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RYN - Q1 2015 Rayonier Inc Earnings Call

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OVERVIEW:

Co. reported 1Q15 sales of $140m and net income of $18m or $0.14 per share.

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PRESENTATION

Operator

Welcome and thank you for joining Rayonier's first quarter 2015 teleconference call.

(Operator Instructions)

Now I'll turn the meeting over to Mr. Mark McHugh, Senior Vice President and CFO. Sir, you may begin.

Mark McHugh - *Rayonier Inc. - SVP & CFO*

Thank you, and good morning. Welcome to Rayonier's investor teleconference covering first 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 lists some of the factors that may cause actual results to differ materially from the forward-looking statements that we may make. They are also referenced on page 2 of our financial supplement.

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

Dave Nunes - *Rayonier Inc. - President & CEO*

Thanks, Mark. Good morning, everybody. First I'll make a few overall comments, before turning it back over to Mark to review our financial results, and then we'll ask Doug Long, our Vice President of US Operations, to comment on our US Timber results. I'll discuss our New Zealand Timber results. And following the review of our Timber segments, Chris Corr, our Senior Vice President for Real Estate, will discuss our Real Estate results.

Overall, we had a strong first quarter. In our Southern Timber segment, we continued to see strong pulpwood demand in our core market areas and slowly improving demand in prices for sawtimber; however, we saw a price decline in the Pacific Northwest and New Zealand, primarily due to lower demand from China. We also continued with reduced harvest volumes in the Pacific Northwest, pursuant to our strategy of harvesting at levels that are sustainable over the long term.

Real Estate results benefited from the timing of closings for several large sales and good ongoing demand for rural HBU properties. During the quarter, we also made progress in executing our strategy to enhance the value and marketability of selected development properties. And with that, let me turn it back over to Mark to review our financial results.

Mark McHugh - *Rayonier Inc. - SVP & CFO*

Thanks, Dave. Let's start on page 5 with our financial highlights. As Dave noted, we had a very strong start to the year. Sales for the quarter totaled $140 million, while operating income was $28 million and net income was $18 million, or $0.14 per share.

In our comparisons to the prior year periods, we exclude the discontinued operations of the Performance Fibers business and a fourth quarter pro forma adjustment of $2.4 million for costs of the internal review and restatements announced last November. A reconciliation of our pro forma results to the nearest GAAP metrics is provided on page 16 of the financial supplement.

Adjusted EBITDA for the first quarter increased roughly 40%, to $61 million, compared with $44 million in the prior year quarter. The increase in adjusted EBITDA was driven primarily by improvements in the Southern Timber and Real Estate segments, which was partially offset by a lower EBITDA contribution from the Pacific Northwest.

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, was $43 million in the first quarter, compared to $11 million in first quarter of 2014, which included tax payments related to the Performance Fibers business, cash interest paid on a higher level of pre-spin debt, and some G&A expenses that could not be allocated to discontinued operations. A reconciliation of CAD to cash provided by operating activities and other GAAP measures is provided on page 8 of the financial supplement.

We closed the quarter with $139 million of cash and $743 million of debt. Our net debt of $604 million represented 15% of our enterprise value, based on our closing stock price at quarter end. Based on this debt level, we believe we have ample debt capacity to fund our Timberland growth initiatives, and we continue to actively evaluate acquisition opportunities, which Dave will discuss in more detail later.

Pages 6 and 7 of the supplemental materials provide a detailed variance analysis for our operating income and adjusted EBITDA by segment versus the prior quarter and the prior year quarter. I'll now turn the call over to Doug Long to review our US Timber results.

Doug Long - *Rayonier Inc. - VP, US Operations*

Thank you, Mark. Good morning. Let's start with page 9 and the Southern Timber segment. We had a very strong first quarter in Southern Timber, with adjusted EBITDA of roughly $27 million versus $23 million in the prior year period. Total volume was roughly 1.4 million tons versus 1.3 million tons in the prior year period.

Pine volume was favorable to the prior year quarter, due to stronger markets on the Atlantic coast and in Texas and Oklahoma. Our percentage width of sawtimber was approximately 32%, which was comparable to the prior year period. Pine sawtimber prices were up 7% and pine pulpwood prices were up 2%.

Wet weather conditions in the quarter restricted supply, which contributed to the price improvements. The improvement in pine pulpwood prices was partially offset by a higher proportion of pulpwood volume harvested in Texas and Oklahoma, which have a lower price point than our Atlantic markets. Non-timber income in the Southern Timber segment also improved by about $1.5 million, as a result of recognizing our hunting lease incomes ratable over the full year, as discussed on last quarter's call.

This quarter provided strong start to our 2015 goal of 5 million tons of pine and 360,000 tons of hardwood. Wet weather typically does two things. It makes removals challenging, restricting supply, which in turn yields higher pricing. We capitalized on our investment in roads and the ability to deliver logs to capture this pricing and also harvested 8% more volume than the prior year period. We expect a small reduction in volume in the second quarter, due to normal spring maintenance shutdowns at many of our pulp customers' facilities, but anticipate continued strong demand for the full year.

Now moving to Pacific Northwest Timber, on page 10. In the first quarter, we generated adjusted EBITDA of $6.4 million in the Pacific Northwest. Volumes declined considerably from the prior year quarter, as we implemented our strategy of stepping down volumes to a long-term sustainable level. The average delivered sawtimber price declined by about 12%, to $72.03 per ton. This decline was primarily the result of weakness in the China export market, which also impacted domestic pricing, given the increased supply.

Our export mix declined to about 19% in the quarter, versus 27% in the prior year quarter. Due to decreased supply from West export-related Timber sales, our pulpwood pricing in the region improved by about 14% over the prior year period, which helped the overall weighted average pricing. We expect weakness in the China export market will continue to put near-term pressure on export sales volume in the second quarter, which is consistent with our prior guidance.

We do anticipate some improvement in export log sales during the latter half of the year, as China log inventories decrease from current levels. We still anticipate Pacific Northwest volume of roughly1.4 million tons for the full year, although we expect volume to decline in the second quarter before stepping up in Q3 and Q4. Now Dave will review New Zealand Timber results. Dave?

Dave Nunes - *Rayonier Inc. - President & CEO*

Thanks, Doug. Before I get started on that, I wanted to highlight the fact that this morning we filed an 8-K correcting the unit price for domestic sawtimber in New Zealand that was stated in our press release. The price provided is in metric tons, which is the local unit of measure, rather than short green tons, as indicated. The price provided in the supplemental materials is accurate.

So if you'll turn to Page 11 in our materials. It shows the results in key operating metrics for our joint venture in New Zealand, which we own a 65% interest. Compared to the prior year quarter, adjusted EBITDA increased to $13.7 million from $11 million on the strength of higher export and domestic volumes, as well as higher land sales, while partially offset by lower sawtimber prices.

While the retreat in the China market was the headline story for the first quarter, with the bell weather A grade export sort falling 15% compared to the prior year period, recognize that the decline in freight rates offset the majority of this price decline. Although the export prices have continued to decline as we have progressed through the second quarter, New Zealand Radiata pine pricing appears to have bottomed out. Radiata pine has recently gained market share in plywood markets in China, and we're seeing increased demand from Korea and India.

We expect the market to be stable in the next two to three months and continue to expect some improvement in demand from China in the second half of the year, which will benefit New Zealand results. We also continue to expect that total 2015 volume will be roughly flat versus 2014. And now I'll turn it over to Chris to talk about Real Estate.

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Thanks, Dave. Let's turn to page 13. The Real Estate segment had a strong first quarter, with revenue over $23 million on 7,400 acres sold. Development in rural sales totaled approximately $12 million on 3,300 acres at a price of $3,540 per acre versus an average of $2,417 for the full year 2014. Non-strategic and Timberland sales of $12 million included two significant sales to conservation buyers.

Focusing now on detailed operating results, sales in the unimproved development category were $4.8 million on 409 acres at a price of about $11, 800 per acre, including the first closing with Toll Brothers, a national home builder, on 217 acres south of Jacksonville, Florida. In the Rural category, sales totaled $6.8 million on 2,900 acres at a price of about $2,370 per acre. Interest in rural property was particularly strong in Texas and Louisiana, markets that typically attract higher land prices.

Switching now to the Non-strategic and Timberland category, sales of 4,100 acres were almost entirely the result of two large sales in Washington to conservation buyers. Revenue totaled $12 million at an average price of $2,960. We continue to see a lot of interest in some of our non-strategic properties and we will continue to take advantage of attractive pricing on non-strategic timberlands, when these opportunities arise.

Looking ahead, we expect Q2 revenue in Real Estate to be the lowest of the year, based on our current expectation of transaction timing. Overall, our expectation for full year 2015 is unchanged from what we indicated at the year-end earnings call. We expect adjusted EBITDA for the Real Estate business to be between $47 million and $57 million.

Turning our attention to future Real Estate activities, as we have stated, our strategy is to create value by continuously assessing our Timberland holdings for potential higher and better uses. Over much of last year, we evaluated our extensive Timberland holdings along the Interstate 95 corridor in Florida and Georgia and, more recently, have upgraded our capabilities to focus on unlocking value from these properties.

Consistent with this strategy, we recently made the decision to proceed with the development of a project, subject to the receipt of final regulatory approvals, known as the East Nassau Mixed Use Village, a proposed master planned community consisting of 285 acres in Northeast Florida. We've previously identified East Nassau as one of the high potential HBU sites. It is about 20 miles north of Jacksonville, Florida at the interchange of Interstate 95 at State Road A1A, the gateway to Amelia Island and the Atlantic beaches. It is approximately seven miles south of the Georgia state line, 13 miles from the Jacksonville International Airport, and 13 miles from the beach.

Our market research indicates strong demand potential for this type of project in the region. A key catalyst for this project is the location of a new elementary school. As you may recall, last year we donated 27 acres to Nassau District Schools. Site development is now underway, with a scheduled opening in the Fall of 2017.

We believe that this project is our best near term development opportunity and will deliver the highest net present value. In addition to the returns we expect the project to generate on its own, we believe it will positively impact the value and create additional opportunities on our surrounding land holdings. I will now turn the call back over to Mark.

Mark McHugh - *Rayonier Inc. - SVP & CFO*

Thanks, Chris. As we noted in our earnings release, we continue to expect adjusted EBITDA for 2015 to be in the range of $190 million to $215 million. However, we anticipate that second quarter results will be much lower, due to the timing of Real Estate sales, as well as lower sales volume in the Pacific Northwest segment, as we've shifted some volume to the latter half of the year, due to current weakness in the export market.

As Chris noted, we are proceeding with the East Nassau Mixed Use Village project and expect to invest approximately $5 million to $7 million in that project this year. This investment is primarily related to developing a pad and building a road for the elementary school that Chris mentioned, which will also serve as a main artery through the development itself.

In order to provide more visibility into these types of projects going forward, we've added separate line items for Real Estate development costs incurred and recovered upon sales to our CAD reconciliation. We'll also be providing more detail regarding Real Estate development costs in our first quarter 10-Q and going forward. I'll now turn the call back to Dave for closing comments.

Dave Nunes - *Rayonier Inc. - President & CEO*

Thanks, Mark. First, I'll make a few comments to update you on Timberland acquisitions. During the quarter we acquired three Timberland properties in Louisiana and Georgia totaling 12,600 acres for $23 million, or an average of roughly $1,800 per acre.

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The vast majority of these acres are from one transaction in Louisiana of high quality timberlands that are well stocked with a nice age class distribution, contains well drained soils that allow for extended logging conditions, and also includes tracks with good HBU potential. We anticipate strong cash on cash yield from this acquisition. We continue to follow a disciplined process to evaluate acquisition opportunities, as we execute our growth strategy.

As we look forward through the remainder of 2015, we expect further improvement in Southern Pine prices, as the housing market continues to slowly recover and pulpwood demand in our core markets remaining strong. As discussed, we anticipate continued near term weakness in the China log export markets, but improving market conditions in the latter half of the year. And long term, we continue to believe China will remain an important source of additional demand for our logs in the Pacific Northwest and New Zealand, and we like our exposure to these markets and the optionality that they provide.

In our Real Estate business, we're excited about our strategy to unlock value within our coastal corridor properties and believe that the East Nassau project will be an important catalyst in this regard.

I'd now like to close the formal part of the presentation and turn the call back to the Operator for questions. Is the Operator ready to queue up questions?

QUESTIONS AND ANSWERS

Operator

Yes, thank you.

(Operator Instructions)

Chip Dillon.

Chip Dillon - *Vertical Research Partners - Analyst*

Yes. Good morning, gentlemen.

Dave Nunes - *Rayonier Inc. - President & CEO*

Good morning, Chip.

Chip Dillon - *Vertical Research Partners - Analyst*

First question is on -- and I know a lot of this doesn't change for the year from the first call back in February -- but could you just give us -- I must have missed this -- what are your volume expectations in the Southeast and the mix between sawtimber and pulpwood? I don't know if you have it for both the second quarter, as well as the full year?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, we're continuing to stick with our full year guidance, but we're not giving specific second quarter guidance at this juncture.

Doug Long - *Rayonier Inc. - VP, US Operations*

Yes, and Chip I think what we had said previously is that the sustainable yield in the US South is 5.4 million tons to 5.7 million tons, and then we expected this year to come in at the lower end of that range. And I think that that guidance still holds.

Dave Nunes - *Rayonier Inc. - President & CEO*

Yes. So it would be 5 million tons of pine and roughly 300,000 to 400,000 tons of hardwood.

Chip Dillon - *Vertical Research Partners - Analyst*

Got you. Helpful. And then on New Zealand, you mentioned again flat versus last year. Do you see a big mix change at all, just given some of the moving parts, or is it just too early to say?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, I think it's too early to say. We felt that the year certainly started off strong in January, but we saw a pretty rapid decline in the China markets as the quarter has progressed. But recognize that Radiata pine competes in slightly different markets than, say, Pacific Northwest wood. And as I mentioned in the prepared remarks, it seems to be that the Radiata pine markets have bottomed out and are starting to pick up a little bit.

Mark McHugh - *Rayonier Inc. - SVP & CFO*

And keep in mind as well that in New Zealand, the mix tends to be heavily weighted towards sawtimber. And so I don't think we'd anticipate seeing much of a mix change there; really if there was a mix shift, it could just be between domestic and export.

Chip Dillon - *Vertical Research Partners - Analyst*

Okay. And could you update us -- you mentioned the $47 million to $57 million in EBITDA from Real Estate sales this year. I would imagine the basis about 10% more than that, give or take. Is that a fair number to use, or where would you go with that?

Mark McHugh - *Rayonier Inc. - SVP & CFO*

Yes, the land basis that we guided the market to this year for the full year is about $10 million of land basis associated with that.

Chip Dillon - *Vertical Research Partners - Analyst*

Okay. And then the last thing is on the development in the East Nassau project -- by the way, if it's that close to the airport and that close to the beach, when can I buy?

Dave Nunes - *Rayonier Inc. - President & CEO*

Soon.

Chip Dillon - *Vertical Research Partners - Analyst*

Well, unfortunately my kids are beyond elementary school age, so they couldn't go there. But when you look at that, I just wanted a little help with a rule of thumb. I can't imagine you're going to sell all 285 acres. You need to obviously some of those go, like you said, to other uses, maybe you can't develop them or they are roads or whatever. But is $10,000 an acre a rough rule of thumb that would imply about $28 million, I guess, is the revenue potential? And you mentioned you're going to invest 5 to 7 toward whatever that number is. And can you just remind us how that might flow? Would some of it be seen this year, or is it mostly 2016 and 2017? Can you give us a rough idea how to expect that to flow in?

Mark McHugh - *Rayonier Inc. - SVP & CFO*

This is Mark. I'll give a couple general comments, and then I'll turn it over to Chris, who has more specifics. Keep in mind that when we're selling unimproved development property, those price points can certainly reach into the high single digit thousands, even double digit, $10,000 to $20,000 an acre. When you start putting money into infrastructure improvements, you kind of really shift the mentality from a per acre value to kind of a per lot value or per pad value. And those values go up really exponentially once you've started putting those investment dollars into it.

And so in terms of -- we wouldn't really think about it in terms of X dollars per acre. This is really kind of a long range project that we've contemplated a buildout. And you're right, not all 285 acres would go to, would actually be sold. Some of those would go to common areas within the project. But again, I think that the per acre values and the per lot values would be substantially higher than what you'd historically seen within our Real Estate segment. And I'll let Chris provide some additional color on that.

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Chip, just to add-on. A slight correction. That 285 is actually a net number. What we're doing is describing what we believe is the sellable portion of the project. The plan is larger when you account for things like roadways and parks, the school site and common areas, and those sorts of things. So that is a net number.

And as Mark said, the way to think about this is we're transitioning that land to a variety of uses. And at present, we see a mix of multi-family rental opportunities in the market there. Same thing for single family moderately priced housing. And then commercial real estate too, retail there to support the community, but also with the traffic off I-95 and A1A, as well. So that investment converts that land to a variety of higher and better uses, and that's where the value is going to come.

Chip Dillon - *Vertical Research Partners - Analyst*

And then quickly, is it safe to assume that none of the Real Estate EBITDA this year, or very little, is from this, and again, is it something that would really impact like 2017, 2018?

Dave Nunes - *Rayonier Inc. - President & CEO*

Yes, this Dave. Chip, we're doing our work here to coincide with the opening of the school, which is in 2017. And so that's really when we expect to see the first revenues coming out of this. And so we're in the in investment mode between now and then, basically preparing infrastructure to open up saleable parcels within that property.

Chip Dillon - *Vertical Research Partners - Analyst*

Okay. Great. Helpful. Thank you.

Operator

Steven Chercover, D.A. Davidson.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

Good morning. Yes, I just also wanted some clarification on the land project north of Jacksonville. So the $5 million to $7 million, that is not for the school site, right? That's where you actually benefit. The school site, they've got to do it once you've donated the land.

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Steve, it's Chris. Part of that is for the school site. What we're doing for the school is creating a pad for the elementary school. So part of that is for the school site. And part of it is for a road that will serve the bigger project, but will also provide access to the school, as well.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

Okay. That's how I understood it is that you'd actually be putting the pad for the school.

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Steve, I should say, too, when I say road, I'm talking about infrastructure. Remember, there's utilities, water, sewer, power and the like in that, as well.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

Is that on you, as well?

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Well, sure it is, yes.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

Okay. But only horizontal, not vertical?

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Correct. Yes. And then the school, of course, is financing the vertical and building the K-5.

Dave Nunes - *Rayonier Inc. - President & CEO*

And the road really serves two purposes. It's access to the school, but it also opens up the ability to sell portions of the project prior to reaching the school site. And that's all done very intentionally.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

But presumably, this isn't if you build it, they will come. There's already the demographics that support a school in that vicinity and the extra acreage will just enhance the density.

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Yes, Steve, that's rule number one. It's not build it and they will come. There's demand for the school first. This is a elementary school that has demand in the current marketplace. It's been built for the children that are in demand for that place right now. And then for the project, the same answer. We've done extensive market research and see supportable demand for this property and this place at this time. Part of it because of the location we mentioned, which includes the proximity to these highways. There's 40,000 cars that pass the site on I-95 today, every day, even before there's the first house in the project. So there's a lot of visibility on this property.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

Very good. Thank you.

Dave Nunes - *Rayonier Inc. - President & CEO*

And it really gets back, Steve, to what we talked about for the last number of calls, where Chris and his team have taken the whole Real Estate portfolio and winnowed it down to the pieces that they feel are most market ready. So this really the by-product of all of that detailed work.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

That's great. We know you've got a whole chunk of land along I-95 and it's going to take years to get that developed. If I could switch gears, just what gives you confidence that China is going to recover? Is it simply the inventory draw down, and assuming that freight stays low out of New Zealand and volumes and price recover, could we see a substantial hike in the contribution from down under?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, you know, I think that certainly China has developed high inventories, and that's what's keeping pressure on price. But recognize -- I go back to what we talked about in our last quarterly call. You've got to factor in exchange rate impacts to this. And so the fact that the US dollar is strong has really been a big impact on why the Pacific Northwest has taken more of a hit. The log exports from Canada have benefited to some degree. Log exports from New Zealand have benefited to a lesser degree.

But we see, where we track inventory in China, we're seeing roughly a two-month supply of ocean-based inventory. And total inventory, when you factor in rail, is more in the 4.3 million to 4.5 million cubic meter range. And that's been probably, that's certainly at an elevated level.

While the Russian ruble decline has had an impact, recognize that it's had more of an impact on the rail side than the ocean side. The ocean-based cargoes coming from Russia have been stable throughout this period of currency rebalancing, and that suggest to us that there isn't the long-term price or supply flexibility on the Russian side to meet that demand. And so it gives us some encouragement that once inventories are drawn down, we're going to continue to see strength out of that market.

And then you've got differential markets between how Radiata is used and how wood from the Pacific Northwest is used. The Pacific Northwest piece is exposed more to construction. Construction activity, which is down more Radiata pine, has some broader uses. And I think that's one of the reasons that we've seen that turn around a little bit more.

We're also entering winter logging conditions in New Zealand, and so that tends to suppress supply some. I think the combination of that and lower pricing, we see less supply coming out of the woods in New Zealand. And so once port inventories are drawn down, it gives us some confidence that we're going to see stronger pricing in the second half.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

Great. Thank you for the detailed response. And final question for Mark. You've reaffirmed your full year guidance. I'm just wondering, is there any nuance within the segments or can we just look at page 14 of your last deck?

Mark McHugh - *Rayonier Inc. - SVP & CFO*

You know, we're not updating the specific segment guidance. But just directionally, I think with some of the softness in the Pacific Northwest, you could see that come in below guidance. US South has actually been quite strong, and so I think you would see that come in above guidance. And New Zealand, I think we're probably tracking guidance, maybe a little bit on the lower end. And Real Estate, like Chris said, he did reaffirm in the range that we had talked about before.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

And you said down substantially--

Mark McHugh - *Rayonier Inc. - SVP & CFO*

I'm sorry. There could be a different mix within the segments, but we think it balances out in total.

Dave Nunes - *Rayonier Inc. - President & CEO*

And Steve, I think also, recognize that we very intentionally took the assumed decline in those export markets into consideration in Q1 when we lowered our guidance at that point, and we feel that the market has borne that out.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

Okay. And when you say Q2 earnings down substantially, I don't have to put a red toner cartridge in the printer, though, do I?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, there's a lot of moving parts there. Recognize that you've got Real Estate sales that are very lumpy. And depending on what we do on the Timber side, there's a lot of variability that comes into play. I wouldn't guarantee that one way or the other. We want to be nimble as we deal with some of these changing market conditions.

Steven Chercover - *D.A. Davidson & Co. - Analyst*

So we'll go close to breakeven and hope we don't need a red cartridge. Thanks, guys.

Operator

Collin Mings, Raymond James.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Hello. Good morning, guys. I guess my first question, both for Dave and Mark, just as it relates to the balance sheet and capital allocation priorities, clearly you bought some more timberland during the quarter. But just given the weakness in the stock price here, down 7% year-to-date, what's the latest thinking as far as maybe looking at buying back some stock?

Mark McHugh - *Rayonier Inc. - SVP & CFO*

Collin, we don't currently have a buyback authorization in place. But with our stock around $26 per share, we certainly believe that it's trading well below net asset value. So share buybacks are something that we are actively evaluating.

Ultimately, we have to evaluate share buybacks versus other uses of capital, like acquisitions, and make judgements about where we believe we have the best opportunities to drive shareholder returns. We recognize that from a pure NAV standpoint, our current stock price implies a value per acre that is cheaper than where we can acquire timberlands in the M&A market today. However, we're also focused on our cash flow and dividend coverage. And the acquisitions that we're focused on tend to be higher yielding properties that are accretive to cash flow, and more so than buybacks, which we also believe is a key driver of returns for our shareholders.

And so I can assure you that capital allocation is foremost in the minds of both our senior management team, as well as our Board, and these alternatives are continuously being evaluated. We'll post you when we have more to report on that front.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Okay. And then I guess as it relate to the theme of the underlying asset value, Dave, how should we think about the value or how you're thinking about the value of your Washington timberlands, just in context of the conservation land sale, I want to say, during the quarter, just shy of $3,000 an acre? Can you maybe put that in context in reference to your portfolio in that region?

Dave Nunes - *Rayonier Inc. - President & CEO*

Sure. And recognize that that was not one sale, but two sales, and two sales in very different parts of the state and in very different conditions. One portion of that sale represented probably something that I would consider below our average quality, from an asset standpoint. It was a property that was along a priority salmon river. We pieced together with a conservation organization a sale that included a lot of stream side management zones, and it was also in an area that was poor from a soil productivity standpoint. And so that's going to be probably below our average quality.

Conversely, the other property had a much higher value and it included value for, essentially, development rights being taken out of play. And so you had two very different pieces. And the second property also included some retention of some merchantable timber volume that we'll be able to harvest over the next 18 months.

And so two very different properties, one above, one below probably our average quality. But we're happy with both sales, and these were sales that took quite a bit of time to put together.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Okay. So it sounds like maybe net-net, just given the premium you were able to get -- I'll pick on that one sale -- it sounds like that might be a little bit above average, if we were to think about the overall value of your portfolio in Washington? Or on a per acre basis, or am I misinterpreting that?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, I think the higher quality one would be considerably above average, simply because we were getting paid for development rights. It was in the eastern portion of Jefferson County, where you've got more population pressure.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Okay. And then I guess just going back to the theme, Dave, of value that's being implied by the public markets right now versus what we're seeing on private deals that are getting done. Just any thoughts about how you think about the potential M&A in this space of the Timber REITs, a couple of the other Timber focused companies out there, and maybe just your thoughts about that NAV disconnect right now we're seeing in the marketplace?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, I think that you have to be very careful in an environment like this, where we've seen less deal flow as we've started 2015 relative to where we started 2014. And so you have to be really careful drawing too many conclusions from that, because you've got quite a wide range of quality in terms of the properties. And so I don't pay as much attention to those few comparable sales, because they just aren't representative of broad market averages.

And I think I'd repeat what Mark talked about. As we look at activity, we're focused on properties where we think we've got some accretion, from a CAD standpoint, to help us improve our cash flow and funding standpoint. As it relates to our own stock, I'm sure that a lot of the uncertainty that stemmed from our announcements last November is still very much in the market, and we recognize that.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Okay. Then just a couple quick ones. Just going back to Steve's question about what's going on in China, but just tying that specifically to the Pacific Northwest, is there a way -- in the press release you highlighted the fact that you expect some weakening, at least in the near term -- any way to quantify that on the Pacific Northwest, how much more downside you think there is to pricing in the Pacific Northwest right now?

Dave Nunes - *Rayonier Inc. - President & CEO*

You know, I think a lot of that is probably going to be predicated on the impact on the US housing side. And recognize that as you see softness in the export markets, people are diverting volumes into the domestic markets. If the lumber markets stay stagnant, then you're going to see that back up into lower removals. If they start picking up, as some of the other folks have indicated in some of their calls, like in California, then it could take some of that slack out of the export market. So I think it's a pretty dynamic equation that we're dealing with.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Okay. So I guess tying that to your outlook for the back half of the year, it sounds like your optimism about the Pacific Northwest going in the second half of the year is going to be a combination of the comments you made to Steve earlier about the working through some of the inventory in China, which would be a positive for both the Pacific Northwest and New Zealand, as well as the housing recovery, it sounds like a combination of those two that's leading you to be optimistic about the pricing?

Dave Nunes - *Rayonier Inc. - President & CEO*

Absolutely, yes.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Okay. Then one more before I turn it over, just Dave, a couple of nominations here recently to the Board. Can you just talk a little bit about those nominations and how you're thinking about the Board structure, and anything that the new Board members you think might be adding as far as additional perspective they might bring to the table, to the Company?

Dave Nunes - *Rayonier Inc. - President & CEO*

Happy to do that. When we looked at our Board makeup following our announcements in November, we recognized, and we certainly had some investors point out to us, that it would be wise to have more Timber expertise on our Board. And so this was a move to really sharpen that perspective that we bring to the Board.

We have Scott Jones joined our Board last summer, who's got extensive experience in this industry, along with myself. And then when you add our two newest nominees, Andy Wilshire and Bernie Lanigan, who are bringing two very complementary perspectives. Andy, who is from New Zealand, will naturally bring an understanding of the New Zealand industry. He's been a land owner there, as well as in North America, and will bring a perspective from having managed a very large portfolio of timber over the years. And Bernie brings a perspective of being ensconced within the Southeast Timber markets and being well connected, as well, to the saw mill industry in the Southeast.

And so we're excited to have both of them on the Board. And I think they, as I said, they will bring very complementary perspectives and round out our Board to where we now have half the Board is going to have some Timber experience and perspective. And that makes sense, when you think about us as a spun off or a more simplified company.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Okay. Great. I'll jump back in the queue. Thanks, guys.

Operator

Paul Quinn, RBC Capital Markets.

Paul Quinn - *RBC Capital Markets - Analyst*

Yes. Thanks very much. Good morning. Just a question on the M&A front. You guys were successful with the 12,000-plus acres in Q1. How was that done? Were those auction processes? And what's your assessment of the current competitive landscape out there?

Dave Nunes - *Rayonier Inc. - President & CEO*

We continue to have a mix of participation in both negotiated and auction deals. That particular one was through an auction process. And again, our view is that we're going to be more competitive on transactions that have a fair bit of complexity to them. We have a strong HBU rural land sales effort. And so whenever we have a property, we will have our Real Estate sail guys assess it as part of our due diligence efforts. And we think in that particular example, that helped us be more competitive.

We also are tending to look for properties that we've got an existing presence, from a geographic standpoint, to keep our management costs low. And so most of the acquisitions that we've done over the last year, year and a half have all been in areas that are I would consider, to some degree, bolt-on transactions.

We've also done a number of very small transactions that our local field offices have surfaced, where we can add small properties at good returns, doing it in a negotiated manner that is out of a larger option, that all are very additive. And so we continue to be an active player out there. But as Mark had indicated earlier, our focus is really more on trying to find properties where we feel like we can improve our CAD accretion over time.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay. And then just on your outlook. You've got in the US Southern Timber spot that you expect gradual recovery in the US housing. We haven't seen that year-to-date. Just wondering why? And then do you expect the Southern sawlog Timber prices to move up with that recovery, as lumber prices are moving off right now?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, we continue to believe that if you look at the longer term trends, that the US South sawtimber prices are the furthest from long-term trend pricing of any of the markets that we're in. So that's why we continue to state that as housing starts to recover, that's where you're going to see the slack in the system and the response from a pricing standpoint.

Having said that, we certainly recognize that the housing recovery has continued to be a slower recovery than folks thought, or as in prior recoveries. So our efforts right now are really to prepare not for the next quarter, but really for the next number of years. That's where we see a continued strength. And we're looking at a big picture sense of thinking about the presence of China, which was not present as a large source of off-take during the peak of the last housing start, as well as continued shrinkage in the supply response from Canada. And we continue to think longer term, those are all very positive signs.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay. And lastly, we had pretty strong export markets, especially China, in 2010 to 2013. We seem to have over supplied that market in 2014 and repeated it again in 2015. What's to stop that from happening in 2016, 2017, 2018?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, it's a pretty dynamic market. And recognize that, I think, the big story in the last six months has been the devaluation of the ruble has really changed a lot of that dynamic. I think certainly you're seeing exports flowing from lots of places. The Chinese are very good traders and buyers. But it's a big, big market. And when you talk about inventories, you're talking about inventories across a dozen or so key ports, all of which have distinct markets. And so it's not as simple as thinking about one market. These are vast markets.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay. That's all I had. Best of luck. Cheers.

Operator

Mark Weintraub, Buckingham Research.

Mark Weintraub - *Buckingham Research Group - Analyst*

Thank you. Two quick follow-ups. First, I was very interested your comments about Russia, in that you felt given you hadn't seen much more coming in via ocean, that that suggested maybe they could be constrained in how much more would be coming in. And I guess the follow-up to that was why wouldn't we necessarily see it just coming in from rail? And I'm sure you've got an answer to that.

And then the second being, is there also a time element, the ruble devaluation which has taken place over the last year or so, six months, year, would there be activities taking place now that would be potentially increasing the amount of supply that would be coming in? And would love to hear some reasons why we can be less concerned about that.

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, I think if you break that down, I think we have in fact seen more coming in via rail. And recognize, the big issue in Russia is infrastructure. And so it's not like you're in a situation where you've got great infrastructure and all of a sudden, you've got a pricing environment that's positive and you can really turn on the spigot.

I think what you're seeing in Russia is, and if you think about in a local currency sense, just how much log prices have increased since last summer and the fact that you've got essentially flat volumes coming off of ocean-based sources, that's indicative of an inability to respond. But where you have seen more of a response is on the rail side. And they're going further and further away from the markets. And so as we think about that, that's going to be a lot more of -- it's going to have a lot more elasticity to price and currency and cost elements going forward.

And so I think we continue to believe that while the Russian Far East is vast, that lack of infrastructure and the fact that we haven't seen the response on the ocean side gives us confidence downstream that our markets in both New Zealand and the Pacific Northwest will benefit longer term from the China market.

Mark Weintraub - *Buckingham Research Group - Analyst*

Okay. And then just shifting back to East Nassau. I was just trying to fully understand how much in the way of development you are contemplating doing and so how far along in the, how much capital might you put to work? And just as a technicality. And is this spend capitalized or is it being expensed? And do you have the opportunity to get the monies back, either through some debt financing at a county level or something like that, or is this money that really is coming from your packet?

Mark McHugh - *Rayonier Inc. - SVP & CFO*

Yes, Mark. I'll take that question, and then I'll let Chris and Dave add any additional commentary. To address the first question in terms of how much of this we're contemplating doing, really the decision that we've made is to proceed with this one singular project, at this point. The investment in 2015 is going to be $5 million to $7 million. The project was underwritten. It's essentially a nine-year project.

The total capital investment associated with that project -- and just to answer your second question, as well -- most of the investment will, in fact, be capitalized. The total capital investment for the entire project over that nine-year time horizon is $35 million to $40 million over that decade planning horizon.

However, the peak capital in the project is $13 million to $15 million. Now peak capital represents our maximum cumulative investment in the project net of sales over the life of the project. So you really should think about $13 million to $15 million as basically the maximum net investment that we would contemplate having in the project, based on our underwriting assumptions.

And we think that that's a pretty manageable level of exposure for this type of activity. We certainly recognize that this is an inherently riskier activity than our Timber business, and we've underwritten it accordingly.

Dave Nunes - *Rayonier Inc. - President & CEO*

And I'll add a few other comments to that, Mark, that I think are important to point out. One is the way projects like this are designed is there's a lot of optionality going forward in terms of your flexibility to start, stop, or even sell the project at different points in the way. And so that's important to remember.

And then the second thing is recognize that we're looking at this project in a broader sense, in that it's going to have an impact on our surrounding land holdings. We own an awful lot of land around this project. And that's an important thing to keep in mind is we aren't only just adding value to this 285 acres that we're actively developing, but we're going to be adding value, we think, to some of the surrounding properties, as well.

Mark McHugh - *Rayonier Inc. - SVP & CFO*

And just to get some additional context there. We own about 22,000 acres within a 5-mile radius of this project and about 50,000 acres within a 10-mile radius. And so as we underwrote this project, we didn't incorporate any assumptions around the value lift to those surrounding acres. But clearly, that's the bigger play for us here.

Mark Weintraub - *Buckingham Research Group - Analyst*

Okay. Great. I'll leave it here. I'm sure we'll have lots more to talk about on this later. Thank you.

Operator

Mark Wilde, Bank of Montreal.

Mark Wilde - *BMO Capital Markets - Analyst*

Good morning, Dave, Mark.

Dave Nunes - *Rayonier Inc. - President & CEO*

Good morning.

Mark Wilde - *BMO Capital Markets - Analyst*

Wondered if we could start out just over with Chris Corr And maybe Chris, about three or four years ago, when a number of us came down, we spent some time over at The Bluffs, which I think is just north of where you're talking about. Where does that project stand right now?

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Hello, Mark. As we've discussed before, we've been through a really exhaustive analysis of all of our holdings along the corridor, and out of that process, looking at everything from suitability to infrastructure availability to the market. We've winnowed it down to a handful of potential projects that we think have potential in the near term.

And in that area that you're describing around The Bluffs and the Riverfront, it's one of them. It's a unique asset because of its natural beauty, but there are also challenges in terms of how you get at it with access and services and those sorts of things, too. So we're evaluating it very carefully. We are looking at different scenarios of how we might unlock the value there, and we'll keep you updated as we make progress.

Dave Nunes - *Rayonier Inc. - President & CEO*

It also gets back to what Mark talked about. That's one of those holdings that's within that close proximity to the East Nassau project. And so we feel like these things will help feed on each other.

Mark McHugh - *Rayonier Inc. - SVP & CFO*

But we also want to be very measured in our approach and the pace at which we pursue this type of activity.

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Absolutely.

Mark Wilde - *BMO Capital Markets - Analyst*

Yes. Okay. The second question I had, for Dave or for Mark or whoever, is really just to talk a little bit about your acquisition strategy over the next year or two. I think there are some bigger properties coming on the market. At points, there's been some conversation about potentially the advantages and maybe taking out the minority shareholders down in New Zealand. So if you can talk with us generally about how you're thinking about acquisitions and use of capital, that would be helpful.

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, one of the first things that we have embarked on is really to take a detailed look at our capital structure and to figure out what our debt capacity looks like, and that will certainly play a big role. I think also, as we've discussed, at this juncture, we are trying to focus on our cash flow generation and narrowing the gap to where we get to funding the dividend through ongoing operations. And so that has had an over weighted impact on our acquisition strategy.

And we continue to look at all of the opportunities that are out there and feel like we're well prepared for those. And recognize, debt as a percent of enterprise value, we're sitting at about 15% at the end of Q1, and we feel like that puts us in a very good position to have some powder ready for the right acquisition that we feel fits us. Mark, what more would you add?

Mark McHugh - *Rayonier Inc. - SVP & CFO*

I would just add to that, to elaborate a little bit on Dave's point around the higher yielding acquisitions. What we've seen in the market, there tends to be a focus around per acre values at a very high level within the analyst community, certainly. And understandably, it's a metric that you can point to a single point estimate of per acre values.

The reality is that there's a wide range of per acre values underlying the different types of acquisitions that we're looking at. And what you'll find, oftentimes, is some of those higher value properties on a per acre basis actually have a meaningfully better cash-on-cash yield, because they're higher allocation to planted lands, higher productivity. And so even though they may come at a higher price point, they will have a higher cash yield off of that price point associated with it.

So as Dave said, we try to focus really our efforts around properties that are cash flow accretive, given our current cash flow situation and the harvest reductions we've had in the Pacific Northwest, and really those value add stories, where you're buying younger plantations or lands where you're contemplating a longer term HBU carve off strategy.

It's a little bit more difficult to articulate the merits of those to the broader marketplace. And so we think that we're being, again, very measured in our acquisition strategy and focusing on transactions that we really think can drive shareholder value.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. And then just for clarification one more time on these export prices into Asia into second quarter, out of both New Zealand and the Pacific Northwest. I think I heard you say a couple times that New Zealand seems to have stabilized. So quarter to quarter, would you expect New Zealand prices to be flattish in the second quarter?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, I think markets have stabilized in terms of where they are right now, but I think in a quarter average, I would still expect to see some decline.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. And same thing, Dave, out in the Pacific Northwest?

Dave Nunes - *Rayonier Inc. - President & CEO*

Yes.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. All right. And then finally, just any comments on that shelf registration?

Mark McHugh - *Rayonier Inc. - SVP & CFO*

We didn't have a shelf on file. And we want to keep our options open. So nothing to specific to report, but just wanted to make sure that we were ready to move quickly, if and when a financing opportunity or need arises.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. That's helpful, Mark. And again, I really want to congratulate you on those Board acquisitions, because I think you've really done a lot to beef up that Board.

Mark McHugh - *Rayonier Inc. - SVP & CFO*

Thank you.

Dave Nunes - *Rayonier Inc. - President & CEO*

We're excited about that.

Operator

George Staphos, Bank of America.

John Babcock - *BofA Merrill Lynch - Analyst*

It's actually John Babcock sitting in for George. Since obviously we're at the end of the call here, I want to be pretty quick, but as far as China goes again, as currencies stabilize, do you expect Russian imports to be sustained, largely given the relationships that they've built within the Chinese market, or do you think those might taper back and ultimately US exports will continue to be pretty strong out there?

Dave Nunes - *Rayonier Inc. - President & CEO*

I think it gets back to the infrastructure constraint that is present, and it will certainly be a function of both exchange rates and access to infrastructure. What we do feel is that there isn't a large supply response out there coming from Russia. Because we feel that with the change in currency that we've experienced over the last nine months, we would have seen that response, and we haven't on the ocean side. And so that's where we have some sense that there's some limitations, some physical limitations on the ability of that supply into the China market.

John Babcock - *BofA Merrill Lynch - Analyst*

Okay. Great. Thanks a lot. Next quickly, on New Zealand. Could you talk about the seasonality of that market, how it fluctuates particularly relative to the fluctuations that we see in the domestic markets?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, and recognize, New Zealand has a decent domestic market, as well. You've got roughly half the volume there is flowing into the domestic markets, but that you've got inverted seasons. We're heading into the winter there now, so that will have an impact on seasonality, and conversely in their summer, our winter.

I think that New Zealand has a more dynamic export market, recognizing that you've got the China market, the Korea market and the India market all interacting with each other. And I think those things ultimately reflect on seasonality. But I think that we view New Zealand overall in an annual sense as a pretty stable market. But we'll flex volume there quarter to quarter, as we see the right opportunities.

John Babcock - *BofA Merrill Lynch - Analyst*

And so as you look at Q2 then, and because they're entering winter at that point in time, will the harvest come back because of that, or will demand and ultimately any inventories you have be sufficient to keep volumes coming out of there at a pretty decent pace?

Dave Nunes - *Rayonier Inc. - President & CEO*

We believe that with both the combination of lower pricing and the winter that you will see, in a broader sense, the declines in the supply of that market as we get into the second quarter.

John Babcock - *BofA Merrill Lynch - Analyst*

Okay. Thanks. And then just last question, quickly talking about a sawlog demand in the South. Have you guys seen any improved trends down there, particularly as weather has improved in the last month or so?

Doug Long - *Rayonier Inc. - VP, US Operations*

This is Doug. Most of the demand we've seen regarding sawlogs has really been wet weather driven and lack of supplies, people being able to get out of the woods right now. So we haven't seen anything concerning necessarily, decreases in saw mill capacity or things like that. But it really has been driven mainly by availability of supply, at this point in time.

John Babcock - *BofA Merrill Lynch - Analyst*

All right. Thanks for all the color.

Operator

Chip Dillon, Vertical Research Partners.

Chip Dillon - *Vertical Research Partners - Analyst*

Yes, I appreciate you all taking the time. I just want to make sure I didn't misunderstand. You mentioned the cumulative investment mostly to be capitalized of $35 million to $40 million over a decade. Is that just for the East Nassau acreage, that $285 million?

Mark McHugh - *Rayonier Inc. - SVP & CFO*

That's correct.

Chip Dillon - *Vertical Research Partners - Analyst*

Okay. I got you. So in very round numbers, just so I can appreciate this, if we go out to 2025 or thereabouts and everything works as you expected, it would seem to me you'd want to divide these acres into -- and I know some are multi-family -- but I'm kind of thinking $50,000 a lot, you get four lots on an acre, and that would kind of get you into a ballpark of, I would imagine, where you're going to have $100 million in revenues coming in, and that you would hope to se the amount you invested double, if you will, over that very long period. Is that a very rough way to look at it?

Mark McHugh - *Rayonier Inc. - SVP & CFO*

Yes. Another way to look at it is that we've underwritten the project in sort of a mid-teens return. Chris can talk more specifically about the actual dollars. But Chris, do you want to?

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Yes, I think maybe that's right, in a rough way, to look at it. We believe that that investment over that period of time and the type of products we're going to create out of it will yield an attractive return.

Dave Nunes - *Rayonier Inc. - President & CEO*

Chip, I would add to that that recognize that this is a mixed use project, so it's going to have some retail. It's going to have some multi-family. It's going to have some single family. And I think a project like this mirrors some of the elements of the broader housing market, in that if you look at the housing recovery, multi-family has led the recovery. And so we expect that multi-family will be one of the early parts of the sale coming out of this project, as well, and that single family is going to be longer term and it's going to be tied to the school piece of it. But all of those elements, along with retail along the road frontage, those are all factored in to the way we assessed this opportunity.

Mark McHugh - *Rayonier Inc. - SVP & CFO*

And I think just the other point I'd just want to reiterate is that this project really was also about the broader holding that we have in this area. We feel like the project economics make sense on a stand-alone basis. But really, the broader opportunity is that we own a whole lot of land around this, and we think that there's an opportunity for value lift in those surrounding properties.

Chip Dillon - *Vertical Research Partners - Analyst*

And so given the magnitude of the investment, it would seem like -- just correct me -- that you aren't going to get everything permitted and roaded and the sewer put in, but you actually might be either the sole developer or a major developer of these actual buildings, like the multi-family apartment complexes, as well as maybe single family homes. Is that fair?

Chris Corr - *Rayonier Inc. - SVP, Real Estate*

Yes. Chip, it's Chris. We will be the master developer, so we will lead the entitlements, we will lead the planning, and then we'll coordinate on an opportunity by opportunity basis. So you can think about that when you look at single family, in terms of lot sales to home builders; and in commercial, it could be pad sales to retail developers or multi-family developers. That will be the most likely pattern of how we'll execute.

Mark McHugh - *Rayonier Inc. - SVP & CFO*

But we're not going to be selling individual lot by individual lot. We're going to be selling for single family, we'll be likely selling these in clusters to an individual home builder who will take down a number of lots at one point in time. We'll be selling to a multi-family developer who will take down a portion to build that. We're simply overseeing the entitlement effort and some of that core infrastructure of roads and utilities to prepare those parcels for sale.

Chip Dillon - *Vertical Research Partners - Analyst*

That's very clear. Thank you so much.

Operator

Collin Mings, Raymond James.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Thanks. Just a few quick follow-ups for me. First, just I may have missed this, but can you talk a little bit about the land sales activity you guys registered in New Zealand. I know these are very small transactions, but just talk about that business, because I don't really remember that being talked about or broken out before, prior to the new set of disclosures you guys provided.

Dave Nunes - *Rayonier Inc. - President & CEO*

Yes, it's not as big of an activity, historically. We do have, we have a number of cases in New Zealand where we are a lease holder and the underlying land holder is a native Eiwie group. One of those sales was essentially exiting out of a property in advance of the expiration of the lease, where we sold essentially the interest that we had in the lease. In another case, it was the actual sale of land.

And so I would say that you periodically have those opportunities. These were both opportunities that came to us. We felt the values were attractive, and so we pursued them. But it's not as active, and I don't want to lead you to the belief that it's as active sort of an HBU type market as what we see in the US South.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Okay. That's helpful. And just the last question. Dave, on the last call, you guys talked a little bit about looking at some potential G&A cost savings opportunities. I think you sensed some things with your Timberland management structure, to streamline that a little bit more. But any other update on the G&A front or anything else you've identified, now that things have settled down a little bit, post the November announcement?

Dave Nunes - *Rayonier Inc. - President & CEO*

Well, we're still in that process. I think that we have had, you'll note that our G&A expense for Q1 was actually higher than we had talked about in a run rate sense. The big driver on that is a couple of things. We had a revision to our pension accrual. And that was a function of basically a reexamination of our pension assumptions around discount rate, return on plan assets and mortality figures. That had an impact in Q1 of roughly $400,000 of the increase.

We also have additional expenses associated with the legal, on the legal front associated with the lawsuits that are pending. And that added some cost in Q1, as did audit fee, additional audit fees from 2014, much of which was associated with that.

So we've got some puts and takes on the G&A front. While we've made some advancements in terms of streamlining some of our structure organizationally, we've also had some things go the other direction. I don't know, Mark?

Mark McHugh - *Rayonier Inc. - SVP & CFO*

I think that was a good summary.

Collin Mings - *Raymond James & Associates, Inc. - Analyst*

Okay. Thanks, guys.

Operator

Okay, because we don't have questions in queue now.

Mark McHugh - *Rayonier Inc. - SVP & CFO*

Great. Well, thanks for your time today and feel free to follow-up with me with any additional questions.

Operator

Thank you. This concludes today's conference. Thank you all for participating. You may now disconnect.