Agenda

• Rayonier overview
• Evolution of U.S. timberland ownership
• Growth of timber REIT sector
• Breakdown of public timber companies
• TIMO expansion and changes in investor perceptions
• Summary of NCREIF returns
• Competitive landscape going forward for the timber REIT and TIMO sectors
Rayonier: Best-in-Class, Pure-Play Timber REIT

Leading Pure-Play Timberland REIT
- Third-largest timber REIT with 2.6 million acres of high-quality timberland
- Advantageous REIT structure
- Geographic diversity – U.S. South, Pacific Northwest, New Zealand

Growing Timberland Base
- $800 million invested in high-quality timberlands since 2011
- Profitably grow timberland base through disciplined acquisition process
- Advanced genetics yield long-term volume growth

Attractive Real Estate
- Strong Real Estate platform across U.S. South, including Florida and Georgia coastal corridor
- Stable base of annual rural land sales
- Over 39,000 acres with land-use entitlements

Strong Capital Structure
- Net debt of 14% of enterprise value at year-end 2014
- Favorable financing facilities
- Flexibility to pursue timberland acquisitions
Highly Productive, Geographically Diversified Timberlands

Total Rayonier = 2.6 million acres

Washington – 372,000 acres, access to export markets

1.9 million acres, sawlog and pulpwood; Florida & Georgia coastal corridor HBU

311,000 net plantation acres, manage and own 65% of joint venture
# Realignment of Strategic Priorities

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<tr>
<th>Manage for Sustainability</th>
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<td>Design harvest strategy to achieve long-term, sustainable yield</td>
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<td>Balance biological growth, harvest cash flow and responsible stewardship</td>
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<tr>
<th>Acquire High-Quality Timberlands</th>
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<td>Pursue timberland acquisitions that improve portfolio quality and sustainable yield</td>
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<td>Maintain disciplined approach to acquisitions, minimize HBU speculation</td>
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<th>Optimize Portfolio Value</th>
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<td>Pursue value creation activities on select properties to enhance long-term value</td>
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<td>Opportunistically monetize properties where premium valuations can be achieved</td>
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<th>Focus on Quality of Earnings</th>
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<td>Focus on harvest operations and rural land sales to support dividends</td>
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<td>De-emphasize sale of “non-strategic” timberlands to augment cash flow generation</td>
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<th>Enhance Disclosure</th>
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<td>Establish Rayonier as industry leader in transparent disclosure</td>
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<tr>
<td>Provide investors with meaningful information about timberland portfolio</td>
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Rayonier’s goal is to provide an attractive, growing dividend funded from core, recurring cash flows in a tax-efficient REIT structure.
Over the last decade, significant M&A activity has shifted timberland ownership away from forest products manufacturers and toward institutional owners (i.e., TIMOs and REITs).
The timber REIT sector has grown from a market value of less than $3 billion in 2000 to over $40 billion today.
Some of the public timber companies are not “pure-play” timber investments, as they generate a significant portion of their earnings from real estate sales and manufacturing activities.
Public Timber Investment Alternatives – NAV Analysis

Weyerhaeuser (REIT)
Enterprise Value: $22,927

Plum Creek (REIT)
Enterprise Value: $10,080

Rayonier (REIT)
Enterprise Value: $4,315

Potlatch (REIT)
Enterprise Value: $2,326

Deltic Timber (C-Corp)
Enterprise Value: $1,031

CatchMark Timber Trust (REIT)
Enterprise Value: $561

Note: Allocation of net asset value based on Raymond James analysis.

However, timberlands (including potential “HBU”) comprise the significant majority of net asset value for all of the public timber companies.
Roughly 84% of the total net asset value of the public timber companies is comprised of U.S. timberland assets, generally located in the key Southeast and Northwest investment regions.
By comparison, the aggregate value and geographic breakdown of the public timber assets are generally similar to the U.S. assets under management in the TIMO sector.
# TIMO and Timberland/Log Market Timelines

<table>
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<tr>
<th>TIMO Industry</th>
<th>Markets</th>
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<tr>
<td>Birth of TIMO industry following 1974 passage of ERISA law, facilitating insurance company and pension fund ownership</td>
<td>1980s</td>
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<tr>
<td>Growth of the asset class and the number of TIMOs, disintegration of traditional forest products companies, first REIT</td>
<td>1990s</td>
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<tr>
<td>Last of large-scale land transfers to TIMOs, further TIMO/REIT maturation and growth in AUM</td>
<td>2000s</td>
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<td>Growth of commingled funds, strong investment demand, low discount rates, high economic uncertainty, fewer and smaller transactions</td>
<td>2010s</td>
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TIMO’s AUM Have Nearly Tripled in Past Decade

Source: TimberLink
## Risks and Rewards of Timberland Investments

### Historical Investor Perceptions

<table>
<thead>
<tr>
<th>Risks to Returns</th>
<th>Opportunities for Returns</th>
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<tbody>
<tr>
<td>• Illiquid asset – hard to get in, hard to get out</td>
<td>• Portfolio diversification</td>
</tr>
<tr>
<td>• Fire/pestilence</td>
<td>• Inflation protection and lack of correlation with other asset classes</td>
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<tr>
<td>• Regulatory risk in West</td>
<td>• Biological growth</td>
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<td>• Mill consolidation/closure</td>
<td>• Ability to adjust harvest levels to market</td>
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<tr>
<td>• Selection of outside manager and total fee exposure</td>
<td>• Real log price appreciation</td>
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<tr>
<td></td>
<td>• Abundant financing</td>
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<td>• Discount rate stability</td>
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Risks and Rewards of Timberland Investments

Current Investor Perceptions

Risks to Returns

- Underwriting errors
- Rising discount rates
- Delayed housing recovery
- Weakening export markets
- Mill consolidation/closure
- Regulatory creep
- Fire/pests/climate change
- Investment performance
- Contractor shortages
- Currency risks

Opportunities for Returns

- Accelerated housing recovery
- Export market strength
- Ability to adjust harvest levels to market
- Biological growth
- Deferred harvest volume
- Inflation protection
- Carbon credits
- Biomass/pellets
10-Year Performance Not Stellar, But Respectable
NCREIF TPI 10-Year Results (2005-2014)

NCREIF-NW
NCREIF-S
NCREIF-Total

EBITDDA
Appreciation
Total Return

[VALUE]

4.6%
7.4%
7.2%

2.4%
4.7%

3.0%
5.2%

4.0%
6.0%

8.0%
10.0%

12.0%
14.0%

0.0%
2.0%

1.0%
NCREIF Timberland Fund & Separate Account Index (TFSAI)

• Returns reported both gross and net of management fees

• No regional distinction, but to be included the reporting entity must have at least 95% of assets in the U.S.

• All returns are reported after leverage
  – Entities participating in TFSAI average 15.3% leverage on a loan-to-value basis

• 10 managers report results to the TFSAI
  – $19.4 billion in AUM
  – 11.7 million acres

• Index also depends on a combination of third-party appraisal, internal valuation, and transaction data
NCREIF TFSAI Separate Account vs. Commingled Fund
(Net – Value Weighted, Excluding Entities Created During the Measurement Period)

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<th>5-year</th>
<th>10-year</th>
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<tr>
<td>All entities net return</td>
<td>2.7%</td>
<td>5.8%</td>
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<tr>
<td>Commingled funds net return</td>
<td>2.3%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Separate account net return</td>
<td>2.9%</td>
<td>5.9%</td>
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Questions Facing the Timberland Asset Class

• Timberland asset class is still relatively young
  – How will it evolve going forward?

• Going forward, how will investors view risk?
  – How will this impact the net flow of capital into the asset class?

• With large-scale land transfers from integrated forest products companies to TIMOs and REITs complete,
  – Where will future deal flow come from?

• What is the right form of ownership, public or private?
  – What is the best form of ownership for maximizing returns?

• Who will be more successful buyers, REITs or TIMOs?
Competitive Landscape for TIMOs in the Future

• How will investors/TIMOs react to recent under performance?
  – Continue holding properties out of carried interest participation?
  – Will fee structures and alignment of interest change?
  – Will investor enthusiasm for the asset class dampen?
  – Will TIMOs have a harder time raising capital?

• Will private equity timber investments still be viewed favorably by institutional investors
  – Have the investment attributes changed?

• Gradually more offshore capital flowing into TIMOs and a higher proportion of commingled funds
  – Short-term phenomenon or long-term trend?
Competitive Landscape for TIMOs in the Future

• Will we see consolidation amongst the TIMO ranks?
• Will we see more growth in offshore investments?
• How will TIMOs manage succession planning?
• Will forestry consulting firms compete more with TIMOs for separate account clients?
• Will we see an evolution in investment products offered?
  – Longer investment term lengths
  – Conversion to evergreen models
  – Additional conversions to public REITs
Competitive Landscape for Timber REITs in the Future

• Business models of timber REITs are more similar to each other following sale/spin-off of non-timber assets
  – How will REITs differentiate from each other going forward?

• Business models of timber REITs are now more similar to TIMOs
  – Governance – many TIMO offerings structured as private REITs
  – REITs moving to more pure-play timber investment vehicle like TIMOs
  – How will public timber REITs differentiate from TIMOs in the future?
Competitive Landscape for Timber REITs in the Future

- Will Timber REITs directly compete for capital with TIMOs?
  - All else being equal, investors prefer liquidity
  - Will we see more equity issuance by Timber REITs to facilitate growth?
  - Will Timber REITs provide improved disclosure to attract capital?

- Will public ownership of timber still make sense in the future?
  - Does the interplay between dividend policy and required REIT distributions get in the way of maximizing long-term returns?
Summary

• Timberland as a distinct asset class has undergone considerable evolution in the past 30 years
  – Emergence and growth of TIMOs and REITs
  – Sale/conversion of integrated forest products company timberlands to TIMOs and REITs
  – Evolving investor sentiments towards timberland

• Timberland asset class is far from mature

• Expect more change in the future
  – Owners/managers of timberland
  – Investment vehicles as well as investors