more normalized transaction activity in 2021. As such, we expect that our Real Estate segment will contribute adjusted EBITDA of $70 million to $85 million in 2021.

We anticipate a relatively light first quarter this year with a heavy proportion of our real estate activity concentrated in the second half of the year. Details on other elements of our financial guidance, including CapEx, DD&A, noncash basis of land sold, interest expense, taxes and minority interests are provided on Page 15 of the financial supplement and schedule G of the earnings release.

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

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

Thanks, Mark. Reflecting back on our earnings call a year ago, we certainly couldn't have imagined the events that would unfold in 2020. I'm very proud of how our team responded to all the unforeseen and unprecedented challenges associated with the COVID-19 pandemic. They figured out new ways to work together in a safe, yet distant manner and rose to the many challenges posed by the pandemic, while at the same time, remaining intensely focused on our strategic priorities.

As such, I want to take a moment to recap some of the key milestones we achieved in 2020, despite the extraordinary circumstances we faced. Underscoring our focus on always looking to improve our portfolio through active portfolio management, we executed several transactions that we believe better position us to create value for our shareholders.

First and foremost, in May, we successfully completed the acquisition of Pope Resources announced last January. The addition of these high-quality Pacific Northwest timberlands as well as an attractive real estate portfolio improved our species mix, smoothed out our age class distribution and increased our proportion -- increased our operational flexibility and market reach within the region.

As we welcome Pope's outstanding team to the Rayonier family, we are encouraged by the benefits that are already starting to accrue from this transaction. Moreover, we believe the UPREIT structure we employed as part of the transaction has great potential to be used in other timberland transactions in the future. While dedicating significant resources to ensure Pope's successful integration, we also executed on some smaller acquisitions throughout the year, totaling roughly $25 million.

In addition, we executed a large disposition of 67,000 acres in Mississippi for $116 million. These transactions reflect our unwavering commitment to nimble capital allocation and active portfolio management as well as our focus on maintaining balance sheet flexibility.

As it relates to capital allocation, we also took advantage of opportunities to both issue and repurchase shares in 2020. We repurchased a modest amount of stock early in the year amidst the turmoil in the financial markets, but also established and utilized an at the market equity offering program in late 2020. We believe that the symmetry afforded by maintaining both buyback and issuance optionality will allow us to deploy these tools opportunistically to build NAV per share over the long term.

We've also continued to reinvest in our business, particularly in technology and systems designed to optimize our long-term performance. Despite the social distancing necessitated by the pandemic, our investments in technology allowed us to push forward and achieve goals related to improving efficiencies, reducing costs and enhancing our market intelligence and proprietary analytical tools.

Furthermore, selective and measured real estate investments continued throughout 2020, leaving us increasingly well positioned to optimize the returns of our portfolio in the years to come. As we look back over a very challenging year, I'd like to highlight the importance and durability of our culture, which is the cornerstone of Rayonier's financial and strategic success. I'd also like to thank our employees for embracing the values that serve as the foundation of our culture, our commitment to safety, collaboration, accountability and excellence throughout the organization.

Collectively, we remain focused on our mission to provide industry-leading returns while being a responsible steward of our lands. I'm proud of the dedication and accomplishments of our people and their unwavering commitment to building long-term value for our shareholders.

This concludes the prepared remarks. I'd now like to turn it back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Anthony Pettinari with Citi.

Randy Devin Toth ***Citigroup Inc., Research Division - Associate***

This is actually Randy Toth sitting in for Anthony. I just wanted to touch on the price improvement in the U.S. South, specifically sawtimber. I think pricing was up 10% year-over-year, and you commented on increased pricing tension in multiple U.S. South markets in the prepared comments. I just wanted to get maybe a little bit more color on which regions and what's driving that.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Sure. This is Doug. I'll be happy to answer that. So as we mentioned, we did have some geographic shift across from Alabama to our coastal markets. That was roughly about 15% year-over-year difference. So it wasn't a major contributor, but it was a contributor in there. Where we've seen strength, in particular, is our coastal Atlantic markets in Florida and Georgia. And a lot attributable to we had a lot of capital investment in that area, but we also have exposure to the export markets in that area. So we've seen pricing tension from demand from China primarily and some to India and also just that investments that we've seen in those markets in the sawmills.

Randy Devin Toth ***Citigroup Inc., Research Division - Associate***

Understood. And then maybe moving to guidance. Just looking at the EBITDA and harvest guidance, it looks like you're expecting something like 20% to 40% EBITDA per ton improvement in the Northwest and 15% to 30% in New Zealand. The Northwest improvement makes sense given the Pope Resources acquisition, but I was just wondering if you could comment on what you think is driving the improvement in New Zealand.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes. It's Doug again, I'll take a start at that. So if you recall, we had China facing COVID as they went in December and January of last year. And so we saw significant slowdowns in the China economy, which impacted the export markets. And -- so that caused a lot of price decreases early in the year in New Zealand. And then the domestic market followed behind that.

As China got control of COVID and New Zealand had their lockdown and came out of that, things started to improve significantly as we move back through the rest of the year. And so we've seen significant increases in movement in both pricing in domestic and export. China's economy is really roaring back, and we've seen increased demand, some -- actually some of the highest demand we've seen in the fourth quarter. So we're feeling strong about that and seeing pricing respond to that also.

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

Yes. This is Mark. Recognize as well that we finished the year with a lower volume than we anticipated going into the year, largely due to the COVID-related shutdowns in the kind of the April time frame. And so just given that we're kind of -- we're expecting a return to more normalized volume level in 2021, you're getting incremental kind of operational leverage off of those additional tons.

Operator

Our next question comes from Mike Wilde (sic) [Mark Wilde] with BMO Capital Markets.

Jesse Barone ***BMO Capital Markets Equity Research - Associate***

This is Jesse Barone sitting on for Mark. First question, can you guys give us kind of an update on the timber fund management business kind of what your options still are there?

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

Well, I'd say right now, we're still in the process of reviewing the fund business, and all options are on the table. Everything from retaining the business to fully exiting the business to partially exiting the business. And so that's about all we can really speak to at this juncture. But as we've said in earlier calls, everything has been on the table.

Jesse Barone ***BMO Capital Markets Equity Research - Associate***

Got it. And then just one follow-up. Can you just kind of give us more color on what you're seeing in the export log market in the U.S. South?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Sure. This is Doug again. Yes, as I mentioned, we're starting to see some real strength in that market, particularly the recent ban with Australia and China has improved demand coming out of the South. But even before that, we really saw a lot of growth. So we're impressed with what we're seeing. We're on target to basically double roughly what we did in 2020. And have had a second yard in that Savanna market. So we're really seeing a lot of growth in that market right now.

Operator

Our next question comes from Mark Weintraub with Seaport Global.

Salvator Tiano ***Seaport Global Securities LLC, Research Division - Senior Analyst***

This is Salvator Tiano filling in for Mark. So firstly, following up a little bit on the export markets in the South, you mentioned contracts to double your exports. But firstly, how does this compare essentially to where you were before China imposed the tariffs on the U.S. when things were growing at a very high rate as well? Are you getting back to those levels? And can you elaborate a little bit also on India? Because it seems like more and more companies focused on the export market have been mentioning it as a big source of growth.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes. I'd say we've -- you're correct, we were -- we just gotten started in the export markets before the tariffs went in, in June of 2018. So we were growing fast at that point in time. Obviously, have taken a pause, but really since Q2 of this year, we've seen a significant ramp-up in that. And I'd say we're well above the pace we were at before. So we've seen demand stronger than we saw in 2018. Overall, China demand continues to grow year-over-year just for logs in general.

While we've seen Europe has put some tailwinds in the market, particularly for the Northwest on that consumer side, what we are seeing is that the Southern Yellow Pine is being used in peeling for plywood, also being used for treating and other things. So it's got a niche market there. So the demand continues to increase. So it's been a strong market for us, and we continue to expect it to rise.

Salvator Tiano ***Seaport Global Securities LLC, Research Division - Senior Analyst***

Okay. Perfect. And a couple of additional questions. A little bit on the harvest in the Pacific Northwest. You did mention, it was a little bit lower year-on-year. You had very strong harvest a year ago, but you also did have Pope Resources, which I think on a normalized basis, should be 100,000 tons a quarter. So can you provide a little bit more color of why the combined business was still lower?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Sure. We saw -- we had record pricing -- lumber pricing in Q3. We saw still strong in November. As it moved in December, it took a pause. I think people were very concerned about was it sustainable, what was going on with the economy, the election, things like that. So what we saw is that while the mills continue to run, they were less likely to speculate is what I would say, basically, they were concerned about what the future looked like in Q1.

So we took a little bit of a pause and held back some volume in our stumpage markets and waited to see, because we thought there was going to be -- we thought the fundamentals were strong. It was just really more kind of social parameters that were causing things. And we've seen just that. Since January has come back around, people have moved forward. We're seeing the markets return back to extremely high pricing and strong demand again. So it was just a good opportunity to take a pause for a little bit.

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

And Salvator, this is Mark. Specifically on the quarter-over-quarter decline relative to Q4 of last year, recognize that we had a much heavier proportion of our harvest volume in Q4 last year relative to this year. And so in 2019 -- I'm sorry, last year, I mean 2019 relative to 2020. But in 2019, Q1 through Q3, we averaged about 260,000 tons of volume in the Pacific Northwest. And then we did 417,000 tons in Q4. And so this year, 2020, we had a kind of more even spread over the quarters and not that sort of very heavy concentration in Q4.

Salvator Tiano ***Seaport Global Securities LLC, Research Division - Senior Analyst***

Okay. Perfect. And then last question a little bit on Real Estate. Clearly, it's going to be another good year with EBITDA around $80 million. With the improvement in housing, do you believe you can sustain that EBITDA level beyond 2021? And can you break down a little bit the profitability between Legacy Rayonier and the benefits from the Pope real estate operations?

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

We're not going to get into the specifics around the breakdown between Legacy Rayonier and Pope at this juncture, certainly not within any particular time frame. Look, as you know, Real Estate results can be very lumpy period to period. We've seen periods of very strong volume and pricing, and we've seen periods where it's come off.

If you look over a very long time period, I think that there is some measure of consistency to that business. In general, first of all, it's primarily a Southern business, at least on the rural land front, development is much more specific to where you're putting capital investment dollars.

But on the rural land front, we've generally sold in the vicinity of 1.5% of our Southern land acreage annually. And over time, the premiums on those sales relative to underlying timberland value has probably been as tight as 20% in a less opportune market to as high as 100% in a really strong market.

And so over time, that's our expectation. I think we're going to sell 25,000 acres annually, give or take, call it, 50% to 75% premium to timberland value in a kind of normalized market. The last couple of years have been stronger than that. And obviously, we're looking at a pretty attractive market right now. That's also going to be skewed by the proportion that's in improved development properties as well, recognizing that when you're putting real dollars into the ground, your per acre value realizations are substantially higher than on unimproved land.

So again, hopefully, that gives you a flavor for kind of what our long-term expectation is. And happy to kind of walk you through the math around that off-line.

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

The other thing I'd add is, keep in mind that the improved development projects have a fairly long entitlement process and as well as construction. And so we're further along that process in both our Wildlight and Richmond Hill projects relative to where the Pope projects are on their additions to our improved development portfolio.

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

One other point. I think 2021 is reflective of a "more normalized transaction -- level of transaction activity."

Operator

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***

Yes. Solid results and a great outlook here. Just -- it looks like the guidance for Pacific Northwest and New Zealand are up quite a bit over 2020. I'm just trying to attribute that what portion of the increase is attributable to higher volume and what proportion to higher realized price?

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

I mean it's certainly both. We can -- Paul, if you want to walk -- talk offline about just kind of the contribution on an EBITDA per ton basis. But we're anticipating pricing in both the Pacific Northwest and New Zealand Timber being up. Pricing increases tend to be a straight pass-through to the bottom line, whereas the volume increases, you're obviously getting kind of that marginal contribution from the incremental tons. So it's definitely a mix of both. And it's -- I'd say it's more heavily weighted towards pricing.

Operator

Our last question comes from John Babcock with Bank of America.

John Plimpton Babcock ***BofA Securities, Research Division - Associate***

Just right now, you talked a little bit about the wildfires in the South Northwest. I was wondering if you could gauge how much land that's harvestable was ultimately damaged by that. It doesn't sound like it was all that significant. But I was wondering if you could quantify that to some extent.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes. For Rayonier, as we mentioned, none of our fee ground, but approximately 10,000 acres of the Timber Fund business. So that's for Rayonier. But across the board, there was hundreds of thousands of acres that were burned in Oregon across the industry and the national force in other lands. So -- but we're a very small percentage of that overall.

John Plimpton Babcock ***BofA Securities, Research Division - Associate***

Got you. And now that you've had booked resources now for 2 quarters or so, I was wondering if you could talk about whether or not there are any adjustments that you're making to the harvest plans that they had, any sort of changes on that front that are worth noting.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes. This is Doug again. I'd say we're -- nothing I would say is notable. What we're doing is bringing that property into ours, rerunning the harvest schedule, looking for opportunities. So there may be cases where we can allow things to grow or different opportunities to get different grade out of things. So it's really just optimizing what we have. So it will impact our stance that we're harvesting, but not really the volumes that we're looking at.

John Plimpton Babcock ***BofA Securities, Research Division - Associate***

Got you. With regards to Australia, you talked about the log ban there. Do you have any color on how long that ban might be in place? Or is it not that specific? And then also, where are those logs going at this point with that log ban?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes. I don't have any color on the length. That's anyone's guess, kind of like the U.S. ban. So unsure, but I can tell you that folks are looking at it being something that's going to last for a little while. So it's not just something that's happened and going on, it feels like it's something that's going to be around for a while.

Those logs, a lot of the logs went to Korea and India. So immediately, they shift -- the market shifted to those areas. So we've seen a shift away from China into those 2 markets.

John Plimpton Babcock ***BofA Securities, Research Division - Associate***

And how have those -- the volume that they're pushing into those markets, does that significantly impacted pricing in those regions?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

I would say it has some impact, but what we've seen is demand in China has really increased. And so when we kind of look at that inventory-demand ratio in China, we're sitting -- we kind of look at it between 1.5 and 2 months kind of being a good ratio. And China really to set the export prices.

And right now we're seeing at that low end around the 1.5. So what we see is overall strength in export prices across kind of Asia. And so while it's having some dampening impact in India and Korea, those markets are still on the rise because they're following that overall China trend. So it has had some impact. But overall, we're seeing a price increase in all the markets.

John Plimpton Babcock ***BofA Securities, Research Division - Associate***

Okay. And then I can't remember if you guys mentioned log inventories in China and where those stand now relative to where they have been over the last couple of months.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes. So right now, we're tracking roughly about 3.5 million to 3.7 million cubic meters in China. But importantly, radiata is at almost a record low over the last few years. So we're seeing that the radiata inventories are down. And what we've seen as a big influx that European salvage, I mentioned before, which is primarily is that construction number. So the good news for New Zealand and U.S. South is demand for these other grades used for peeling and the other products, but probably the -- a little bit the dampening news for the Pacific Northwest, which we have been doing much exports out of is that construction grade still seeing a lot of competition from European salvage.

So -- but right now, really, with Pacific Northwest domestic pricing where it sits, it's pretty hard to get any volume to go to China right this minute anyhow. It's just -- there's a significant premium to go to the domestic market.

John Plimpton Babcock ***BofA Securities, Research Division - Associate***

Okay. And then just my last question before I turn it over. I was just wondering if you can talk a little bit more about what's driving the demand in China and also how sustainable you see it.

And I guess I was also wondering if there's -- how much of this is temporary. I mean we have seen in other commodities that their purchasing is up quite a bit. So I want to kind of get your thoughts there.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Sure. Yes. So broadly speaking, we've seen the demand in Q4, as I mentioned before, was strong with weekly consumption around 800,000 cubic meters. And that is historically strong. And it's really being fueled. They've had a really strong second half economic recovery. And right now, the investments that the government is making, a lot of it is in infrastructure.

And so we do believe that's going to last for a long time. It doesn't appear like it's just a short-term rebuild of commodities from the prior shutdown when they had early in the year. So all indications we have right now is we're in for a good sustained boom. They're looking at improving economic inputs. So we're thinking this has some legs to it.

John Plimpton Babcock ***BofA Securities, Research Division - Associate***

Okay. What was there weekly consumption on average in the kind of last year or so? Like what's a more normal consumption there?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

More normal might be in the 600,000, 700,000, it's looking more like 800,000 in the fourth quarter. So we've seen a strong increase. We had kind of -- you asked about, I think, for kind of where things set. In the beginning of the year, we had inventories almost 7 million cubic meters sitting in China. Obviously, that was during the COVID lockdowns. And from there, it's dropped down, as I mentioned, roughly half of that now. So we've seen a pretty significant decrease.

A little bit of a build in January, as we expect to see in February with Chinese New Year, but it's still well below what we would expect to see. So that drawdown has been having a significant impact.

Operator

And we do have another question from Mark Weintraub with Seaport Global.

Salvator Tiano ***Seaport Global Securities LLC, Research Division - Senior Analyst***

Salvator Tiano again. I just want to understand a little bit in the South. You obviously had the year-on-year benefit. You mentioned the export market and mix. However, I'm trying to understand in the same regions kind of like-for-like, are you seeing measurable changes in prices? And are there any specific new lumber mill projects that are coming online that you see benefiting your holdings in the south?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

So yes, you're right. We are seeing improvements across different areas as we look. And as I mentioned before, that kind of the Florida, Georgia area had significant investments earlier in -- in kind of 2018, 2019, we've been tracking since 2017, I think about 8.3 billion board feet of capacity coming into the South. And roughly half of that's already happened, and we have another kind of 4 billion that's still out in front of us.

And particularly for us, the Georgia markets have seen some significant improvements in that area. And we're excited to see Klausner opening up in Florida again. So -- and one of the reasons that was -- Binderholz has bought that mill in Live Oak, and it impacts both our Florida and Georgia markets. And along with that, GP Albany in the area, so we're seeing a lot of strength in that area.

And so if that mill comes back on, that's about 300 million board feet of capacity coming into that area. So we're seeing a lot strength in there. So really, that Florida, Georgia -- and then Alabama, also, we've seen some strength in that as new mills have come online in that area, too. So we're seeing across the board strength in those areas. But where we have export and the new capacity seems to be where we're seeing most price tension.

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

And keep in mind that these coastal markets have a fairly balanced growth drain relationship. And so as such, they're going to be much more -- much greater price elasticity when we see changes in the market, be it a new mill coming on or adding capacity or the export market improving. And so that's one of the reasons that you're seeing the nice price movement in the South is because of that factor.

Operator

Thank you. And at this time, we have no further questions on the audio line.

Collin Mings

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

Operator

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