Terreno Realty Corporation

Q3 2014 Update

November 3, 2014

TERRENO

Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact are forward-looking statements and, in some cases, can be identified by the use of the words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “project”, “result”, “should”, “will”, “opportunity” and similar expressions. These statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected.

We caution investors that forward-looking statements are based on management’s beliefs and on assumptions made by, and information currently available to, management. Factors that may cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to: (i) our ability to identify and acquire industrial properties on terms favorable to us; (ii) general volatility of the capital markets and the market price of our stock; (iii) adverse economic or real estate conditions or developments in the industrial real estate sector and/or in the markets in which we acquire properties; (iv) our dependence on key personnel and our reliance on third parties to property manage the majority of our industrial properties; (v) our dependence upon tenants; (vi) our ability to comply with the laws, rules and regulations applicable to companies, and in particular, public companies; (vii) our ability to manage our growth effectively; (viii) tenant bankruptcies and defaults on or non-renewal of leases by tenants; (ix) decreased rental rates or increased vacancy rates; (x) increased interest rates and operating costs; (xi) declining real estate valuations and impairment charges; (xii) our expected leverage, our failure to obtain necessary outside financing, and future debt obligations; (xiii) our ability to make distributions to our stockholders; (xiv) our failure to successfully hedge against interest rate increases; (xv) our failure to successfully operate acquired properties; (xvi) our failure to maintain our status as a real estate investment trust (“REIT”) and possible adverse changes to tax laws; (xvii) uninsured or underinsured losses relating to our properties; (xviii) environmental uncertainties and risks related to natural disasters; (xix) financial market fluctuations; and (xx) changes in real estate and zoning laws and increases in real property tax rates. Other factors that could materially affect results can be found in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, including those set forth under the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in the Company’s preliminary prospectus supplement relating to the offering under the section titled “Risk Factors”, and in our other public filings.

We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Investment Strategy

Unique and Highly Selective Market Approach

- Acquire, own and operate industrial real estate in six major coastal U.S. markets. Exclusively.
  - Mix of core and value-add investments
  - No ground up development
  - No complex joint ventures
- Superior market fundamentals, including lower availability and higher rent growth
  - Strong demand generators (high population densities, near high volume distribution points)
  - Physical and regulatory constraints to new supply

Focus on Functional Assets in Infill Locations

- Broad product opportunity set(1)
  - Warehouse / distribution (88.9%)
  - Flex (including light industrial and R&D) (8.9%)
  - Trans-shipment (2.2%)
- Functional and flexible assets
  - Generally suitable for multiple tenants
  - In proximity to transportation infrastructure
  - Caters to sub-market tenant demands
- Multiple value creation opportunities
  - Emphasis on discount to replacement cost to provide for margin of safety
  - Opportunity for higher and better use over time

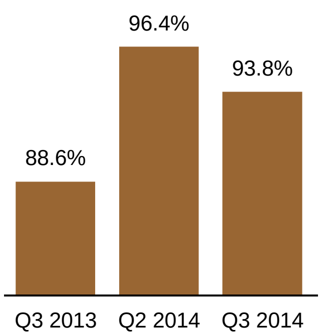
(1) Reflects Terreno portfolio composition based on square footage at September 30, 2014

TERRENO

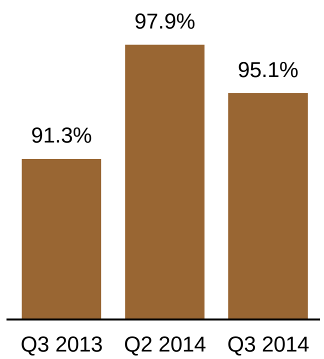
Recent Highlights

Occupancy

Portfolio



Same Store



Acquisitions

- Year-to-date through November 3, 2014, closed approximately $127.7 million of acquisitions comprising approximately 1.2 million square feet
- As of November 3, 2014, $94.4 million of acquisitions were under contract and $83.5 million were under letter of intent (1)

Operating Highlights

- Cash-basis same store NOI growth was 21.1% for Q3 2014 and 16.8% for the nine months ended September 30, 2014
- Cash rent changes on new and renewed leases commenced were +7.3% for the nine months ended September 30, 2014 (2)

(1) There is no assurance that we will acquire the properties under contract or letter of intent because the proposed acquisitions are subject to the completion of satisfactory due diligence and various closing conditions and, in the case of properties under letter of intent, purchase and sale agreements.

(2) Cash rent change is calculated as the difference, weighted by square feet, of the net base rent due the first month of the new customer's term and the net base rent due the last month of the former customer's term. If free rent is given, then the first positive full rent value is used. Rental amounts exclude base stop amounts and holdover rent. The calculation excludes leases of less than 12 months and circumstances where there is no prior lease for comparison.

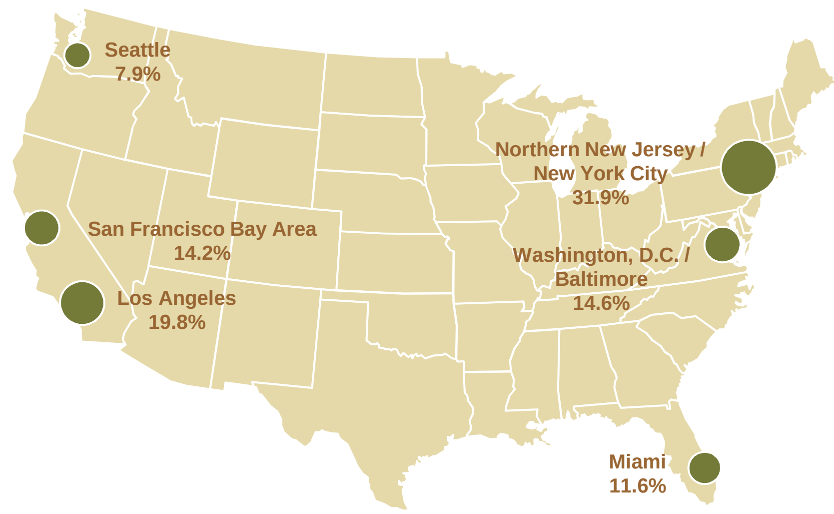
TERRENO

Current Portfolio Overview

Key Metrics(1)

Square Feet	7.7 million
Number of Buildings	109
Total Investments in Properties	$768.0 million
Average Acquisition Size	$11.3 million
Weighted Average Occupancy at Acquisition	79.8%
Occupancy as of September 30, 2014	93.8%

Current Portfolio by Geography (2)



(1) *Properties owned as of September 30, 2014*
(2) *Based on purchase price by market aggregating approximately 7.7 million square feet owned at September 30, 2014*

TERRENO

Selected Recent Acquisitions

Kent 216th

Kent, WA
October 24, 2014

- Purchase Price: $9.2 million
- Estimated Stabilized Cap Rate: 5.6%
- Size: One industrial distribution building, 107,000 square feet on approximately 6.5 acres
- Occupancy: 100% leased to two tenants at acquisition
- Location: Adjacent to East Valley Highway in Kent Valley

900 Hart

Rahway, NJ
October 8, 2014

- Purchase Price: $7.2 million
- Estimated Stabilized Cap Rate: 6.1%
- Size: One industrial distribution building, 84,000 square feet on approximately 4.3 acres with trailer storage
- Occupancy: 52% leased to one tenant at acquisition
- Location: Exit 12 submarket with access to both the New Jersey Turnpike and Route 1

South Main II

Carson, CA
July 18, 2014

- Purchase Price: $8.5 million
- Estimated Stabilized Cap Rate: 6.0%
- Size: One office building, 34,000 square feet on approximately 4.7 acres and immediately adjacent to Terreno's three building South Main I property
- Occupancy: 100% leased to one tenant at acquisition
- Location: Near intersection of I-110 and the Artesia Freeway and equidistant from LAX and the Ports of LA and Long Beach

TERRENO

Selected Examples of Value Creation

- In addition to the acquisition and operation of core properties, Terreno has successfully stabilized 22 of 36 value-added investments to date. Since its IPO, approximately 50% of Terreno's acquisitions have been value-add investments

Strategy	Examples
Repositioning of Vacant Properties	▪ 240 Littlefield: A vacant 85,000 square foot building was acquired and substantially renovated by removing approximately 15,500 square feet of building and adding 11 dock high loading positions and trailer storage creating a 69,500 square foot rear-load distribution facility. In May 2014, Terreno executed a long term lease with a leading national airline catering company upon redevelopment completion. ▪ 78th Avenue: A 75,000 square foot property in Miami's Airport West submarket, which previously had not been leased for over 5 years as it required substantial renovation. Terreno renovated the property including reconfiguring the office and upgrading the overall condition of the exterior, warehouse and truck court. In May 2013, Terreno executed a long term lease with a packaging and printing company.
Vacant and Near Term Lease Expirations	▪ Ethel: The Piscataway, NJ property was purchased 76% occupied and was subsequently fully leased within seven months. ▪ Las Hermanas: Acquired this Compton, CA property in June 2014 via a short-term sale-leaseback with the warehouse tenant expiring in three months. In August 2014, executed a long term lease with a tenant for the entire warehouse.
Value Realized	▪ Rialto: The San Bernardino trans-shipment property was acquired for approximately $12.1 million in September 2010. After the tenant restructured its debt and renegotiated its labor contracts, Terreno realized value by selling the property for approximately $17.0 million in November 2012 and recycled the capital into new acquisitions. ▪ Maltese: Terreno acquired a Totowa, NJ distribution building in September 2010 for approximately $16.5 million. Terreno realized value by selling the property to the tenant for approximately $19.0 million and recycled the capital into new acquisitions.

TERRENO

Value Creation – Las Hermanas

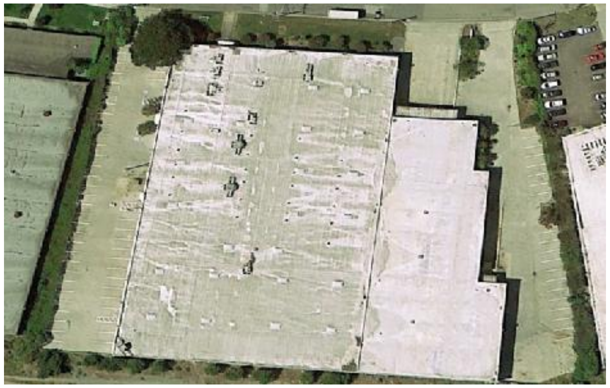
- **Location:** Compton, CA
- **Size:** One building, 24,000 SF on approximately 2.5 acres with trailer storage
- **Acquisition Price:** $4.0 million, $169.4 Psf
- **Occupancy:** 100% occupied at acquisition with short-term tenants; 100% long-term leased within three months
- **Product Type:** Front-load Warehouse and separately leased drop lot

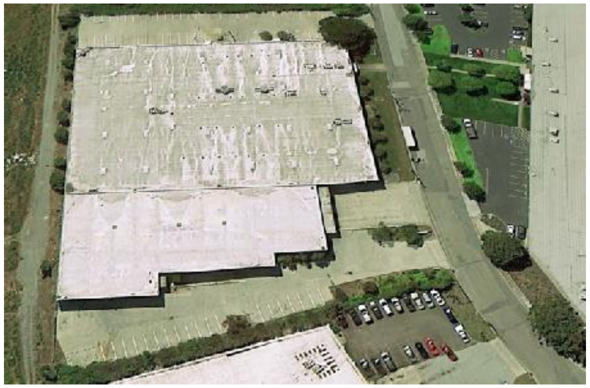
Value Creation – Warehouse with trailer storage located in Compton, California, acquired with 24,000 square feet of near-term lease roll. Vacancy leased within 3 months

TERRENO

Value Creation – 240 Littlefield

BEFORE





AFTER

- **Location:** South San Francisco, CA
- **Size:** One building, 69,500 SF
- **Acquisition Price:** $8.4 million, $114 Psf
- **Occupancy:** Vacant at acquisition; lease executed during approximate $2.6 million redevelopment
- **Redevelopment:** Removed 15,500 square feet and added 11 dock-loading position and trailer storage

Value Creation – Redeveloped building acquired vacant. Executed a 15-year lease for 100% of the building, immediately after redevelopment completion.

TERRENO

Market Leading Corporate Structure

Management Alignment

- Executive Team’s long-term incentive compensation fully aligned with stockholders; tied solely to three-year total stockholder return exceeding the MSCI U.S. REIT Index and FTSE NAREIT Equity Industrial Index
  - No annual cash bonus plan for CEO and President with their long-term incentive compensation paid solely in stock
- No stock options, SARs, dividend equivalent units or UPREIT units
- Significant senior management and board investment in common shares (approximately 4% of outstanding shares)

Corporate Governance

- Majority independent directors with diverse expertise serving annual terms
- Adopted a majority voting standard in non-contested director elections
- Opted out of two Maryland anti-takeover provisions (no opt in without stockholder approval)
- Ownership limits designed to protect REIT status and not for the purpose of serving as an anti-takeover device
- No stockholder rights plan intended unless approved in advance by stockholders or if adopted, subject to termination if not ratified by stockholders within 12 months

TERRENO

Key Takeaways

- Focused strategy
  - Six major coastal US markets exclusively
  - Flexible and functional assets in infill locations
- Increasing acquisition opportunities across our target markets at discounts to replacement cost
  - Ability to convert value-add investments into stabilized assets and realize value
- Strong balance sheet
- Aligned management team and market leading corporate governance
  - CEO and President incentive compensation based solely on total shareholder return outperformance and CFO and other senior officers' long-term incentive compensation based on total shareholder return performance
  - Executive management invested approximately $11 million in common shares through the company's public offerings and open market purchases

Appendix

TERRENO

Appendix: Statements Of Operations

CONSOLIDATED STATEMENTS OF OPERATIONS	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
REVENUES				
Rental revenues	$ 14,013	$ 9,191	$ 39,268	$ 25,445
Tenant expense reimbursements	3,701	2,325	10,860	6,915
Total revenues	17,714	11,516	50,128	32,360
COSTS AND EXPENSES				
Property operating expenses	4,773	3,289	13,989	9,141
Depreciation and amortization	4,918	3,264	14,047	8,796
General and administrative (1)	2,836	1,787	7,654	6,170
Acquisition costs	279	791	1,772	1,861
Total costs and expenses	12,806	9,131	37,462	25,968
OTHER INCOME (EXPENSE)				
Interest and other income	3	97	-	106
Interest expense, including amortization	(1,473)	(1,549)	(4,722)	(4,610)
Total other income and expenses	(1,470)	(1,452)	(4,722)	(4,504)
Income from continuing operations	3,438	933	7,944	1,888
Discontinued operations				
Income from discontinued operations	-	392	-	1,052
Net income	3,438	1,325	7,944	2,940
Preferred stock dividends	(891)	(891)	(2,674)	(2,674)
Net and comprehensive income, net of preferred stock dividends	2,547	434	5,270	266
Allocation to participating securities	(12)	(2)	(25)	-
Net and comprehensive income available to common stockholders, net of preferred stock dividends	$ 2,535	$ 432	$ 5,245	$ 266
EARNINGS PER COMMON SHARE - BASIC AND DILUTED:				
Income (loss) from continuing operations available to common stockholders, net of preferred stock dividends	$ 0.08	$ -	$ 0.18	$ (0.04)
Income from discontinued operations	-	0.02	-	0.05
Net income available to common stockholders, net of preferred stock dividends	$ 0.08	$ 0.02	$ 0.18	$ 0.01
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	32,937,432	24,208,008	28,765,403	19,723,266

(1) Includes non-cash compensation associated with the Company's Performance Share Awards. The Company estimates the fair value of the Performance Share Awards using a Monte Carlo simulation model on the date of grant and at each reporting period. The Performance share Awards are recognized as compensation expense over the requisite performance period based on the fair value of the Performance Share Awards at the balance sheet date. Compensation expense related to the Performance Share awards was as follows:

	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
Performance share award expense	$ 677	$ 65	$ 1,207	$ 643

TERRENO

Appendix: Supplemental Components of NAV

COMPONENTS OF NET OPERATING INCOME	For the Three Months Ended September 30,	
Total revenues	$	17,714
Less straight-line rents		(903)
Less amortization of lease intangibles		(293)
Less property operating expenses		(4,773)
Net operating income	$	11,745
CONTRACTUAL RENT ABATEMENTS (1)	$	536
ADJUSTMENTS TO STABILIZE PORTFOLIO		
BALANCE SHEET ITEMS		
Other assets and liabilities		
Cash and cash equivalents	$	21,115
Restricted cash		2,975
130 Interstate expansion land		12,201
Other assets, net		13,158
Less straight-line rents		(8,486)
Security deposits		(4,709)
Dividends payable		(4,633)
Accounts payable and other liabilities		(13,025)
Total other assets and liabilities	$	18,596
DEBT AND PREFERRED STOCK		
Credit facility	$	(15,000)
Term loans payable		(58,000)
Mortgage loans payable		(99,336)
Total debt	$	(172,336)
Preferred stock	$	(46,000)
Total debt and preferred stock	$	(218,336)
Total shares outstanding		33,094,789

Q3 2014 Acquisitions

Property Name	Date	Purchase Price (in thousands)		Estimated Stabilized Cap Rate	Leased % at Acquisition
South Main II	July 18, 2014	$	8,500	6.0%	100%
79th Ave South	July 25, 2014		2,770	6.6%	52%
Auburn 1307	August 22, 2014		9,530	5.6%	78%
Total/Weighted Average		$	20,800	5.9%	84%

SUMMARY MARKET INFORMATION

Market	Rentable Square Feet	Occupancy Percentage as of September 30, 2014	Annualized Base Rent (000's)		Annualized Base Rent Per Occupied Square Foot	
Los Angeles (2)	1,303,071	87.3%	$	7,859	$	6.91
Northern New Jersey/New York City	2,250,363	92.1%		16,669		8.04
San Francisco Bay Area	873,762	98.0%		8,289		9.68
Seattle	684,834	92.5%		3,880		6.13
Miami	1,248,243	98.3%		8,212		6.69
Washington, D.C./Baltimore	1,315,466	96.8%		8,683		6.82
Total/Weighted Average	7,675,739	93.8%	$	53,592	$	7.44

(1) *Represents contractual free rent given to tenants*

(2) *Includes the South Main property that is subject to a ground lease until June 30, 2015 that was acquired for a purchase price of $12.8 million. The ground lease payment provides an actual cap rate of approximately 0.3%. After expiration of the ground lease and releasing any vacancy, the estimated stabilized cap rate is 8.4%*

TERRENO

Appendix: Net Income, FFO and Adjusted FFO

NET INCOME, FFO AND ADJUSTED FFO	For the Three Months Ended September 30, 2014	2013	For the Nine Months Ended September 30, 2014	2013
Total revenues	$ 17,714	$ 11,516	$ 50,128	$ 32,360
Property operating expenses	(4,773)	(3,289)	(13,989)	(9,141)
Depreciation and amortization	(4,918)	(3,264)	(14,047)	(8,796)
General and administrative	(2,836)	(1,787)	(7,654)	(6,170)
Acquisition costs	(279)	(791)	(1,772)	(1,861)
Interest and other income (expense)	3	97	-	106
Interest expense, including amortization	(1,473)	(1,549)	(4,722)	(4,610)
Income from continuing operations	3,438	933	7,944	1,888
Income from discontinued operations	-	392	-	1,052
Net income	**3,438**	**1,325**	**7,944**	**2,940**
Preferred stock dividends	(891)	(891)	(2,674)	(2,674)
Net and comprehensive income, net of preferred stock dividends	**$ 2,547**	**$ 434**	**$ 5,270**	**$ 266**
Allocation to participating securities	(12)	(2)	(25)	-
Net and comprehensive income available to common stockholders, net of preferred stock dividends	**$ 2,535**	**$ 432**	**$ 5,245**	**$ 266**
Net income available to common stockholders per common share, net of preferred stock dividends	**$ 0.08**	**$ 0.02**	**$ 0.18**	**$ 0.01**
Adjustments to arrive at Funds from Operations:				
Depreciation and amortization related to real estate	4,892	3,241	13,974	8,820
Allocation to participating securities	(35)	(23)	(101)	(68)
Funds from operations (1)	**$ 7,404**	**$ 3,652**	**$ 19,143**	**$ 9,018**
Funds from operations per common share (basic and diluted)	**$ 0.22**	**$ 0.15**	**$ 0.67**	**$ 0.46**
Adjustments to arrive at Adjusted Funds From Operations:				
Acquisition costs	279	791	1,772	1,861
Stock-based compensation	955	295	2,307	1,614
Straight-line rents	(903)	(977)	(2,071)	(2,422)
Amortization of lease intangibles	(293)	(202)	(782)	(675)
Total capital expenditures	(7,388)	(2,006)	(15,372)	(6,941)
Capital expenditures related to stabilization (2)	6,447	1,133	12,065	3,239
Adjusted funds from operations	**$ 6,501**	**$ 2,686**	**$ 17,062**	**$ 5,694**
Common stock dividends paid	**$ 4,633**	**$ 2,501**	**$ 11,136**	**$ 6,420**
Weighted average basic and diluted common shares	**32,937,432**	**24,208,008**	**28,765,403**	**19,723,266**

(1) Includes expensed acquisition costs of $0.3 million and $0.8 million for the three months ended September 30, 2014 and 2013, respectively, and $1.8 million and $1.9 million for the nine months ended September 30, 2014 and 2013, respectively

(2) Capital expenditures related to stabilization includes costs incurred related to leasing acquired vacancy and renovation projects

TERRENO

Appendix: Same Store Results

SAME STORE GROWTH (1)	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013	$ Change	% Change	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013	$ Change	% Change
Net income	$ 3,438	$ 1,325	$ 2,113	159.5%	$ 7,944	$ 2,940	$ 5,004	170.2%
Depreciation and amortization from continuing operations	4,918	3,264	1,654	50.7%	14,047	8,796	5,251	59.7%
Income from discontinued operations	-	(392)	392	n/a	-	(1,052)	1,052	n/a
General and administrative	2,836	1,787	1,049	58.7%	7,654	6,170	1,484	24.1%
Acquisition costs	279	791	(512)	(64.7)%	1,772	1,861	(89)	(4.8)%
Total other income and expenses	1,470	1,452	18	1.2%	4,722	4,504	218	4.8%
Net operating income	12,941	8,227	4,714	57.3%	36,139	23,219	12,920	55.6%
Less non same store NOI	(5,093)	(1,134)	(3,959)	349.1%	(12,715)	(1,678)	(11,037)	657.7%
Same store NOI	$ 7,848	$ 7,093	$ 755	10.6%	$ 23,424	$ 21,541	$ 1,883	8.7%
Less straight-line rents and amortization of lease intangibles	(536)	(1,055)	519	(49.2)%	(1,621)	(2,882)	1,261	(43.8)%
Cash-basis same store NOI	$ 7,312	$ 6,038	$ 1,274	21.1%	$ 21,803	$ 18,659	$ 3,144	16.8%

HISTORICAL SAME STORE RESULTS (1) (2)	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Same store square feet	2,357,051	2,357,051	2,235,500	2,235,500	3,301,622	3,093,110	3,091,245	3,091,365	4,873,919	4,877,290	4,877,290
Occupancy %	92.0%	92.7%	92.8%	93.0%	95.3%	93.9%	90.2%	96.8%	95.9%	97.9%	95.1%
Cash-basis same store NOI growth %	11.9%	18.8%	43.1%	7.4%	19.2%	23.3%	7.5%	20.6%	11.0%	17.8%	21.1%
Average cash-basis same store growth since Q1 2012		18.3%									

(1) Same Store NOI is computed as rental revenues, including tenant expense reimbursements, less property operating expenses on a same store basis. The same store pool includes all properties that were owned as of September 30, 2014 and since January 2013 and excludes properties that were either disposed of or held for sale to a third party

(2) Historical Same Store Results include cash-basis same store NOI growth %'s as reported in the Company's Form 10-Q and 10K's. Previously reported cash-basis same store NOI growth has not been adjusted for properties that were subsequently disposed or are held for sale to a third property

TERRENO