REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q3 2021 Rayonier Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 04, 2021 / 2:00PM GMT

CORPORATE PARTICIPANTS

Collin Mings
David L. Nunes *Rayonier Inc. - President, CEO & Director*
Douglas M. Long *Rayonier Inc. - SVP of Forest Resources*
Mark D. McHugh *Rayonier Inc. - Senior VP & CFO*

CONFERENCE CALL PARTICIPANTS

Anthony James Pettinari *Citigroup Inc. Exchange Research - Research Analyst*
Buck Horne *Raymond James & Associates, Inc., Research Division - SVP of Equity Research*
John Plimpton Babcock *BofA Securities, Research Division - Associate*
Mark Adam Weintraub *Seaport Research Partners - MD & Senior Research Analyst*
Mark William Wilde *BMO Capital Markets Equity Research - Senior Analyst*
Paul C. Quinn *RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst*

PRESENTATION

Operator

Welcome, and thank you for joining Rayonier's Third Quarter 2021 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 Mings

Thank you, and good morning. Welcome to Rayonier's investor teleconference covering third quarter earnings. Our earnings statements and financial supplement were released yesterday afternoon and are available on our website at rayonier.com.

I would like to remind you that in these presentations, we include forward-looking statements made pursuant to the safe harbor provisions of federal securities laws. Our earnings release and 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. Good morning, everyone. First, I'll make some high-level comments before turning it over to Mark McHugh, Senior Vice President and Chief Financial Officer, to review our consolidated financial results. Then we'll ask Doug Long, Senior Vice President, 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 updated guidance.

We're very pleased to report our strongest quarterly adjusted EBITDA result since our separation into a pure-play timberland REIT in 2014. Specifically, we generated adjusted EBITDA of $115 million and pro forma EPS of $0.35 per share during the third quarter. Adjusted EBITDA exceeded the prior year quarter by 71%, fueled by solid contributions across our timber segments as well as an outsized contribution from our Real Estate segment due to the closing of 2 significant development transactions.

We continue to capitalize on healthy domestic timber demand in the U.S., favorable log export pricing in New Zealand, and robust real estate market trends in the third quarter. However, wet weather conditions and trucking shortages in the U.S. South constrained production during the quarter, while production in New Zealand was negatively impacted by a government-mandated shutdown in response to an outbreak of COVID-19.

Given these headwinds, we were very pleased with the results delivered by our team. As Mark will discuss in greater detail, based on our performance over the first 9 months of the year and our outlook for the balance of the year, we're modestly raising our full year 2021 adjusted EBITDA guidance to a range of $320 million to $330 million.

Drilling down to our different operating segments. Our Southern Timber segment generated adjusted EBITDA of $24 million for the quarter, which was 7% below the prior year quarter. We were encouraged to see net stumpage prices increase by 16%, but this lift in pricing was more than offset by a 20% reduction in harvest volumes due to wet weather conditions and trucking shortages.

In our Pacific Northwest Timber segment, we achieved adjusted EBITDA of $13 million, an improvement of 38% from the prior year quarter. This increase in adjusted EBITDA was driven by a 15% increase in sawmill (sic) sawtimber prices as domestic lumber markets remained favorable.

In our New Zealand Timber segment, third quarter adjusted EBITDA increased 10% year-over-year to $20 million. Favorable pricing more than offset a significant increase in export shipping costs as well as 14% lower production volumes due to the government-mandated shutdown, which prohibited harvest activity throughout the country during a 2-week period in August.

In our Real Estate segment, we generated record adjusted EBITDA of $64 million, up from $22 million in the prior year period, as we closed on a $38 million Unimproved Development sale in Kingston, Washington, and a $25 million Improved Development transaction in our Belfast Commerce Park project south of Savannah, Georgia.

Switching gears from the third quarter results, I'd like to provide an update on our Timber Fund business, which we acquired last year through our merger with Pope Resources. As we previously communicated, the private equity timber funds business was not a good long-term strategic fit for Rayonier. I am pleased to report that we have now completed our exit from the timber fund business.

During the third quarter, as previously announced, we sold the rights to manage Timber Funds III and IV, as well as our co-investment stake in both funds for an aggregate purchase price of roughly $36 million. We subsequently entered into 3 separate agreements to sell the remaining Fund II Timberland assets for an aggregate purchase price of $157 million.

Note that 1 of these transactions closed on September 30 and is reflected in our third quarter financial results, while the other 2 transactions closed on October 5 and November 1, respectively, and will be reflected in our fourth quarter financial results.

All said, based on Rayonier's 20% ownership interest in Fund II and factoring in the repayment of Fund II debt, proceeds to Rayonier from the sale of Fund II assets, will be roughly $24 million. In addition, we expect to receive a carried interest incentive fee with respect to Fund II of approximately $14 million.

Overall, we view this as a favorable result for the sale process, particularly given the negative impact that last year's forest fires had on roughly 10,000 acres of Fund II and Fund IV properties in Oregon. We believe the successful sale of our co-investments in Funds III and IV, as well as the properties in Fund II, represent a positive outcome for our shareholders as the wind down of the fund business allows us to simplify our operations and allocate capital to other strategic priorities.

With that, let me turn it over to Mark for more details on our third 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 $365 million, while operating income was $123 million, and net income attributable to Rayonier was $76 million or $0.53 per share. On a pro forma basis, net income was $50 million or $0.35 per share. Pro forma adjustments for the quarter were primarily associated with a large disposition in the Pacific Northwest, as well as the actions taken to exit the fund business.

As Dave touched on, third quarter adjusted EBITDA of $115 million was considerably above the prior year period, as an exceptionally strong contribution from our Real Estate segment and year-over-year improvements in the contributions from our Pacific Northwest and New Zealand Timber segments more than offset a modestly lower contribution from our Southern Timber segment.

On the bottom of Page 5, we provide an overview of our capital resources and liquidity at quarter end, as well as a comparison to year-end. Our cash available for distribution, or CAD, for the first 9 months of the year was $204 million versus $124 million in the prior year period, primarily due to higher adjusted EBITDA, partially offset by higher cash taxes and capital expenditures. A reconciliation of CAD to cash provided by operating activities and other GAAP measures is provided on Page 8 of the financial supplement.

Consistent with our nimble approach to capital allocation, we raised $52 million through our at-the-market equity offering program during the third quarter at an average price of $37.26 per share. As previously discussed, we view the ATM program as a cost-effective tool to opportunistically raise capital, strengthen our balance sheet, and match-fund bolt-on acquisitions.

Also building upon the actions taken in the second quarter to improve our debt maturity profile and lower our weighted average borrowing cost, in September, we opportunistically repaid the $45 million outstanding under our credit facility with Northwest Farm Credit Services, which previously -- which we had previously assumed in the Pope Resources transaction.

In sum, we closed the third quarter with $420 million of cash and $1.4 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 $957 million represented 15% of our enterprise value based on our closing stock price at the end of the third quarter.

I'll now turn the call over to Doug to provide a more detailed review of our third 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 third quarter of $24 million was $2 million below the prior year quarter. The year-over-year decline was primarily driven by lower harvest volumes, partially offset by higher net stumpage pricing.

More specifically, volume declined 20% during the third quarter as wet weather conditions and constraints on trucking availability hindered production throughout most of the region. This decline in volume was partially offset by a 12% increase in average sawlog stumpage pricing compared to the prior year quarter. At slightly over $28 per ton, third quarter pricing reflected the highest average sawlog pricing we have registered since early 2015. The improved pricing reflects strong demand from sawmills, weather-related constraints on supply, upward pressure on ship and sell pricing due to increased competition from pulp mills, and improved export log demand in certain markets.

Likewise, pulpwood pricing was also at its highest level since early 2015. Specifically, our prices climbed 23% from the prior year quarter in response to strong domestic demand, constrained supply due to wet weather conditions, and an increase in pulpwood exports to China.

Overall, weighted-average pine stumpage prices increased 16% year-over-year, despite a shift toward a higher mix of pulpwood sales as compared to the prior year quarter. We are encouraged by the pricing gains registered during the quarter, albeit fueled in part by the wet weather conditions.

Moving forward, we believe certain southern markets are poised for stronger pricing, and believe our results continue to underscore the relative strength of local timber market dynamics across our footprint in the region, including proximity to the dominant ports serving log export markets.

Moving to our Pacific Northwest Timber segment on Page 10. Adjusted EBITDA of $13 million was $3 million above the prior year quarter. The year-over-year increase was largely attributable to favorable domestic lumber markets, coupled with increased export demand relative to a year ago, as the third quarter harvest volume was flat versus the prior year quarter.

At nearly $108 per ton, our average delivered sawlog price during the third quarter was up 15% from the prior year quarter. Strong pricing was generally sustained throughout the quarter as underlying log demand remained healthy, even as lumber prices receded from the record level set earlier in the year.

Meanwhile, pulpwood pricing fell 2% in the third quarter relative to prior year quarter as sawmill residuals remain plentiful amid strong lumber production. While domestic demand remains healthy in the Pacific Northwest, we have seen export demand from China soften over the past few months. This softness is largely attributable to elevated log inventories in China, concerns about the country's near-term economic outlook, and supply chain disruptions. We expect some choppiness in demand for log exports from the region to continue over the near term.

However, we believe the reduced harvest of European spruce salvage logs, the continued ban on Australian log exports to China, and the ban on Russian log exports beginning in 2022 will support continued demand for logs from Pacific Northwest, particularly as inventory levels in China normalize.

I'd also like to offer a few comments regarding the wildfires that have impacted parts of the Western U.S. this year. Fortunately, none of our properties were seriously threatened by the fires. That said, the availability of burnt wood has constrained pricing in some areas, and there has been upward pressure on hauling costs in areas that have been directly impacted by fires.

Consistent with our previous updates on this front, our operations have not been materially impacted from the salvage efforts conducted by others, which are generally winding down.

Page 11 shows results and key operating metrics for our New Zealand Timber segment. Adjusted EBITDA in the third quarter of $20 million was $2 million above the prior year quarter. The increase in adjusted EBITDA was driven by much stronger domestic and export pricing, largely offset by lower harvest volumes, higher cost, and reduced carbon credit sales.

Volume declined 14% in the third quarter as compared to the prior year quarter as the government shut down all nonessential activity across New Zealand from August 18 through August 31 due to COVID-19. Our team in New Zealand was generally able to resume harvest operations in September, but there were some regions where restrictions continued as the government aimed to limit the spread of the delta variant. Harvest operations have now resumed across the country, but full year 2021 volumes are expected to be modestly lower than we had previously anticipated due to the disruptions encountered in the third quarter.

Turning to pricing, average delivered prices for export sawtimber jumped 59% in the third quarter from the prior year to $150 per ton, reflecting solid demand from China, the ban on Australian log exports to China, and the reduced flow of European spruce salvage logs into China.

While net stumpage realizations on export volumes were well above the prior year period levels, favorable export pricing was largely offset by a significant increase in shipping costs, as supply chain issues drove freight and demurrage costs higher.

Since reaching record levels a few months ago, there has been a pullback in pricing for radiata pine logs in response to elevated log inventories in China. A slowdown in construction activity, adverse weather conditions, and power shortages in China have collectively reduced the offtake from ports and resulted in pricing pressure on log exports. While we anticipate pricing will remain favorable from a historical perspective, we expect relatively lower export pricing over the balance of the year. We generally expect that net stumpage realizations on export volume will decline in the fourth quarter as we've seen only limited relief in shipping costs.

Shifting to the New Zealand domestic market, demand remains very strong, albeit constrained to some degree by COVID-related restrictions and the availability of labor. During the third quarter, average delivered sawlog prices increased 21% from the prior year period to $85 per ton. Excluding the impact of foreign exchange rates, domestic sawtimber prices improved 14% versus the prior year period following the upward trend in the export market.

As a reminder, domestic sawtimber pricing normally follows export pricing with a lag. Average domestic pulpwood pricing climbed 25%

as compared to the prior year quarter. As it relates to carbon credits, we continue to defer sales during the quarter. The value of carbon credits has roughly doubled over the past year.

Moving forward, we will continue to be opportunistic in our sale of carbon credits based on our market outlook.

In sum, we are pleased with third quarter results in the New Zealand Timber segment, especially given the COVID-related disruptions and cost pressures we encountered.

Moving forward, we remain well-positioned to continue to capture market share from Australia and Europe in the export market as well as benefit from strong domestic demand. However, we do anticipate a relatively lower contribution from our New Zealand operations in the fourth quarter as compared to the first 3 quarters of the year.

I'll now briefly discuss the results from our Timber Funds segment. Highlighted on Page 12, the Timber Funds segment generated consolidated EBITDA of $4 million in the third quarter on harvest volume of 61,000 tons. Adjusted EBITDA, which reflects the look-through contribution from the timber funds, was less than $1 million.

As Dave discussed earlier, we recently completed our exit from the Timber Funds business. Lastly, in our Trading segment, we generated breakeven results in the third 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 real estate results. Mark?

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

Thanks, Doug. As detailed on Page 13, our Real Estate segment delivered exceptionally strong results in the third quarter. Third quarter real estate sales totaled $93 million on roughly 12,000 acres sold which included a large disposition in Washington consisting of roughly 8,100 acres. Excluding this transaction, third quarter sales totaled $73 million on roughly 4,100 acres sold at an average price of over $17,000 per acre. Adjusted EBITDA for the quarter was $64 million.

As Dave mentioned earlier, excluding the gain on the large disposition, third quarter real estate sales -- third quarter real estate results set a record for pro forma sales, pro forma operating income, and adjusted EBITDA since our separation into a pure-play timberland REIT in 2014.

Sales in the Improved Development category totaled a record high $28 million in the third quarter. In our Richmond Hill development project, south of Savannah, Georgia, we closed a $25 million transaction for 3 entitled industrial parcels at the Belfast Commerce Park near the new Interstate 95 interchange that is adjacent to our property. This transaction, coupled with the sale of a 153-acre parcel to a national industrial developer last quarter, underscores the strong demand for shovel-ready sites strategically positioned near transportation corridors and in this case, the Port of Savannah.

Meanwhile, within our Wildlight development project north of Jacksonville, Florida, we closed on 42 residential lots to 3 different homebuilders for $2.8 million in total or $66,000 per lot. Unimproved Development sales of $38 million consisted of a 359-acre sale in Kingston, Washington, for roughly $105,000 per acre. This property, known as Arborwood, is a well-positioned entitled land parcel accessible by passenger ferry to Downtown Seattle, which was sold to 2 national homebuilders.

The property was acquired through our merger with Pope Resources last year, and we are very pleased to have successfully completed the sale at an attractive value. The benefits of the strategic investments we've made on the real estate front over the last several years are being increasingly realized. The location and maturity of our development projects have allowed us to capitalize on favorable migration and demographic trends. And looking ahead, the pipeline of future opportunities in Wildlight, Richmond Hill, and the West Puget Sound area of Washington remains strong.

In the rural category, sales totaled just under 3,300 acres at an average price of roughly $2,100 per acre. As we close out 2021 and look toward 2022, demand for rural land remains healthy as the space, privacy, and recreational opportunities offered by these properties continue to attract buyers.

Lastly, we closed on a large disposition comprising roughly 8,100 acres in Washington state during the quarter for $20 million or nearly $2,500 per acre. This property was a nonstrategic holding, sold through a competitive bid process to a conservation-oriented buyer.

Now moving on to our outlook for the year. Based on our strong results through the first 9 months of 2021 and our expectations for the balance of the year, we are raising our full year adjusted EBITDA guidance to a range of $320 million to $330 million, which reflects a 5% increase at the midpoint from our previous guidance and an 8% increase at the midpoint from the original 2021 guidance we provided in February.

In our Southern Timber segment, we now expect full year harvest volumes of 5.7 million to 5.8 million tons, as production has been constrained by regional weather conditions and trucking availability. However, we expect that improved pricing will largely offset the decline in volumes. Overall, we expect full year adjusted EBITDA of $118 million to $120 million in our Southern Timber segment, a slight decrease at the midpoint from prior guidance.

In our Pacific Northwest Timber segment, we are maintaining our full year volume guidance of 1.7 million to 1.8 million tons. We expect that weighted average log pricing in the region will be lower in the fourth quarter as compared to the exceptionally strong pricing realized during the third quarter, but will be fairly consistent with the pricing achieved during the first half of the year. We now expect full year adjusted EBITDA of $53 million to $55 million, a modest increase at the midpoint from prior guidance.

In our New Zealand Timber segment, we now expect full year harvest volumes of 2.5 million to 2.6 million tons as we do not expect to fully recover production lost during the third quarter due to the COVID-19 shutdown. We further expect lower export pricing during the fourth quarter as log inventories in China remain elevated. Overall, we now expect full year adjusted EBITDA of $75 million to $78 million, a decrease from prior guidance.

In our Real Estate segment, we now expect full year adjusted EBITDA of $101 million to $104 million, a significant increase from prior guidance. As previously discussed, the successful completion of the Arborwood sale in Washington is the primary driver for this favorable revision.

Following an extraordinarily strong third quarter, we expect real estate closings for the balance of the year will be relatively light. Even with lower EBITDA in the fourth quarter, the full year contribution from Real Estate segment in 2021 is poised to be well above historical levels in this segment. While we expect continued favorable tailwinds in this business, we believe it's prudent to remind everyone that we do not expect these outsized results in 2021 to be repeated in 2022.

As usual, we plan to provide detailed 2022 guidance in conjunction with our fourth quarter earnings release. More details regarding our updated 2021 guidance can be found on Page G of the earnings release as well as Page 15 of the financial supplement.

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

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

Thanks, Mark. Overall, we're very pleased with our financial performance through the first 9 months of 2021 and believe we are well positioned to benefit from continued strength in U.S. housing market and favorable long-term export market demand trends. That said, we're not immune from the supply chain and inflationary pressures that are impacting many parts of the global economy.

Significant constraints on trucking availability, as well as higher fuel costs and a considerable increase in fertilizer costs, are among the headwinds our industry is facing in the current environment.

We expect these challenges will likely persist into 2022. However, our team continues to work diligently to optimize haul distances, leverage our scale in both domestic and export markets, and make prudent silviculture investment decisions tied to localized supply-demand dynamics.

Further, we believe our focus on local timber market dynamics and active portfolio management leave us well-positioned to navigate logistical challenges and recoup the impact of cost increases in our log pricing.

On that note, active portfolio management remains central to our view of how best to create value for shareholders. We have continued to improve our portfolio through both addition and subtraction this year. We opportunistically recycled capital out of nonstrategic timberland holdings in Washington state and exited the timber fund business, while also closing on a total of $52 million of bolt-on acquisitions through September.

Moving forward, our balance sheet is well-positioned for future growth, particularly following the actions we have taken this year to reduce leverage, extend our debt maturity profile, and optimize our cost of capital.

I would also note that we continue to advance many of our ESG-related initiatives. In August, we published our sustainability report as well as an updated carbon report. With COP26 currently underway in Europe, I want to reiterate the important role working forests can play as a natural climate change solution.

As discussed within our sustainability report, we believe the myriad environmental and social benefits offered by our lands and the products made from our trees leave Rayonier uniquely well-positioned for a low-carbon economy.

In sum, I remain extremely grateful for the dedication of our employees and their ability to adapt to ever-evolving market conditions and business opportunities. Our team remains committed to maximizing the potential of our assets and creating long-term shareholder value through growing cash flows and value per share over time.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Mark Wilde.

Mark William Wilde ***BMO Capital Markets Equity Research - Senior Analyst***

Dave, I wondered just around some of these real estate and land sales in the third quarter, if you could give us a sense of what remains at Belfast, in terms of your portfolio there? And also what is left in the Pope portfolio in terms of either developed or undeveloped land opportunities?

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

Yes. So I'll start with the Richmond Hill project. And so keep in mind, we opened up a new I-95 interchange that roughly [bisected] our ownership there, where we had the Belfast Commerce Center to the west and our mixed-use community development project to the east. And the Belfast Commerce Center is very well-positioned with rail access to the Port of Savannah, and what the interchange did was it opened up other opportunities. And so we've seen with the transactions that we've completed in Q2 and Q3, we've seen an acceleration of the absorption. We're probably 10 years ahead of where we thought we would be when we originally underwrote that project. And so we're very happy with that. I'd say we're mostly through that commercial park.

We do have a few remaining pieces of it left, but the bulk of it has now been sold. And so we're pretty happy with that. And it has a carry-on effect to the mixed-use development project in the sense that you're going to be seeing facilities that will add jobs.

The transaction that we closed, the $25 million transaction that we closed is going to be for a 6 million square feet U.S. distribution center that's expected to add a lot of jobs. And we see that as being complementary to our mixed-use project on the other side of I-95. So we're pretty excited about that.

Switching gears to what is left in those projects. I think the -- on the Richmond Hill project, which we're calling Heartwood, it's really just getting started. We've done the catalytic investment in that. Our partners, our community partners have completed a lot of the major spine infrastructure roads that connect the property to other existing infrastructure. And we're just getting started in terms of ramping that up into the future. So that is, I'd say, still at the very early stages.

Wildlight, I think similarly, we have accelerated the absorption there with, with home sales. Our downstream customers expect to sell roughly a 100 homes this year. And we're well ahead of the underwriting pace as it relates to that. And really, the focus now is on opening up new elements.

With respect to your question on the Pope transaction in Arborwood, this was a project that had been entitled back in 2010, had a 15-year development agreement. We had -- back when the project was originally entitled, it was very much ahead of market readiness. And we decided to test the market early this year, on a subset of the asset, on a completed finished lot basis.

And the results of that were strong enough that we decided to test the value on the whole project, on an undeveloped sense. And we ultimately decided to transact. We were very happy with that. I think it speaks to the value of having ready projects out there.

There's -- as has been communicated a lot, there's a shortage of lots out there. And so we have basically transacted with national -- 2 national homebuilders who are going to be finishing those -- constructing those finished lots themselves. And we think it not only is helpful as it relates to our business and in accelerating the absorption of that, but we think it will have carry on beneficial effect to the Port Gamble asset that is to the north of that.

Mark William Wilde ***BMO Capital Markets Equity Research - Senior Analyst***

Okay. Yes, I think I visited Arborwood with you with some investors several years ago. It was a very interesting project. I'm just curious, Dave, the world has changed a lot in the last 12 to 18 months. I know you're trying to kind of manage expectations going into next year, but is there an argument because of the greater interest and perhaps a little more residential space for people that your real estate business could be moving on to a higher track here that might be sustained over the medium term?

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

I think we generally share that view. I mean, I think we've all seen that, especially with COVID, where we've seen a desire to have more space, to be out of cities and whatnot. And we've seen that reflected in our rural demand. We've certainly seen it reflected in the projects that we have in place. And so I think at that level, I would agree. And I think as we think about particularly these 2 projects in Jacksonville and Savannah.

Keep in mind that our -- all of our initial capital in these was really designed to catalyze downstream demand. And that with the idea being that as we proved out these projects, others would step up and be willing to take on other pieces, similar to the Arborwood transaction.

And it's akin really to how we think about timber as you can sell delivered or you can sell in stumpage. And so we're seeing that now in Wildlight, we saw it in Arborwood where developers are stepping up and saying, we will, we will build out these lots ourselves. And to us, that was really the strategy all along. And that will do 2 things: a, it reduces our capital expenditure exposure and accelerates the absorption of more land into these projects. But it also has a big improvement just in terms of the overall financial profile of that.

So we're pretty bullish on it. But at the same time, we also want to not set expectations too high going forward. If anything, I think we've outstripped some of our entitlements. And so we have work to do to refill that pipeline even within these projects. And so we're working pretty hard to a kind of get the next layers of these projects fully entitled. So that we have things that we can sell.

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

Yes, Mark, I would just add to that, that recognize that over the last couple of years, in particular, we've really shifted towards fewer acres sold but higher values per acre. And so the EBITDA result this year was obviously very strong. But even if you compare it to, say, going back to 2018, when we also had a very strong real estate year, we've sold far fewer acres, and the premium realization, which is really where you get economic value in this real estate business, I'd say, has been even more favorable.

But I'd say counterbalancing that to some extent is we also believe we're an escalating timber land value environment. And so the kind of rural real estate sales, which have really been the bread and butter of our real estate business, we're going to continue to focus on trying to maximize premium and not just maximizing sale value and adjusted EBITDA. And so obviously, as values change, that bar gets higher, and that's going to factor into our calculus in terms of velocity of real estate activity.

Mark William Wilde ***BMO Capital Markets Equity Research - Senior Analyst***

Okay. Then just 2 quick ones for Doug. 1 is, in talking with some of the big TIMO managers that feedback on getting around stumpage trends is actually a little more bullish than what's showing up in TimberMart numbers or public company numbers like yours so far. And so I'm just curious, whether you have a sense that there is kind of momentum finally starting to build around stumpage pricing.

And then secondly, when you get high fertilizer costs and high labor costs like we have right now, what's your ability to just defer that for a year or 2, without damaging the growth trajectory of your forests. Do you have that discretion?

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

Sure. Yes, I'll start with the first question and then go on to that 1. We're seeing strong markets for sure across the U.S. South. And I know there are some comments about a kind of our quarter-over-quarter numbers type of thing. And we typically focus more on year-over-year comparisons, instead of trends quarter-over-quarter because there's a lot more noise typically intra-quarter than there is across the year. It's often based on seasonality. For example, Q3 is often heavier to thinnings during the summer. And so that's one of the reasons we see some of that.

But that said, weather significantly impacted our removals along the Atlantic Coast in Q3. So we had a higher proportion -- approximately about 10% of our total removals that came from our Western Gulf region. And because we finally started to get some drying weather over in the Western Gulf, almost all of our stumpage were thinnings.

So we had a heavy degree of thinnings compared to clear cuts. And thinnings in that area typically generate less than half the net stumpage compared to the Atlantic Coast.

And then sawtimber was even more pronounced. We had about a 20% shift in total volume from our coast Atlantic markets to our Western Gulf region. And a large amount of that was sawtimber volume swap on from our Northern [part most] Arkansas expiring timber deeds, which until now have been uneconomic to harvest. And so these sales generated net stumpage below $6 a ton due to extremely long haul distances we had, which really weighed on our quarter-over-quarter comparison.

So I'd say, looking at quarter-over-quarter comparisons of our numbers, you got to be very careful because of what we see like that with all these different noise. But kind of going back to your question about a [momentum] possibly, I'd say we've been really encouraged by the upward pressure on log pricing we've seen this year in the U.S. South. And there's a lot of factors at play.

Strong lumber prices, have driven strong demand, as well as strong pulp demand from our [pulp wood] customers. And there's also been increased demand on the export front. In some markets, we have seen constraints on logging and [hauling] capacity, as well as weather conditions have also played a role in this price gains being reported by us and others. But we remain really optimistic about the underlying housing fundamentals moving forward and what appears to be very low inventories of finished products and supply chain.

So I do think that what you're hearing from those TIMOs, there's truth behind that. We're seeing a lot of strength and some of the quarter-over-quarter comparison was noise, like I said, in our information there. And as we've been talking about the relative strength of our footprint for a long time, we're now seeing pricing above pre-GFC in select [TMF] regions such as along the Atlantic Coast, where we've talked about before, has been very strong.

Mark William Wilde ***BMO Capital Markets Equity Research - Senior Analyst***

Okay. And then finally just on the fertilizer thing.

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

Yes. Moving on to fertilizer. So -- and labor costs to your point, we do have some discretion, but we also try to optimize our land base. And decision around fertilizer is very much based on our expected returns and our financial metrics.

So in that process, we have the ability to either at some point defer, depending on what we think the outcome prices are going to be, but also we can adjust our prescriptions. So we can do a smaller amount and do it more often. So we do have flexibility to move those around. It's not -- we're not held to any 1 year, how we operate with that.

Operator

Our next question comes from Paul Quinn from RBC Capital Markets.

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

I'm just trying to understand the upside in '22, given the expected Russian log export ban? And let's just start with New Zealand. How sustainable do you think that pricing will be? And if you could remind us what the, what the sustainable harvest level is for that -- for your properties down there?

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

Yes. This is Doug. There's a lot of factors at play from the Australian ban that we still believe is going on. We've seen that happening, and as you mentioned, the Russian log ban coming in 2022. So we see a lot of opportunities on that side.

A little bit opposing that is we've seen some recent influx of European salvage wood. It seems to be slowing down the harvesting, but they've had some recent savings, about 25% in their shipping coming into China. So we have seen an influx of that. So we think mid- to long-term, it's very favorable for export volumes coming out of New Zealand. But also in the short-term right now, we're seeing higher log inventories that it will take a little while to wind down.

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

On your question about sustainable yield, our disclosed sustainable yield in New Zealand is 2.4 million to 2.7 million tons annually.

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

Okay. And then just on the European salvage wood coming into the market, we cover a couple of European companies that would say, hey, the salvage effort over there, it's just about complete. Is that your understanding as well? Or do you expect that to be a meaningful factor in '22?

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

My understanding is that last year/this year was a kind of the peak of it, and it is definitely slowing down. We believe it is going to taper off. I still think there's going to be some volume coming across, but not near what it was before. And as I said, we're just getting this influx right now. It's around shipping. So there's been this burst, but we don't expect that to be long-term and sustainable.

So we think there's been a last-minute push and there'll still be volume coming in next year, but I do think it's going to start to wind down from everything we've seen, both the infestation to slow down. They also had less climatic changes. A lot of that volume was also impacted by really extreme weather kind of 2018, 2019. So I think what you've heard is similar to what we're hearing it seems to be winding down, but we'll still be in the market next year, but to a lesser degree.

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

And Paul, consistent with what you've heard as well, keep in mind that the shelf life of the European spruce is much shorter than what we experienced in Western Canada. And so that's consistent with this idea that the harvest volumes are going to be ramping down. And now you just sort of add this shipping component, where it's driven as much by the harvest as it is some of the shipping constraints.

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

Okay. Yes. No, I understand that. Okay. And then just moving on to Southern Timber, just -- and it's been a busy morning so I might have missed it, but just any color that you've got on export volumes, and what you're seeing in trends there?

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

Sure. Since it's a competitive developing market, I won't speak explicitly about Rayonier volume, other than just to say that we're actively participating from 2 ports in the south. But I can't speak more generally about the total [SYP] exports. So demand and pricing for Southern yellow pine logs, and China has been gaining momentum all year. Southern yellow pine exports exceeded 750,000 cubic meters this quarter, which is a 64% increase year-over-year. So we've seen really, really strong demand, and strong pricing in this market.

While over half of the shipments are leading from the port of Savannah, several other ports are growing their contribution to the flow of logs out of the U.S. South, and we see that also as a positive trend. We continue to be encouraged by the demand for these logs as well as what the incremental tension is doing in pricing amidst our coastal markets. As I mentioned before, some of these coastal markets we're seeing pre-GFC pricing again, so very positive momentum there.

We're optimistic about the potential to export more logs from the U.S. South to markets such as India, and Vietnam, and are looking to grow that part of our business and have done some work there. But for now, over 90% of the logs being exported out of the U.S. South are going to China, with India being a far distance 6% of the volume.

Demand signals are really strong from India, but the high shipping cost that they just referenced are a significant hurdle given the current supply chain issues. So we're looking to see what we can do when the supply chain corrects itself. But a real strong market right now, very pleased with it.

Operator

Our next question comes from Buck Horne from Rayonier (sic) [Raymond] James.

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

Yes, I was curious if you guys had any high-level thoughts about the announcement coming from the Canadian government yesterday that kind of surprised a lot of industry observers about some of the British Columbia acreage that is now looking to be set aside for kind of harvesting and what the potential implications might be on regions like the U.S. South?

Would you -- how do you think this plays out in terms of shifting lumber production and/or shifting capital into U.S. producing regions?

How do you think that kind of plays out going forward given this Canadian announcement?

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

Sure. This is Doug. I'll start and then someone might jump in with me. Yes, as you mentioned, British Columbia announced the week the deferral of harvest on about 6.4 million acres of old growth forests. And these deferrals are classified as temporary to prevent irreversible biodiversity loss. But based on the communications so far that I've seen, it really appears to be aimed at permanent protection either through preservation or restricted harvesting. So we do think there's going to be an impact here.

The government has already ceased selling British Columbia timber sales in the affected areas and they expect the process of analyzing this to last at least into 2023 and possibly beyond. And further suggesting that this will have meaningful impacts on removals, the government is committed to providing necessary support to offset job losses and economic impacts for communities.

And based on that, the Council of Forest Industries indicated from their initial analysis that such deferrals would result in the closure of between 14 and 20 sawmills and 2 pulp mills. So pretty significant.

And this action is a result of a multiyear strategic review that declared the need for a paradigm shift in British Columbia from managing for timber such sort of constraints to managing for ecosystem health, recognizing that old forest are nonrenewable in many cases. So it does feel like there's a real shift here.

And additionally, concerns were raised over log exports. Much of the British Columbia industry is configured to harvest primarily from the 20 million acres of [old growth] forest in the area. So a potential reduction of, say, over 20% of the area, would likely have significant impacts on the industry, which currently exports about 6 billion board feet of lumber to the U.S.

And as you mentioned, a kind of in the south, about 25% of that goes to U.S. South, which I think surprised a lot of people. But due to the rail networks, we do see a significant amount of that, so we're talking of 1.4 billion coming into U.S. South, as well as approximately 600 million board feet goes to both China and Japan. So it's a significant export opportunity there for them also.

So if you assume an average sized mill of a kind of 200 million board feet across that 14 sawmills, the low end of COFI's impact range. This could equate to approximately 2.8 million board feet of lost lumber capacity.

And in addition, BC exports about 1.9 million cubic meters of logs to China, another 1.6 million to Japan, and 300,000 to Korea. So depending on the magnitude of the deferrals or the revised harvest practices, additional production capacity may definitely shift out of the region, which bodes well for the recently announced capacity expansion in the U.S. South as well as possible for the Greenfield Mills.

And this appears to be very incremental, positive opportunity for the lumber operations U.S., as you mentioned, and in turn, will create more demand, hopefully, for our timber.

In addition to that, we recently purchased an existing export operation in Port Angeles, Washington, that we'll be supplying with our legacy Rayonier volume, as well as acquired Pope volume and third-party wood. And this yard is equidistant between Rayonier and the former Pope lands, provides us operational synergies associated with our greater scale in that area. And we see this BC announcement will create additional export log market opportunities for our newly established team as they start up operations in the next few quarters.

So it's, obviously, an evolving situation, and we'll follow it closely, but it does appear from what we've read so far and read through the street report that this is a net positive for both export operations and lumber in the U.S.

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

And Buck, if I can just sort of add to that. We, obviously, aren't close enough to make sort of reliable estimates. But just based on the stuff that's out there, even if it was at sort of half that level, you're still talking about very substantial kind of overall impact to the North American lumber market. And I think when you see these kind of disruptions you have to really sort of think through the second and third order effects.

There's a lot of ripple effects associated with transportation and a kind of traditional markets for some of these products. And then what other products will end up backfilling and then you have to sort of think through all of those. So it's -- we think it's definitely going to have a lot of impact, but it's still pretty fresh. We're going through that analysis process ourselves, right now.

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

Just great guys. Very...

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

Yes just (inaudible)...

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

Go ahead, I'm sorry.

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

Sorry. Also just to add to what Dave's comments were kind of to that point. If it was just half of what's kind of I've mentioned there that's been kind of proposed, you're still talking about what's equivalent to the what's been export to the U.S. South, out of British Columbia. So it's still very meaningful.

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

No, absolutely. That's a very helpful answer. I appreciate the thoughtful descriptions and color there.

Also, thinking about some of the bolt-on acquisitions you've done year-to-date. I was wondering if you could just talk about a kind of, if there's any theme or geographic regions where you seem to be focusing more in on, in terms of where the best incremental opportunities for future acquisitions lie?

What are the kind of things you're looking for in terms of how to deploy your rapidly improving cost of capital here. What is it that you guys are targeting going forward?

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

Sure. I'll take that. I think the first thing I'd say is we are always active in all 3 of our geographies. I mean, this is a continuous process. But recognize that deal flow is very differential. You've got the most deal flow in the South, followed by the Northwest, and then followed by New Zealand. COVID has disrupted that considerably.

For larger properties that require physical due diligence to verify inventory, that was restricted for much of this COVID period. And so I think we've seen a lot of offerings come to market as travel restrictions have been eased. We've definitely seen the market in the Northwest heat up in part because of strong lumber markets and resurgent export markets. We certainly were able to capitalize on that in the context of our fund business sale.

New Zealand, conversely, has been more restricted in deal flow in part because of the COVID-related shutdowns. We were still able to -- in the deals that we've done this year, we've had a total of 7 bolt-on transactions, 2 in New Zealand and 5 in the U.S. South, for a total of about 50,000 acres.

So we've still done a little bit of activity in New Zealand. But we're always looking -- in terms of the attributes, we're always looking for the complementary fit. We look at age class, we look at productivity. We also look at properties that where we think we can bring a property up to the standards that we're used to through our management intensity. And so we'll often find situations like that.

We're looking at lease expirations, often on lands that we have been managing as another opportunity. And we try to be both nimble but also disciplined. I mean we're seeing a lot of capital in the market right now, and so there's an awful lot of deals that go to others. But we feel like that's part of our job as being disciplined on a capital allocation standpoint.

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

That's very helpful. And in terms of valuation, what would you say, implied cap rates or discount rates have compressed noticeably in recent months with more due diligence possible or more capital available?

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

I wouldn't say in months. I think it's been a gradual compression of discount rates for sure. I think, frankly, the introduction of carbon as a potential product offering has changed the flows of capital. We have seen a continued progression of European capital flowing into the North American timberland markets.

There were 3 notable transactions, globally [of late] that had pension funds from Canada, France, and Sweden being the ultimate buyers. And that's indicative of some of the capital flow attractiveness of the asset class, and we have to sort of be prepared to respond to that.

Operator

Our next question comes from Anthony Pettinari from Citi.

Anthony James Pettinari ***Citigroup Inc. Exchange Research - Research Analyst***

Just maybe following up on Paul's question on China. It sounds like, given restrictions for Australia and Russia, you're positive, I think you said midterm, long-term on New Zealand price volume. But in China has this inventory issue near-term if that's sort of an accurate summary.

I guess my question is, what is the visibility in terms of how long it could take for that inventory situation to normalize? Or is there any kind of like historical example that you'd point to, whether it's a couple of quarters more or less.

And then apologies if I missed this, but the COVID restrictions that held back 3Q results in New Zealand. In terms of the size of that or maybe getting a little bit of an EBITDA tailwind from that non-recurring in 4Q? Any thoughts there?

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

I'll start with the China inventory questions you have there, and then we can follow up on the New Zealand impact. China log inventories are currently around 6.5 million cubic meters, which as we've discussed in our prepared remarks, it's higher than normal for this time of the year.

And as I mentioned before, European spruce lumber was constrained earlier in the year, but we really have seen a significant influx to that volume come in recently with that shipping cost being reduced for them.

So in addition to the more spruce 1 coming in, we've seen slower than normal consumption of approximately 76,000 cubic meters per day for the past few weeks.

While this demand is up over 60,000 cubic meters a day we saw in Q2, it's still about 30% less than what we saw this time last year. So at those demand levels, the supply-demand ratio is close to 3 months, which yields our conservative outlook that we've incorporated in our guidance for New Zealand for the remainder of the year.

That being said, we are seeing a significant reduction in logs been delivered to New Zealand ports, as forest owners are adjusting to this new higher inventory level as well as the pricing that's coming from it.

So we do expect to see reduced supply over the next few months, and that should help bring down the supply-demand ratio as we go forward. Other than that, it's very hard. There's just a lot of things you mentioned going on in China. So I wouldn't want to try to predict how quickly it will come down. But I will say that there's a lot of things in work right now that are working towards the reduction in supply. So we really wait to see what the demand side looks like as we go forward. But the supply side is definitely coming off quickly.

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

If I could add to that, I think 1 of the big kind of seasonal things that we typically see is following the Lunar New Year, you see a resumption of building activity. And so that's probably a period that we would expect to see these inventories come down meaningfully. But recognize there, as Doug said, they're much higher now than they typically are. So -- but our team in New Zealand that is monitoring this, generally, is optimistic, that in a kind of Q1, Q2 time frame, we'll start to see some improvement.

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

Anthony, on your question about the volume and the potential to make some of that up in Q4, I think our volume expectation for the full year is reflected in our updated guidance. New Zealand did have a hard shutdown for a couple of weeks that affected logging operations and which extended even lengthier period of time in certain areas. And so I think it's not likely that we'll make that up this year but recognize the volume is still there. And so it's not lost value but really deferred value.

Anthony James Pettinari ***Citigroup Inc. Exchange Research - Research Analyst***

Okay. That's very helpful. And then just on the harvest guidance reduction for the U.S. South, relatively modest. You referenced weather and trucking availability. I don't know if it's possible to parse out how much was weather versus trucking. But just any other kind of comments on trucking in 4Q, to the extent that that's lingering, and how it could potentially even affect '22 as you think about harvest planning for next year?

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

Sure. It's very difficult to actually parse out the impacts of each because they're compounding. When we have extreme wet weather, the logging crews simply have to stand down, which reduces the production. But the truck drivers are in high demand, they'll shift to either another crew or even other industry to keep working, and they may not return immediately when the conditions improve. So you just kind of have that dynamic going on.

And in addition, everything just takes longer when working in wet conditions. If you've ever driven on a slick muddy road, it takes longer as you often have to reduce your speed by 50% or more. And so that may not be a huge issue for us as we're just taking 1 trip going somewhere. When you start to multiply that across multiple trips in a day, it means a lost load or more for a driver that you do have working.

So you can really see -- you can lose 20% of driver's daily production just due to wet conditions. And with all that said, we do still see loads left in the woods at the end of the day. That could be haul to trucking capacity wasn't constrained for both availability, and the wet weather reasons.

So as things dry out, I think we're going to see some improvement, and we actually have seen some improvement in production. So we're optimistic that things are getting better as we move forward. But we still do have a trucking constraint out there. There's demand for these drivers everywhere. And so we're working hard with our team to optimize our harvest operations, and how we work with that, and how to make sure we get the best utilization of the trucks that we do have access to.

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

Anthony, I'd also note that we reduced the volume guidance for the full year by about 250,000 tons at the midpoint, but we only kind of guided down on EBITDA very slightly. And so I think that's reflective of the pricing environment that we're in currently.

And so we were pleased to have been able to make up a lot of that lost volume with improved pricing. And again, the same point as I made on New Zealand, the volume is still there and available to be realized in the future, just won't be realized this year. So net-net, I think it's still sort of a positive dynamic in the U.S. South.

Operator

Our next question comes from Mark Weintraub from Seaport Global Securities.

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

Appreciate all the very well informed and thoughtful responses to the question so far. I'm going to try and do a few follow-ons. The first being, on the AAC cuts, et cetera, in BC, do you have any sense, recognizing you don't operate there, but do you have any sense, when the sawmill closures might actually be happening, if we were to go along that path?

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

Yes. To your point, though, we obviously don't operate in that area. And from what I've read on the strategic review reports, which is very fresh and recent, it appears that they're going through analysis period, they said it could last through 2023. So I think there's still some wind-down period in this. But as I did mention, they have started ceasing on selling of timber sales.

So it's going to be a matter of how these mills react to the lack of volume that's coming in. So it's still very fluid. So I don't think we have an answer to that, but the fact they've immediately suspended sales, I'm sure will put some pressure on those to figure out where they're going to get their wood. And they have talked about a target of by 2023 identifying these areas that will be set aside or restrictions added.

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

And keep in mind as well, they haven't even sort of issued maps yet. This is still preliminary, but there's a small amount of private land out on Vancouver Island that will probably be in more demand. But it's -- it will be tricky for those mills as this -- these new sales are shut off.

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

Right. And then second, you talked about being as much as 10 years ahead of plan on some of the real estate strategies. Can you update us perhaps then as to when might we get to that point where things like unimproved development acreage might become commonplace quarter-to-quarter, if that's an appropriate way to think about it?

Or maybe just update us on big picture timing on the way the real estate in that southeast corridor, the I-95 corridor, how that's looking like it might play out as it stands today?

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

Yes, it's a great question. I mean, I think we're getting closer to that stage now, but I'd say it's still going to be lumpy, and recognize that the entitlements -- we're going through an entitlement phase right now in Wildlight. And these take months to complete.

And so 1 was submitted recently for sort of the next layer of entitlements. And -- but I think the encouraging thing is the interest that we're seeing in the national builders, the breadth of customers, that we've had. We've got a strategic health care partner in University of Florida.

We have a new Publix grocery store that's under construction that we can see from our office right now that's supposed to be open next spring. We have an adult age-restricted community that is under construction. And so you have lots of these elements that are going to add incremental demand pressure into these next layers of the project.

And so as we see these entitlements come through, I think you will see a pickup in those types of unimproved development sales. We just can't -- we can't really predict that timing just yet.

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

Okay. And then last, I think...

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

And moving to the Richmond Hill, it's at a slightly earlier stage. So we're doing a similar model there in our Heartwood project, where we're developing finished lots for the first increment of residential home sales. But again, we're following the same model where we've got a health care -- we've got a health care partner. We've got schools that are in the area. So all the elements of that growth are in place.

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

Okay. Great. And then lastly, coming back to Mark's comment, escalating timberland value environment, and then we had a conversation on that, if we were to think about it in terms of just value per acre, again, a big picture concept.

Are we back -- are we at higher levels do you think than we have been historically? Because on the 1 hand, we've got your comments on discount rates implied. On the other hand, of course, there's been shifts and movements in EBITDA break or whatever measure we want to use.

So where would you assess as you're looking at M&A pipelines, et cetera, where the value per acres look like relative to history?

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

Mark, this is Mark. I mean I would say that we are at a point now where values are probably as strong as they've been historically. And I think some of that is driven by some speculation on future carbon value.

Again, this is still a very undefined opportunity right now. But if you just look at the scale of what that could become, I think people aren't necessarily underwriting explicit carbon volume and prices into their DCF models, I don't think -- But I think, people view there as being kind of meaningful option value there, and so they're willing to perhaps lower their discount rate on timberland acquisitions, on which they're kind of valuing that stream of cash flows, excluding carbon value.

And so it's definitely a competitive environment. I think it's also an environment in which we're seeing a kind of more discretion about kind of where people are investing. Now there are certainly areas in which we've seen a lot more price momentum, particularly in the South. And I think that's being reflected in prices being paid.

But again, we obviously just tested the market in the Northwest with these Fund II asset sales. We were very pleased with the values received. It was a very competitive bid process. And so overall, I'd say, yes, it's a very strong market right now, and we think it's trending positively.

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

Yes. And what I'd add to that, Mark, is keep in mind as well that you have a fair bit of noise associated with stocking and age. And so there have been some recent sales in the South that have had much younger average age. And you absolutely see that reflected in the per acre values. Where you have a more balanced age class, I think I agree with Mark.

I think you're seeing higher you're seeing higher per acre values. And that's driven by some of these capital flows. It's driven by additional optionality, as Mark touched on with carbon. And then just the general improvement in the markets, especially as we see more of this capacity coming online in the U.S. South.

Operator

(Operator Instructions) Our next question comes from John Babcock from Bank of America.

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

Really, just 2 quick ones here. I guess, first of all, if you could just talk about how you're thinking about the option value for Rayonier from carbon.

And then also, if you could -- just talk about how meaningful fertilizer costs ultimately are relative to your cost base, that would be great.

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

John, this is Mark. I'll take the carbon question. This is an area where we're spending a lot of time right now because we believe it represents a significant opportunity for our sector, not only to be part of the solution to climate change but also to improve the economics of forestry ownership and incentivize greater investment and the types of activities that are really going to enhance natural climate solutions.

The projections around the growth in the voluntary carbon offset market in particular are pretty mind-boggling. According to a study that came out a few months ago, the demand for offsets in 2020 was about 100 million units, various forecasts of the path to net 0 show that demand growing by around 10 to 15x by 2030 and by 50 to 100x by 2050. That would imply demand for negative emissions of at least 5 billion metric tons of CO_2 equivalents in 2050, with an escalating path towards that figure over the next 30 years.

To put that in context, the total global industrial roundwood harvest in 2019 was about 2 billion tons. Now forestry offsets aren't the only type of offsets available, but they currently comprise far and away the largest component of the voluntary market. They're also the most readily available, and cheapest technology that we have today to generate negative emissions.

Other technologies like carbon capture and storage, are likely going to require dramatically higher economic incentives in the form of higher offset pricing to stimulate extensive investments in that arena.

It's also unclear when we'll be at a point that any such technology can be deployed economically at scale. So we believe that the opportunity for forestry to provide a solution here is pretty compelling.

It's also worth noting that this doesn't even take account of the other potential uses of wood fiber on the path to net 0, including biomass energy, sustainable aviation fuels, and mass timber. Each of these individually could have a pretty significant effect on the demand for wood fiber and land use. Taken together, we think these opportunities, again, are very compelling for our sector.

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

And I'll take the fertilizer question that we had there. As I mentioned before, as it relates to fertilizer costs, as that input changes our processes really don't. So we generally only engage in silvicultural activities where our financial returns make sense. And so as we're seeing the cost increase, we're off seeing price increases.

So we have to weigh those and look at that on a localized basis. And so we'll make some changes and take actions to go there. But as we think about our fertilizer budget, you're talking kind of around say 20% of our silvicultural spend that we typically have in a year.

As I mentioned before, we've looked at this, and we have opportunities to potentially reduce the rate in a given year, and maybe do multiple applications versus 1 application. We have ability to work around this and don't see as being a significant issue for us to be able to manage through the long term.

And I do think fertilizer pricing is more of a short-term supply chain issue than a structural long-term change that's going to keep these prices at this level.

Operator

I'm showing no further questions at this time. I would now like to turn the call back to Collin Mings.

Collin Mings

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

Operator

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