

Terreno Realty Corporation

Q2 2017 Update

August 2, 2017



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, 2016, 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 greenfield 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
 - Shrinking supply in certain submarkets

Focus on Functional Assets in Infill Locations

- Broad product opportunity set⁽¹⁾⁽²⁾
 - Warehouse / distribution (93.0%)
 - Flex (including light industrial and R&D) (5.5%)
 - Transshipment (1.5%)
- Functional and flexible assets
 - Generally suitable for multiple tenants
 - In proximity to transportation infrastructure
 - Caters to sub-market tenant demands including last mile distribution
- Multiple value creation opportunities
 - Emphasis on discount to replacement cost provides margin of safety
 - Opportunity for higher and better use over time

(1) Reflects Terreno portfolio composition based on square footage at June 30, 2017.

(2) Terreno also owns seven improved land parcels totaling approximately 40.5 acres that are 56.8% leased to six tenants. Such land is used for truck, trailer and container storage and/or car parking and may be redeveloped to higher and better use.

Recent Highlights

Financial Highlights

- Net Income available to common stockholders of \$0.29 per diluted share for the quarter ended June 30, 2017 compared to \$0.04 for the same period in 2016 and \$0.10 for the quarter ended March 31, 2017.
- Funds From Operations (FFO)⁽¹⁾ of \$0.27 per diluted share for the quarter ended June 30, 2017 compared to \$0.22 for the same period in 2016 and \$0.29 for the quarter ended March 31, 2017. FFO for the quarter ended June 30, 2017 decreased as compared to the quarter ended March 31, 2017 primarily due to an increase in performance share award⁽²⁾ expense and stock compensation expense of approximately \$1.8 million and offset by an increase in net operating income (NOI)⁽¹⁾ of approximately \$1.4 million related to rental rate increases and recent acquisitions.
- Increased dividend by 10% over the prior dividend level to \$0.22 per quarter.

Operating Highlights

- Cash-basis Same Store NOI⁽¹⁾ for the three months ended June 30, 2017 increased 20.2% as compared to the same period in 2016 due primarily to 580 bps of increased same store occupancy.
- Cash rents on new and renewed leases commencing during the three and six months ended June 30, 2017 increased approximately 9.4% and 12.0%, respectively on 0.6 million and 1.0 million square feet, respectively.
- Total portfolio was 96.9% leased as of June 30, 2017 as compared to 97.4% at March 31, 2017 and 92.7% at June 30, 2016.
- The same store portfolio of approximately 10.3 million square feet, representing approximately 80.8% of our total square feet owned, was 98.0% leased at June 30, 2017 as compared to 98.9% at March 31, 2017 and 92.2% at June 30, 2016.

(1) This is a non-GAAP financial measure, please see our Reporting Definitions for further explanation.

(2) 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, which may vary substantially from period to period based upon our relative share price performance. 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. Performance share award expense was approximately \$2.5 million and \$1.1 million for the three months ended June 30, 2017 and 2016, respectively.

Recent Highlights

Investment Highlights

| | |
|---|-----------------|
| Q2 2017 Acquisitions | \$121.2 million |
| YTD 2017 Acquisitions ⁽¹⁾ | \$164.3 million |
| Acquisitions Under Contract ⁽²⁾ | \$69.4 million |
| Acquisitions Under LOI ⁽²⁾ | \$7.1 million |

- As of August 2, 2017, three properties are under contract to sell ⁽²⁾ for an aggregate sale price of approximately \$52.0 million (net book value of approximately \$29.3 million)

Capital Markets Activities

- Issued 2,788,986 shares of common stock under the ATM program during the second quarter with a weighted average offering price of \$32.05 per share, receiving gross proceeds of approximately \$89.4 million. Year-to-date, issued 4,836,086 shares of common stock with a weighted average price of \$30.06 for gross proceeds of \$145.4 million.
- Redeemed all 1,840,000 outstanding shares of its 7.75% Series A Cumulative Redeemable Preferred Stock⁽³⁾ on July 19, 2017 at a redemption price of \$25.00 per share.
- Issued \$100.0 million of senior unsecured notes with a seven-year term that bear interest at a fixed annual interest rate of 3.75%.

(1) Through August 2, 2017

(2) As of August 2, 2017. There is no assurance that we will acquire or dispose of the properties under contract or letter of intent because the proposed acquisitions and dispositions are subject to the completion of satisfactory due diligence and various closing conditions and, in the case of the property under letter of intent, purchase and sale agreement.

5 (3) The Company will recognize a charge of approximately \$1.8 million during the three months ended September 30, 2017 representing the write-off of original issuance costs related to the redemption of the Series A Cumulative Redeemable Preferred Stock.

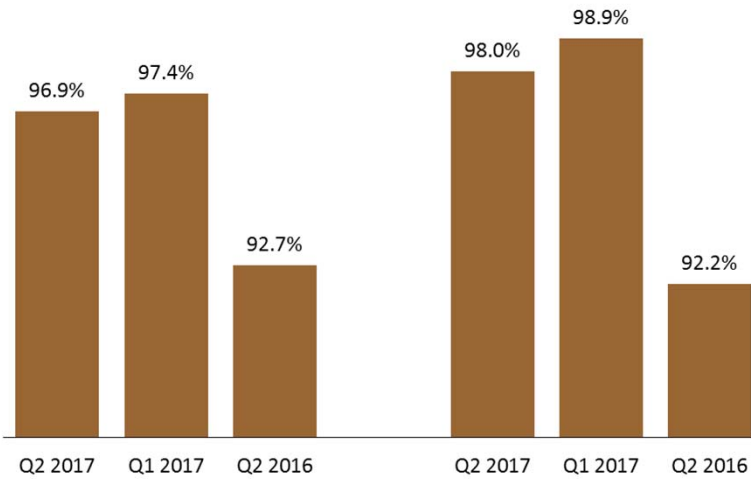


Current Portfolio Overview

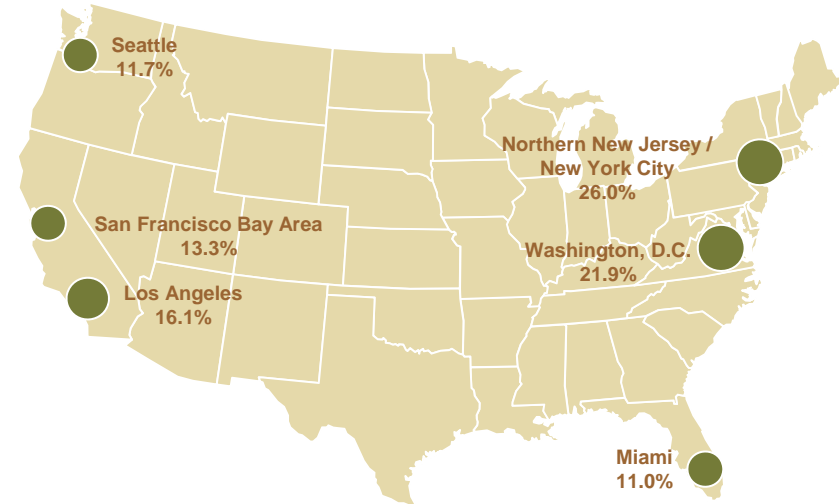
Occupancy

Portfolio

Same Store



Six Major Coastal U.S. Markets⁽¹⁾



Key Metrics⁽²⁾

| | | | |
|--------------------------------|---|--|----------------|
| Square Feet | 12.7 Million | Average Acquisition Size | \$12.4 million |
| Number of Buildings | 178 | Weighted Average Occupancy at Acquisition | 82.2% |
| 7 Improved Land Parcels | 40.5 acres; 56.8% leased ⁽³⁾ | | |

(1) Based on purchase price by market aggregating approximately 12.7 million square feet owned and seven improved land parcels consisting of 40.5 acres at June 30, 2017.

6 (2) Properties owned as of June 30, 2017.

(3) As of June 30, 2017.

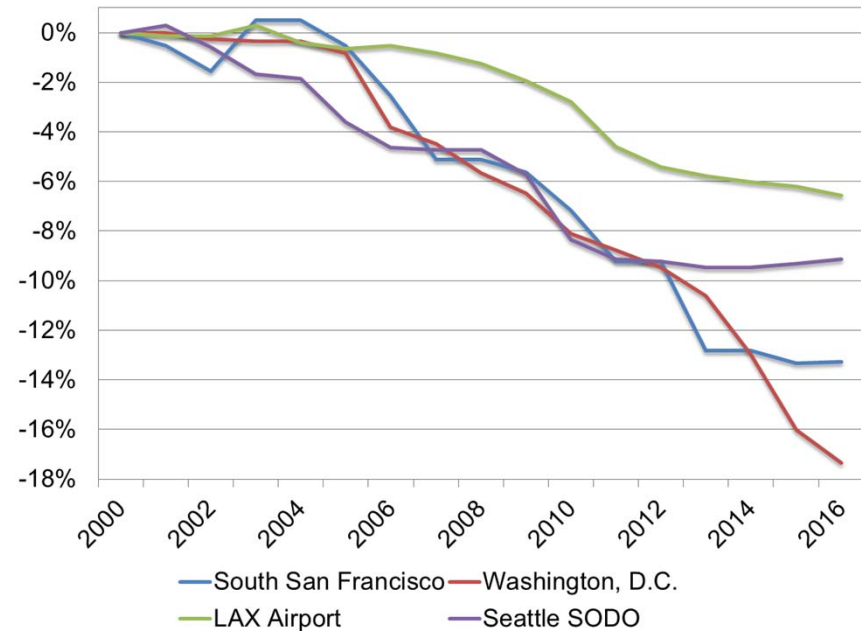


Terreno's Submarket Focus

Highly Focused Submarket Strategy

- 22% of portfolio located in **shrinking supply** submarkets ⁽¹⁾
 - Characterized by shrinking industrial supply. Offers opportunities to convert existing buildings into higher and better use over time. Super infill.
- 53% of portfolio in **no net new supply** submarkets ⁽¹⁾
 - Characterized by older existing industrial product. Offers opportunities to redevelop existing buildings into new, modern industrial buildings. Infill.
- 25% of portfolio in **new supply** submarkets ⁽¹⁾
 - Characterized by industrial buildings that will remain in their current state for the foreseeable future with previously undeveloped land available for industrial development. Greenfield.

Percentage Decrease in Industrial Supply Since 2000 ⁽²⁾ In Select Submarkets



| Submarket | SF Decrease (Millions of SF) | Total SF Decrease Since 2000 | Annual SF Decrease |
|---------------------|------------------------------|------------------------------|--------------------|
| Washington, D.C. | 1.9 | 17.3% | 1.1% |
| South San Francisco | 2.6 | 13.3% | 0.8% |
| Seattle SODO | 2.1 | 9.1% | 0.6% |
| LAX Airport | 1.5 | 6.6% | 0.4% |

(1) Reflects Terreno portfolio composition based on geography and purchase price.
 (2) Data provided by Costar

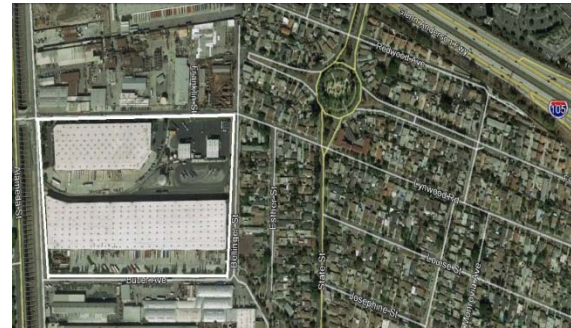


Selected Recent Acquisitions

Lynwood

Lynwood, CA
April 20, 2017

- Purchase Price: \$31.4 million
- Estimated Stabilized Cap Rate: 3.9%
- Size: Two industrial distribution buildings and one rail transshipment facility totaling approximately 477,000 square feet on 23 acres of improved land (\$31.4 per land SF)
- Occupancy: 100% ground leased on a long-term basis to two tenants
- Location: Adjacent to Interstate 105 and between Interstates 110 and 710 in the South Bay submarket of LA



Hanford

Seattle, WA
April 21, 2017

- Purchase Price: \$5.9 million
- Estimated Stabilized Cap Rate: 5.0%
- Size: One industrial distribution building containing approximately 35,000 square feet on approximately 1.1 acres
- Occupancy: 72% leased to two tenants at acquisition
- Location: Within the SoDo district and two miles from downtown Seattle



Frelinghuysen

Newark, NJ
June 29, 2017

- Purchase Price: \$16.3 million
- Estimated Stabilized Cap Rate: 5.3%
- Size: 10.6-acre improved land parcel
- Occupancy: Vacant at acquisition
- Location: Adjacent to U.S. Routes 1 and 9, I-78 and Newark Liberty International Airport



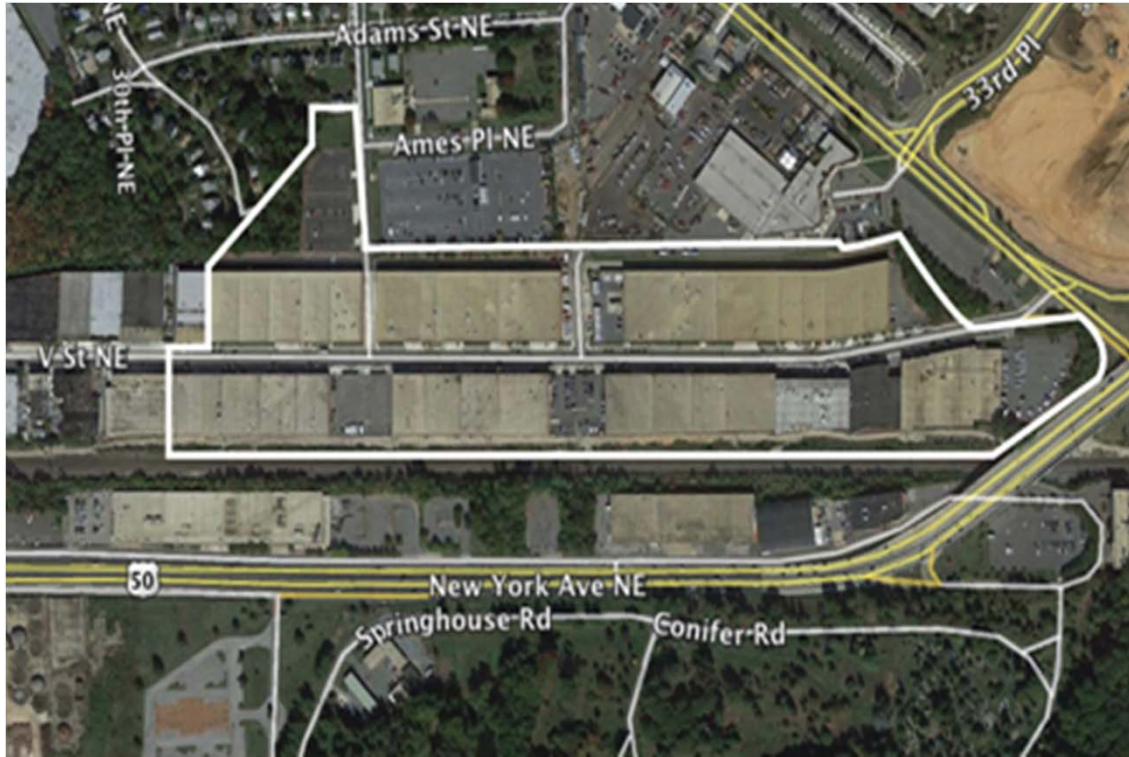
Selected Examples of Value Creation

- In addition to the acquisition and operation of core properties, Terreno also focuses on value-add projects. Since its IPO, approximately half of Terreno's acquisitions have been value-add investments. Terreno has successfully stabilized 53 value-add investments to date.

| Strategy | Examples |
|---|---|
| Repositioning/ Redeveloping of Vacant Properties | <ul style="list-style-type: none"> South Main: The property consisted at acquisition of three industrial buildings acquired in 2012 containing approximately 186,000 square feet and one office building acquired in 2014 containing approximately 34,000 square feet on approximately 14.3 total acres. The three industrial buildings were demolished in July 2015 and replaced by a single new front-load industrial distribution building containing approximately 210,000 square feet in September 2016. The office building was renovated. The redevelopment cost was approximately \$17.8 million. The estimated stabilized return on cost of the redeveloped property is 6.2% with a total investment of approximately \$39.3 million. |
| Vacant and Near Term Lease Expirations | <ul style="list-style-type: none"> V Street: The District of Columbia property was purchased 87% leased with approximately 31% of square footage expiring near-term. Executed 380,000 square feet of leases since acquisition with a weighted average new lease term of eight years and an average cash rent increase of 64%; 97.1% leased as of June 30, 2017. Kent 202: This approximately 158,000 square foot industrial property in Kent, WA was acquired in December 2015 and was 100% leased on a short-term basis. Renovated property and executed a 158,000 square foot lease with Amazon.com in September 2016. |
| Value Realized | <ul style="list-style-type: none"> Whittier: Terreno acquired a 100% leased industrial building in June 2012 for approximately \$16.1. In 2014 the building became vacant and Terreno relocated an existing Terreno tenant to 100% of the building. Terreno sold the property in April 2017 for approximately \$25.3 million and recognized an unleveraged internal rate of return of 14.5%. The capital was recycled into a new acquisition. |



Value Creation – Near Term Lease Expirations



- **Property:** V Street
- **Location:** Washington, D.C., one block from New York Avenue/Route 50
- **Size:** Six buildings, 820,000 SF on 28.2 acres
- **Acquisition Price:** \$115.5 million, \$140.9 PSF in January 2015
- **Estimated Stabilized Cap Rate at Acquisition:** 5.8%
- **Occupancy at acquisition:** 87% leased at acquisition with 31% of square footage expiring near-term
- **Leasing:** Renewed three tenants for 257,000 square feet and executed eight new leases for 123,000 square feet

Value Creation – Executed 380,000 square feet of leases with a weighted average new lease term of eight years, an average cash rent increase of 64% and increasing occupancy to 100%



Value Creation – Redevelopment

BEFORE



AFTER



- **Property:** South Main
- **Location:** Carson, CA
- **Acquisition size and price:** Three industrial buildings totaling 186,000 SF and one 34,000 SF office building on 14.3 acres acquired for \$21.3 million (\$34.53 per SF of land)
- **Occupancy:** Industrial buildings were purchased at a 0.3% in-place cap rate and subject to a ground lease until June 30, 2015 and the adjacent 34,000 square foot office building was 100% occupied on a short term basis.
- **Redevelopment:** Demolished the existing industrial buildings in July 2015 and constructed a front-load industrial distribution building containing approximately 210,000 square feet. Renovated the existing office building. The redevelopment was completed in September 2016 and the incremental development cost was approximately \$17.8 million for a total investment of \$39.3 million. The property was 100% leased upon completion.

Value Creation – Total investment of \$39.3 million generating an estimated stabilized return on cost of 6.2%



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 3% of outstanding shares valued at \$48 million)

Corporate Governance

- Majority independent directors with diverse expertise serving annual terms; no classification of Board without shareholder approval ("MUTA opt-out")
- 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 unless approved in advance by stockholders or if adopted, subject to termination if not ratified by stockholders within 12 months

Key Takeaways

- Focused strategy
 - Six major coastal US markets exclusively
 - Flexible and functional assets in infill locations
- Acquisition opportunities across our target markets at discounts to replacement cost
 - Ability to convert value-add investments into stabilized assets and realize value
 - Higher and better use opportunities over time
- Strong balance sheet including an investment grade credit rating
- Demonstrated value creation with eight assets sold for \$108 million earning a 14.5% unleveraged IRR
- Aligned management team and market leading corporate governance
 - CEO and President incentive compensation based solely on total shareholder return outperformance and EVPs' 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

Appendix: Statements Of Operations

CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|-------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| REVENUES | | | | |
| Rental revenues | \$ 25,710 | \$ 20,515 | \$ 50,177 | \$ 40,513 |
| Tenant expense reimbursements | 7,068 | 5,302 | 14,042 | 10,961 |
| Total revenues | <u>32,778</u> | <u>25,817</u> | <u>64,219</u> | <u>51,474</u> |
| COSTS AND EXPENSES | | | | |
| Property operating expenses | 8,452 | 7,102 | 16,999 | 14,856 |
| Depreciation and amortization | 9,076 | 8,080 | 18,260 | 16,342 |
| General and administrative ⁽¹⁾ | 6,030 | 4,298 | 10,209 | 7,738 |
| Acquisition costs | 10 | 484 | 11 | 1,443 |
| Total costs and expenses | <u>23,568</u> | <u>19,964</u> | <u>45,479</u> | <u>40,379</u> |
| OTHER INCOME (EXPENSE) | | | | |
| Interest and other income | 23 | 6 | 58 | 19 |
| Interest expense, including amortization | (3,806) | (3,076) | (7,572) | (6,146) |
| Gain on sales of real estate investments | 10,100 | - | 10,100 | 5,248 |
| Total other income and expenses | <u>6,317</u> | <u>(3,070)</u> | <u>2,586</u> | <u>(879)</u> |
| Net income | 15,527 | 2,783 | 21,326 | 10,216 |
| Preferred stock dividends | (891) | (891) | (1,783) | (1,783) |
| Net income, net of preferred stock dividends | 14,636 | 1,892 | 19,543 | 8,433 |
| Allocation to participating securities | (107) | (15) | (141) | (72) |
| Net income available to common stockholders, net of preferred stock dividends | <u>\$ 14,529</u> | <u>\$ 1,877</u> | <u>\$ 19,402</u> | <u>\$ 8,361</u> |
| EARNINGS PER COMMON SHARE - BASIC AND DILUTED: | | | | |
| Net income available to common stockholders, net of preferred stock dividends | <u>\$ 0.29</u> | <u>\$ 0.04</u> | <u>\$ 0.40</u> | <u>\$ 0.19</u> |
| BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | | | |
| | <u>50,325,668</u> | <u>43,839,910</u> | <u>48,992,899</u> | <u>43,417,508</u> |

(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, which may vary substantially from period to period based upon our relative share price performance. 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 June 30, | | For the Six Months Ended June 30, | |
|---------------------------------|-------------------------------------|----------|-----------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Performance share award expense | \$ 2,512 | \$ 1,088 | \$ 3,633 | \$ 1,716 |



Appendix: Net Income, FFO and Adjusted FFO

| NET INCOME, FFO AND ADJUSTED FFO ⁽¹⁾ | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|-------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Total revenues | \$ 32,778 | \$ 25,817 | \$ 64,219 | \$ 51,474 |
| Property operating expenses | (8,452) | (7,102) | (16,999) | (14,856) |
| Depreciation and amortization | (9,076) | (8,080) | (18,260) | (16,342) |
| General and administrative ⁽²⁾ | (6,030) | (4,298) | (10,209) | (7,738) |
| Acquisition costs | (10) | (484) | (11) | (1,443) |
| Interest and other income | 23 | 6 | 58 | 19 |
| Interest expense, including amortization | (3,806) | (3,076) | (7,572) | (6,146) |
| Gain on sales of real estate investments | 10,100 | - | 10,100 | 5,248 |
| Net income | 15,527 | 2,783 | 21,326 | 10,216 |
| Preferred stock dividends | (891) | (891) | (1,783) | (1,783) |
| Net income, net of preferred stock dividends | \$ 14,636 | \$ 1,892 | \$ 19,543 | \$ 8,433 |
| Allocation to participating securities | (107) | (15) | (141) | (72) |
| Net income available to common stockholders, net of preferred stock dividends | \$ 14,529 | \$ 1,877 | \$ 19,402 | \$ 8,361 |
| Net income available to common stockholders per common share, net of preferred stock dividends | \$ 0.29 | \$ 0.04 | \$ 0.40 | \$ 0.19 |
| Adjustments to arrive at Funds from Operations: | | | | |
| Gain on sales of real estate investments | (10,100) | - | (10,100) | (5,248) |
| Depreciation and amortization related to real estate | 9,049 | 8,059 | 18,212 | 16,299 |
| Allocation to participating securities | (98) | (88) | (207) | (173) |
| Funds from operations ⁽³⁾ | \$ 13,487 | \$ 9,863 | \$ 27,448 | \$ 19,311 |
| Funds from operations per common share (basic and diluted) | \$ 0.27 | \$ 0.22 | \$ 0.56 | \$ 0.44 |
| Adjustments to arrive at Adjusted Funds From Operations: | | | | |
| Acquisition costs | 10 | 484 | 11 | 1,443 |
| Stock-based compensation | 3,325 | 2,933 | 4,850 | 2,933 |
| Straight-line rents | (966) | (1,089) | (2,009) | (2,535) |
| Amortization of lease intangibles | (478) | (330) | (814) | (674) |
| Total capital expenditures | (6,628) | (15,836) | (12,614) | (21,331) |
| Capital expenditures related to stabilization ⁽⁴⁾ | 3,350 | 12,908 | 6,511 | 16,595 |
| Adjusted funds from operations | \$ 12,100 | \$ 8,933 | \$ 23,383 | \$ 15,742 |
| Common stock dividends paid | \$ 9,905 | \$ 7,813 | \$ 19,388 | \$ 15,609 |
| Weighted average basic and diluted common shares | 50,325,668 | 43,839,910 | 48,992,899 | 43,417,508 |

(1) See Reporting Definitions for further explanation.

(2) 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, which may vary substantially from period to period based upon our relative share price performance. 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 June 30, | | For the Six Months Ended June 30, | |
|---------------------------------|-------------------------------------|----------|-----------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Performance share award expense | \$ 2,512 | \$ 1,088 | \$ 3,633 | \$ 1,716 |

(3) Includes expensed acquisition costs of approximately \$10,000 and \$0.5 million for the three months ended June 30, 2017 and 2016, respectively and \$11,000 and \$1.4 million for the six months ended June 30, 2017 and 2016, respectively.

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



Appendix: Supplemental Components of NAV

| | <i>For the Three Months Ended June 30, 2017</i> | |
|---|---|------------|
| COMPONENTS OF NET OPERATING INCOME⁽¹⁾ | | |
| Total revenues | \$ | 32,778 |
| Less straight-line rents | | (966) |
| Less amortization of lease intangibles | | (478) |
| Less property operating expenses | | (8,452) |
| Net operating income | \$ | 22,882 |
| CONTRACTUAL RENT ABATEMENTS⁽²⁾ | \$ | 686 |
| ADJUSTMENTS TO STABILIZE PORTFOLIO | | |
| BALANCE SHEET ITEMS | | |
| Other assets and liabilities | | |
| Cash and cash equivalents | \$ | 4,481 |
| Restricted cash | | 4,568 |
| Other assets, net | | 32,910 |
| Less straight-line rents | | (19,056) |
| Security deposits | | (9,923) |
| Dividends payable | | (10,473) |
| Performance share awards payable | | (8,742) |
| Accounts payable and other liabilities | | (20,701) |
| Total other assets and liabilities | \$ | (36,859) |
| DEBT AND PREFERRED STOCK | | |
| Credit facility | \$ | (21,000) |
| Term loans payable | | (150,000) |
| Senior unsecured notes | | (150,000) |
| Mortgage loans payable | | (65,989) |
| Total debt | \$ | (386,989) |
| Preferred stock | | (46,000) |
| Total debt and preferred stock | \$ | (432,989) |
| Total shares outstanding | | 52,362,553 |

(1) See Reporting Definitions for further explanation.

(2) Represents contractual free rent given to tenants.

Q2 2017 Acquisitions

| Property Name | Date | Purchase Price (in thousands) | Estimated Stabilized Cap Rate | Leased % at Acquisition |
|------------------------|----------------|----------------------------------|-------------------------------|-------------------------|
| Lynwood | April 20, 2017 | \$ 31,378 | 3.9% | 100% |
| West Side Ave | April 20, 2017 | 14,000 | 5.3% | 100% |
| Hanford | April 21, 2017 | 5,940 | 5.0% | 72% |
| 2920 V Street | May 10, 2017 | 3,727 | 5.0% | 0% |
| Avenue A | May 10, 2017 | 12,000 | 5.7% | 100% |
| South Main III | June 2, 2017 | 24,700 | 3.7% | 100% |
| Frelinghuysen | June 29, 2017 | 16,250 | 5.3% | 0% |
| Stockton | June 30, 2017 | 13,200 | 5.4% | 0% |
| Total/Weighted Average | | \$ 121,195 | 4.6% | 71% |

SUMMARY MARKET INFORMATION (Investments in Real Estate)

| Market | Rentable Square Feet | Occupancy Percentage as of June 30, 2017 | Annualized Base Rent (000's) | Annualized Base Rent Per Occupied Square Foot |
|-----------------------------------|----------------------|--|------------------------------|---|
| Los Angeles | 2,090,141 | 100.0% | \$ 14,765 | \$ 7.06 |
| Northern New Jersey/New York City | 3,051,191 | 98.3% | 24,555 | 8.18 |
| San Francisco Bay Area | 1,327,777 | 94.3% | 13,566 | 10.83 |
| Seattle | 1,608,675 | 96.6% | 11,081 | 7.13 |
| Miami | 1,877,237 | 98.1% | 13,654 | 7.42 |
| Washington, D.C. | 2,780,516 | 93.8% | 21,439 | 8.22 |
| Total/Weighted Average | 12,735,537 | 96.9% | \$ 99,060 | \$ 8.02 |

SUMMARY MARKET INFORMATION (Improved Land)

| Market | Number of Parcels | Acreage | Occupancy Percentage as of June 30, 2017 | Annualized Base Rent (000's) |
|-----------------------------------|-------------------|---------|--|------------------------------|
| Los Angeles | 2 | 2.6 | 100.0% | \$ 465 |
| Northern New Jersey/New York City | 3 | 22.2 | 21.2% | 648 |
| San Francisco Bay Area | - | - | - | - |
| Seattle | - | - | - | - |
| Miami | 1 | 2.3 | 100.0% | 202 |
| Washington, D.C. | 1 | 13.4 | 100.0% | 720 |
| Total/Weighted Average | 7 | 40.5 | 56.8% | \$ 2,035 |



Appendix: Same Store and Disposition Results

| SAME STORE GROWTH ⁽¹⁾ | For the Three Months Ended June 30, | | | | For the Six Months Ended June 30, | | | |
|--|--|-----------|-----------|----------|--------------------------------------|-----------|-----------|----------|
| | 2017 | 2016 | \$ Change | % Change | 2017 | 2016 | \$ Change | % Change |
| Net income | \$ 15,527 | \$ 2,783 | \$ 12,744 | 457.9% | \$ 21,326 | \$ 10,216 | \$ 11,110 | 108.8% |
| Depreciation and amortization from continuing operations | 9,076 | 8,080 | 996 | 12.3% | 18,260 | 16,342 | 1,918 | 11.7% |
| General and administrative | 6,030 | 4,298 | 1,732 | 40.3% | 10,209 | 7,738 | 2,471 | 31.9% |
| Acquisition costs | 10 | 484 | (474) | (97.9)% | 11 | 1,443 | (1,432) | (99.2)% |
| Total other income and expenses | (6,317) | 3,070 | (9,387) | n/a | (2,586) | 879 | (3,465) | n/a |
| Net operating income | 24,326 | 18,715 | 5,611 | 30.0% | 47,220 | 36,618 | 10,602 | 29.0% |
| Less non-same store NOI | (4,033) | (1,398) | (2,635) | 188.5% | (7,460) | (2,532) | (4,928) | 194.6% |
| Same store NOI | \$ 20,293 | \$ 17,317 | \$ 2,976 | 17.2% | \$ 39,760 | \$ 34,086 | \$ 5,674 | 16.6% |
| Less straight-line rents and amortization of lease intangibles | (864) | (1,147) | 283 | (24.7)% | (1,820) | (2,854) | 1,034 | (36.2)% |
| Cash-basis same store NOI | \$ 19,429 | \$ 16,170 | \$ 3,259 | 20.2% | \$ 37,940 | \$ 31,232 | \$ 6,708 | 21.5% |

HISTORICAL SAME STORE RESULTS ⁽¹⁾⁽²⁾

| | Full Year 2012 | Full Year 2013 | Full Year 2014 | Full Year 2015 | Full Year 2016 | Q1 2017 | Q2 2017 |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------|------------|
| Same store square feet | 2,235,500 | 3,091,365 | 4,792,329 | 6,312,641 | 8,627,109 | 10,741,111 | 10,293,556 |
| Occupancy % | 93.0% | 96.8% | 97.1% | 94.4% | 99.0% | 99.0% | 98.0% |
| Cash-basis same store NOI growth % | 11.9% | 18.1% | 12.9% | 3.1% | 8.6% | 23.8% | 20.2% |

Average cash-basis same store growth since IPO: 13.4%

HISTORICAL DISPOSITIONS

| Property | Acquisition Date | Disposition Date | Acquisition Price | Disposition Price | Unleveraged IRR |
|--------------|------------------|------------------|-------------------|-------------------|-----------------|
| Rialto | September 2010 | November 2012 | \$ 12,110 | \$ 16,962 | 20.9% |
| Maltese | September 2010 | December 2013 | 16,500 | 19,000 | 11.8% |
| Warm Springs | March 2010 | June 2015 | 7,264 | 13,400 | 15.1% |
| Sweitzer | October 2012 | November 2015 | 6,950 | 11,200 | 21.5% |
| Fortune Qume | March 2010 | February 2016 | 5,550 | 8,200 | 11.3% |
| Global Plaza | March 2012 | March 2016 | 6,100 | 8,200 | 13.2% |
| 39th Street | August 2011 | September 2016 | 4,400 | 6,097 | 12.1% |
| Whittier | June 2012 | April 2017 | 16,100 | 25,300 | 14.5% |
| Total | | | \$ 74,974 | \$ 108,359 | 14.5% |

- (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 June 30, 2017 and since January 1, 2016 and excludes properties that were disposed of or held for sale to a third party or were under redevelopment. See Reporting Definitions for further explanation.
- (2) Historical Same Store Results include cash-basis same store NOI growth %'s as reported in the Company's Form 10-Q and 10-K's. Previously reported cash-basis same store NOI growth has not been adjusted for properties that were subsequently disposed of or are held for sale to a third party.

Appendix: Capitalization

| <u>Maturity</u> | <u>Credit Facility</u> | <u>Term Loans</u> | <u>Senior Unsecured Notes</u> | <u>Mortgage Loans Payable</u> | <u>Total Debt</u> |
|--|------------------------|-------------------|-------------------------------|-------------------------------|----------------------|
| 2017 (6 months) | \$ - | \$ - | \$ - | \$ 926 | \$ 926 |
| 2018 | - | - | - | 1,910 | 1,910 |
| 2019 | - | - | - | 18,805 | 18,805 |
| 2020 | 21,000 | - | - | 33,077 | 54,077 |
| 2021 | - | 50,000 | - | 11,271 | 61,271 |
| Thereafter | - | 100,000 | 150,000 | - | 250,000 |
| Subtotal | 21,000 | 150,000 | 150,000 | 65,989 | 386,989 |
| Unamortized net premiums | - | - | - | - | - |
| Total Debt | 21,000 | 150,000 | 150,000 | 65,989 | 386,989 |
| Deferred financing costs, net | - | (1,244) | (1,371) | (297) | (2,912) |
| Total Debt, net | \$ 21,000 | \$ 148,756 | \$ 148,629 | \$ 65,692 | \$ 384,077 |
| Weighted Average Interest Rate | 2.2% | 2.1% | 4.3% | 4.0% | 3.3% |
| Total Debt, net | | | | June 30, 2017 | June 30, 2016 |
| | | | | \$ 384,077 | \$ 375,534 |
| Common Stock | | | | 2017 | 2016 |
| Shares Outstanding as of June 30 | | | | 52,362,553 | 43,460,616 |
| Market Price as of June 30 | | | | \$ 33.66 | \$ 23.45 |
| Market Value | | | | 1,762,524 | 1,019,151 |
| Preferred Stock (\$25.00 per share liquidation preference) | | | | 46,000 | 46,000 |
| Total Equity | | | | 1,808,524 | 1,065,151 |
| Total Market Capitalization | | | | \$ 2,192,601 | \$ 1,446,366 |
| Total Debt-to-Total Investments in Properties | | | | 25.7% | 31.6% |
| Total Debt-to-Total Market Capitalization | | | | 17.5% | 26.4% |
| Total Debt and Preferred Stock-to-Total Market Capitalization | | | | 19.6% | 29.5% |
| Floating Rate Debt as a % of Total Debt ⁽¹⁾ | | | | 44.2% | 53.5% |
| Unhedged Floating Rate Debt as a % of Total Debt ⁽²⁾ | | | | 5.5% | 13.3% |
| Mortgage Loans Payable as a % of Total Debt | | | | 17.1% | 20.6% |
| Mortgage Loans Payable as a % of Total Investments in Properties | | | | 4.4% | 6.2% |
| Adjusted EBITDA ⁽³⁾ | | | | \$ 41,919 | \$ 15,487 |
| Interest Coverage | | | | 5.5 x | 5.0 x |
| Fixed Charge Coverage | | | | 4.5 x | 3.7 x |
| Total Debt-to-Adjusted EBITDA ⁽³⁾ | | | | 4.4 x | 6.2 x |
| Total Debt and Preferred Stock-to-Adjusted EBITDA ⁽³⁾ | | | | 5.0 x | 6.9 x |
| Weighted Average Maturity of Total Debt (years) | | | | 5.7 | 5.2 |

(1) Floating rate debt includes our existing \$150.0 million of variable-rate term loan borrowings with LIBOR interest rate caps of 4.0%

(2) Excludes \$150.0 million of variable-rate term loan borrowings with LIBOR interest rate caps of 4.0%

19 (3) See Reporting Definitions for further explanation.



Appendix: Submarket Focus

| Market | Shrinking Supply (1) | No Net New Supply (2) | New Supply (3) |
|--|---|--|--|
| Los Angeles | LAX West of 405 Hawthorne | South Bay Commerce/Vernon Mid-Counties San Fernando Valley Orange County | Inland Empire West Inland Empire East |
| New York City/Northern New Jersey | Secaucus Bayonne Jersey City Teterboro | Meadowlands Newark/Elizabeth Fairfield Exit 12 JFK | Exit 8A Exit 10 / I 287 |
| San Francisco Bay Area | Silicon Valley South SF | East Bay | Livermore |
| Miami | Central Dade | Airport/Doral Hialeah | Medley Airport North North Dade Miami Lakes |
| Seattle | South Seattle Tukwila | Kent SeaTac Renton | Auburn Sumner Fife Pullayup |
| Washington, D.C. | D.C. Inside the D.C. Beltway | Corridor Close in PG County Close in NOVA | Dulles |
| Percentage of Terreno's Portfolio ⁽⁴⁾ | 22% | 53% | 25% |

- (1) *Shrinking Supply: Characterized by shrinking industrial supply. Offers opportunities to convert existing buildings into higher and better use over time. Super infill.*
- (2) *No Net New Supply: Characterized by older existing industrial product. Offers opportunities to redevelop existing buildings into new, modern industrial buildings. Infill.*
- (3) *New Supply: Characterized by industrial buildings that will remain in their current state for the foreseeable future with previously undeveloped land available for industrial development. Greenfield.*
- (4) *Reflects Terreno portfolio composition based on geography and purchase price.*



Appendix: Management and Board of Directors

| | |
|--|--|
| Blake Baird <i>Chairman and CEO</i> | <ul style="list-style-type: none"> ▪ Co-founded Terreno Realty Corporation in 2007 ▪ Former President and Director of AMB Property Corporation (NYSE: AMB) ▪ Director of Matson, Inc. (NYSE: MATX) and Sunstone Hotel Investors, Inc. (NYSE: SHO) |
| Mike Coke <i>President</i> | <ul style="list-style-type: none"> ▪ Co-founded Terreno Realty Corporation in 2007 ▪ Former Chief Financial Officer and Executive Vice President of AMB ▪ Director of DuPont Fabros Technology, Inc. (NYSE: DFT) |
| Andy Burke <i>EVP</i> | <ul style="list-style-type: none"> ▪ Joined Terreno Realty Corporation in 2008 ▪ Former Vice President, Investment Officer of Perseus Realty Partners ▪ Former Transaction Officer at AMB |
| Jaime Cannon <i>EVP and CFO</i> | <ul style="list-style-type: none"> ▪ Joined Terreno Realty Corporation in 2010 ▪ Former Vice President, Treasury at AMB ▪ Former Audit Manager at PriceWaterhouseCoopers LLP |
| John Meyer <i>EVP</i> | <ul style="list-style-type: none"> ▪ Joined Terreno Realty Corporation in 2010 ▪ Former Senior Vice President, Director of Transactions, Southwest Region for AMB |
| Lee Carlson <i>Audit Chair</i> | <ul style="list-style-type: none"> ▪ Principal of NNC Apartment Ventures, LLC ▪ Former Executive Vice President, Chief Operating Officer, Chief Financial Officer and Board Member of BRE Properties (NYSE: BRE) |
| Peter Merlone <i>Compensation Chair</i> | <ul style="list-style-type: none"> ▪ Founder and Co-Managing Partner of Merlone Geier Partners & Merlone Geier Management ▪ Former founder and owner of The Merlone Company |
| Doug Pasquale <i>Lead Director</i> | <ul style="list-style-type: none"> ▪ Former President, Chief Executive Officer and Chairman of Nationwide Health Properties (formerly NYSE: NHP) ▪ Director of Alexander & Baldwin (NYSE: ALEX) and Sunstone Hotel Investors, Inc. (NYSE: SHO) |
| Dennis Polk – Nominating & Corporate Governance Chair | <ul style="list-style-type: none"> ▪ Chief Operating Officer and Director of SYNEX Corporation (NYSE: SNX) ▪ Former Senior Vice President and Chief Financial Officer of Savoir Technology Group |

Appendix: Reporting Definitions

Adjusted EBITDA: We compute Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, gain on sales of real estate investments, acquisition costs and stock-based compensation. We believe that presenting Adjusted EBITDA provides useful information to investors regarding our operating performance because it is a measure of our operations on an unleveraged basis before the effects of tax, gain (loss) on sales of real estate investments, non-cash depreciation and amortization expense, acquisition costs and stock-based compensation. By excluding interest expense, Adjusted EBITDA allows investors to measure our operating performance independent of our capital structure and indebtedness and, therefore, allows for more meaningful comparison of our operating performance between quarters as well as annual periods and for the comparison of our operating performance to that of other companies, both in the real estate industry and in other industries. As we are currently in a growth phase, acquisition costs are excluded from Adjusted EBITDA to allow for the comparison of our operating performance to that of stabilized companies.

The following table reflects the calculation of Adjusted EBITDA reconciled from net income for the three and six months ended June 30, 2017 and 2016 (dollars in thousands):

| | <i>For the Three Months Ended June 30,</i> | | | | <i>For the Six Months Ended June 30,</i> | | | |
|--|--|------------------|------------------|-----------------|--|------------------|------------------|-----------------|
| | <i>2017</i> | <i>2016</i> | <i>\$ Change</i> | <i>% Change</i> | <i>2017</i> | <i>2016</i> | <i>\$ Change</i> | <i>% Change</i> |
| Net income | \$ 15,527 | \$ 2,783 | \$ 12,744 | 457.9% | \$ 21,326 | \$ 10,216 | \$ 11,110 | 108.8% |
| Gain on sales of real estate investments | (10,100) | - | (10,100) | n/a | (10,100) | (5,248) | (4,852) | 92.5% |
| Depreciation and amortization from continuing operations | 9,076 | 8,080 | 996 | 12.3% | 18,260 | 16,342 | 1,918 | 11.7% |
| Interest expense, including amortization | 3,806 | 3,076 | 730 | 23.7% | 7,572 | 6,146 | 1,426 | 23.2% |
| Stock-based compensation | 3,325 | 1,922 | 1,403 | 73.0% | 4,850 | 2,933 | 1,917 | 65.4% |
| Acquisition costs | 10 | 484 | (474) | (97.9)% | 11 | 1,443 | (1,432) | (99.2)% |
| Adjusted EBITDA | <u>\$ 21,644</u> | <u>\$ 16,345</u> | <u>\$ 5,299</u> | <u>32.4%</u> | <u>\$ 41,919</u> | <u>\$ 31,832</u> | <u>\$ 10,087</u> | <u>31.7%</u> |

Appendix: Reporting Definitions

Adjusted Funds from Operations (AFFO): We compute AFFO by adding to or subtracting from FFO (see definition below) (i) acquisition costs (ii) stock-based compensation (iii) straight-line rents, (iii) amortization of above- and below-market lease intangibles and (iv) non-recurring capital expenditures required to stabilize acquired vacancy or renovation projects. We use AFFO as a meaningful supplemental measure of our operating performance because it captures trends in our portfolio operating results when compared year over year. We also believe that AFFO is a widely recognized supplemental measure of the performance of REITs and is used by investors as a basis to assess operating performance in comparison to other REITs. As a result, we believe that the use of AFFO, together with the required GAAP presentations, provide a more complete understanding of our operating performance.

Funds from Operations (FFO): We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts (“NAREIT”), which defines FFO as net income (loss) (determined in accordance with GAAP), excluding gains (losses) from sales of property and impairment write-downs of depreciable real estate, plus depreciation and amortization on real estate assets and after adjustments for unconsolidated partnerships and joint ventures (which are calculated to reflect FFO on the same basis). We believe that presenting FFO provides useful information to investors regarding our operating performance because it is a measure of our operations without regard to specified non-cash items, such as real estate depreciation and amortization and gain or loss on sale of assets.

We believe that FFO is a meaningful supplemental measure of our operating performance because historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting alone to be insufficient. As a result, we believe that the use of FFO, together with the required GAAP presentations, provide a more complete understanding of our operating performance.

Appendix: Reporting Definitions

Net Operating Income (NOI): We compute NOI as rental revenues, including tenant expense reimbursements, less property operating expenses. We compute same store NOI as rental revenues, including tenant expense reimbursements, less property operating expenses on a same store basis. NOI excludes depreciation, amortization, general and administrative expenses, acquisition costs and interest expense. We compute cash-basis same store NOI as same store NOI excluding straight-line rents and amortization of lease intangibles. The same store pool includes all properties that were owned as of June 30, 2017 and since January 1, 2016 and excludes properties that were either disposed of prior to, held for sale to a third party or in redevelopment as of June 30, 2017. As of June 30, 2017, the same store pool consisted of 141 buildings aggregating approximately 10.3 million square feet representing approximately 80.8% of our total square feet owned and three improved land parcels containing 4.9 acres. We believe that presenting NOI, same store NOI and cash-basis same store NOI provides useful information to investors regarding the operating performance of our properties because NOI excludes certain items that are not considered to be controllable in connection with the management of the property, such as depreciation, amortization, general and administrative expenses, acquisition costs and interest expense. By presenting same store NOI and cash-basis same store NOI, the operating results on a same store basis are directly comparable from period to period.

Stabilized Cap Rate: We compute estimated stabilized cap rates as annualized cash basis net operating income stabilized to market occupancy (generally 95%) divided by total acquisition cost. Total acquisition cost includes the initial purchase price, the effects of marking assumed debt to market, buyer's due diligence and closing costs, estimated near-term capital expenditures and leasing costs necessary to achieve stabilization.