

Terreno Realty Corporation

Q4 2016 Update

February 8, 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 (92.7%)
 - Flex (including light industrial and R&D) (5.7%)
 - Trans-shipment (1.6%)
- 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 to provide for margin of safety
 - Opportunity for higher and better use over time

(1) Reflects Terreno portfolio composition based on square footage at December 31, 2016.

(2) Terreno also owns five improved land parcels totaling approximately 22.8 acres that are leased to five 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 \$0.02 per diluted share for the quarter ended December 31, 2016 compared to (\$0.01) for the same period in 2015 and \$0.05 for the quarter ended September 30, 2016
- Funds From Operations (FFO)⁽¹⁾ of \$0.22 per diluted share for the quarter ended December 31, 2016 compared to \$0.17 for the same period in 2015 and \$0.20 for the quarter ended September 30, 2016. FFO for the quarter ended December 31, 2016 increased as compared to the quarter ended September 30, 2016 primarily due to an increase in net operating income (NOI)⁽¹⁾ of approximately \$1.8 million related to increased occupancy, rental rate increases and recent acquisitions. The increase was offset by an increase in performance share award⁽²⁾ expense of approximately \$0.4 million and an increase in acquisition costs of approximately \$0.3 million

Operating Highlights

- Cash-basis Same Store NOI⁽¹⁾ for the three and twelve months ended December 31, 2016 increased 11.1% and 8.6%, respectively, as compared to the same periods in 2015 due primarily to 640 bps of increased same store occupancy at December 31, 2016 as compared to December 31, 2015.
- Cash rents on new and renewed leases commencing during the three and twelve months ended December 31, 2016 increased approximately 29.0% and 19.2% on 0.6 million square feet and 1.8 million square feet, respectively
- Total portfolio was 97.4% leased as of December 31, 2016 compared to 96.4% at September 30, 2016 and 91.5% at December 31, 2015
- The same store portfolio of approximately 8.6 million square feet, representing approximately 71.9% of our total square feet owned, was 99.0% leased at December 31, 2016 as compared to 97.9% at September 30, 2016 and 92.6% at December 31, 2015

(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 \$3.0 million and 2.0 million for the three months ended December 31, 2016 and 2015, respectively and approximately \$7.3 million and \$4.5 million for the years ended December 31, 2016 and 2015, respectively.



Recent Highlights

Investment Highlights

Q4 2016 Acquisitions	\$44.7 million
Full Year 2016 Acquisitions	\$129.2 million
Acquisitions Under Contract ⁽¹⁾	\$68.6 million
Acquisitions Under LOI ⁽¹⁾	\$3.9 million

- For the full year 2016, disposed of three industrial properties for an aggregate sales price of approximately \$22.5 million, generating an estimated unleveraged internal rate of return of 12.0%
- During 2016, completed and stabilized a \$39.3 million redevelopment project in Carson, CA

Capital Markets Activities

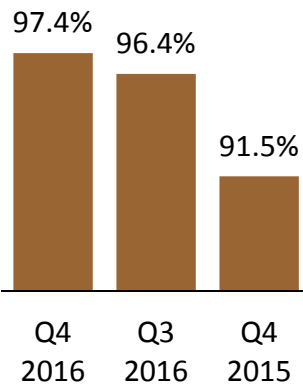
- Issued 1,000,871 shares of common stock under the ATM program during the fourth quarter with a weighted average offering price of \$27.65 per share, receiving gross proceeds of approximately \$27.7 million; for the full year 2016, issued 3,991,830 shares of common stock with a weighted average offering price of \$25.39, receiving gross proceeds of approximately \$101.4 million.

⁽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.

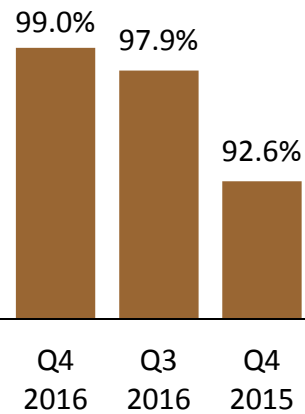
Current Portfolio Overview

Occupancy

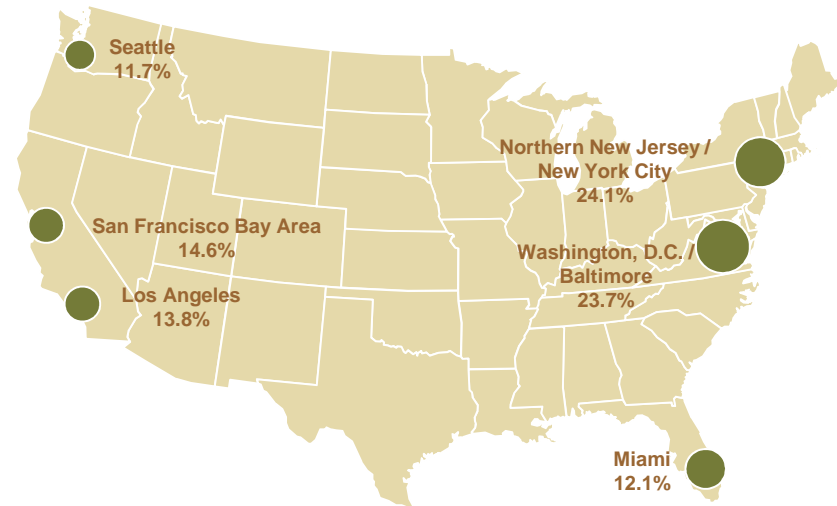
Portfolio



Same Store



Six Major Coastal U.S. Markets⁽¹⁾



Key Metrics⁽²⁾

Square Feet

12.0 Million

Average Acquisition Size

\$12.2 million

Number of Buildings

166

Weighted Average Occupancy at Acquisition

81.3%

5 Improved Land Parcels

22.8 acres; 93.8% leased ⁽³⁾

(1) Based on purchase price by market aggregating approximately 12.0 million square feet owned and five improved land parcels consisting of 22.8 acres at December 31, 2016.

6 (2) Properties owned as of December 31, 2016.

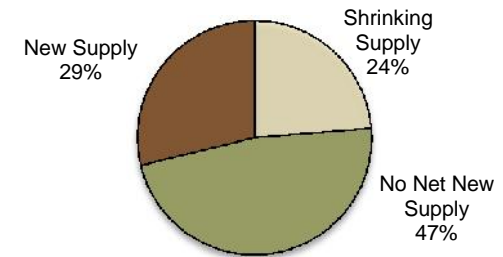
(3) As of December 31, 2016.



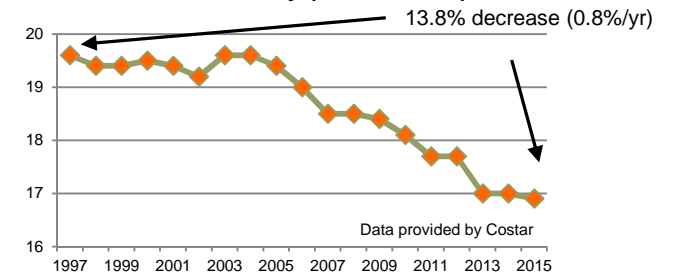
Terreno's Submarket Focus

Market	Shrinking Supply (1)	No Net New Supply (2)	New Supply (3)
Los Angeles	LAX West of 405	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./Baltimore	D.C. Inside the D.C. Beltway	Corridor Close in PG County Close in NOVA	Dulles

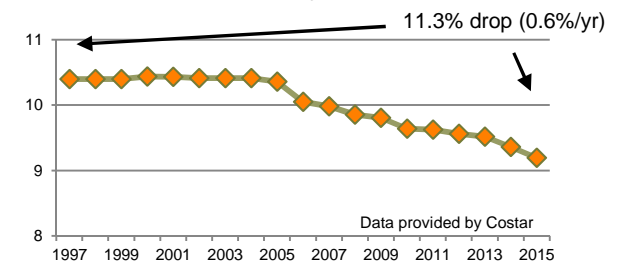
Terreno Portfolio (4)



South San Francisco Industrial Inventory (million of SF)



Washington, D.C. Industrial Inventory (million of SF)



- (1) *Shrinking Supply*: Characterized by shrinking industrial supply and opportunities to convert existing industrial buildings into a higher and better use.
- (2) *No Net New Supply*: Characterized by older existing B & C product industrial buildings with opportunities to redevelop into modern, more functional industrial buildings with very little land available for industrial development. Some change of use evident.
- (3) *New Supply*: Characterized by industrial buildings that will remain in their current state for the foreseeable future with land available for industrial development.
- (4) Reflects Terreno portfolio composition based on geography and purchase price.



Selected Recent Acquisitions

West 140th

San Leandro, CA
October 20, 2016

- Purchase Price: \$15.9 million
- Estimated Stabilized Cap Rate: 5.2%
- Size: Two industrial distribution buildings containing approximately 100,000 square feet on 8.2 acres, including three acres of excess improved yard
- Occupancy: Vacant at acquisition
- Location: West of Interstate 880 and approximately three miles south of Oakland International Airport



NW 70th Ave III

Miami, FL
November 2, 2016

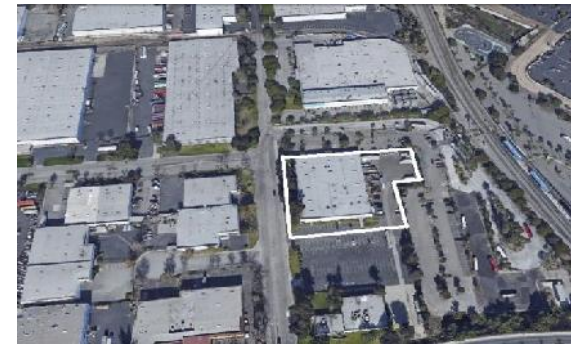
- Purchase Price: \$6.1 million
- Estimated Stabilized Cap Rate: 5.3%
- Size: One industrial distribution building containing approximately 55,000 square feet on 2.0 acres
- Occupancy: 100% leased to one tenant at acquisition
- Location: Immediately adjacent to Miami International Airport



Acacia

Compton, CA
January 25, 2017

- Purchase Price: \$7.1 million
- Estimated Stabilized Cap Rate: 4.9 %
- Size: One industrial distribution building containing approximately 46,000 square feet on 2.6 acres
- Occupancy: 100% leased to one tenant at acquisition on a short-term basis
- Location: Adjacent to CA Route 91 (the Artesia Freeway) between Los Angeles International Airport and the Ports of LA and Long Beach



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 49 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 and replaced by a single new front-load industrial distribution building containing approximately 210,000 square feet. The office building was renovated. The expected 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%; 100.0% leased as of December 31, 2016. 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. Executed a 158,000 square foot lease with Amazon.com in September 2016.
Value Realized	<ul style="list-style-type: none"> Global Plaza: Terreno acquired one 100% leased Sterling, VA industrial building in March 2012 out of bankruptcy for approximately \$6.1 million. Terreno sold the property in March 2016 for approximately \$8.2 million and recognized an estimated unleveraged internal rate of return of approximately 13.2%. The capital was recycled into new acquisitions.



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 100.0%



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:** Demolish existing industrial buildings and construct a front-load industrial distribution building containing approximately 210,000 square feet and renovate the existing office building. The incremental development cost was approximately \$17.8 million for a total investment of \$39.3 million. The property was approximately 100% leased upon completion

Value Creation – Total investment of approximately \$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)

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
- 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 December 31,		For the Year Ended December 31,	
	2016	2015	2016	2015
REVENUES				
Rental revenues	\$ 23,217	\$ 19,311	\$ 85,018	\$ 75,899
Tenant expense reimbursements	6,623	4,889	23,400	19,996
Total revenues	29,840	24,200	108,418	95,895
COSTS AND EXPENSES				
Property operating expenses	8,181	6,923	30,325	26,655
Depreciation and amortization	9,185	12,065	34,399	36,026
General and administrative ⁽¹⁾	6,015	4,747	19,319	14,846
Acquisition costs	990	1,062	3,129	4,713
Total costs and expenses	24,371	24,797	87,172	82,240
OTHER INCOME (EXPENSE)				
Interest and other income	5	4	24	18
Interest expense, including amortization	(3,642)	(3,095)	(13,053)	(9,639)
Loss on extinguishment of debt	-	-	(239)	-
Gain on sales of real estate investments	-	4,248	7,140	10,567
Total other income and expenses	(3,637)	1,157	(6,128)	946
Net income	1,832	560	15,118	14,601
Preferred stock dividends	(891)	(891)	(3,565)	(3,565)
Net income, net of preferred stock dividends	941	(331)	11,553	11,036
Allocation to participating securities	(5)	(12)	(95)	(78)
Net income (loss) available to common stockholders, net of preferred stock dividends	\$ 936	\$ (343)	\$ 11,458	\$ 10,958
EARNINGS PER COMMON SHARE - BASIC AND DILUTED:				
Net income (loss) available to common stockholders, net of preferred stock dividends	\$ 0.02	\$ (0.01)	\$ 0.26	\$ 0.26
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
	46,277,521	42,906,538	44,725,936	42,861,276

(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 December 31,		For the Year Ended December 31,	
	2016	2015	2016	2015
Performance share award expense	\$ 3,006	\$ 2,024	\$ 7,322	\$ 4,481



Appendix: Net Income, FFO and Adjusted FFO

NET INCOME, FFO AND ADJUSTED FFO ⁽¹⁾	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2016	2015	2016	2015
Total revenues	\$ 29,840	\$ 24,200	\$ 108,418	\$ 95,895
Property operating expenses	(8,181)	(6,923)	(30,325)	(26,655)
Depreciation and amortization	(9,185)	(12,065)	(34,399)	(36,026)
General and administrative ⁽²⁾	(6,015)	(4,747)	(19,319)	(14,846)
Acquisition costs	(990)	(1,062)	(3,129)	(4,713)
Interest and other income	5	4	24	18
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Allocation to participating securities	(5)	(12)	(95)	(78)
Net income (loss) available to common stockholders, net of preferred stock dividends	\$ 936	\$ (343)	\$ 11,458	\$ 10,958
Net income (loss) available to common stockholders per common share, net of preferred stock dividends	\$ 0.02	\$ (0.01)	\$ 0.26	\$ 0.26
Adjustments to arrive at Funds from Operations:				
Gain on sales of real estate investments	-	(4,248)	(7,140)	(10,567)
Depreciation and amortization related to real estate	9,164	12,042	34,313	35,924
Allocation to participating securities	(84)	(70)	(335)	(221)
Funds from operations ⁽³⁾	\$ 10,021	\$ 7,393	\$ 38,391	\$ 36,172
Funds from operations per common share (basic and diluted)	\$ 0.22	\$ 0.17	\$ 0.86	\$ 0.84
Adjustments to arrive at Adjusted Funds From Operations:				
Acquisition costs	990	1,062	3,129	4,713
Stock-based compensation	3,474	2,510	9,444	6,081
Straight-line rents	(1,616)	(761)	(4,740)	(3,889)
Amortization of lease intangibles	(346)	(339)	(1,338)	(1,925)
Total capital expenditures	(8,621)	(8,696)	(45,273)	(23,315)
Capital expenditures related to stabilization ⁽⁴⁾	5,241	5,320	35,197	12,564
Adjusted funds from operations	\$ 9,143	\$ 6,489	\$ 34,810	\$ 30,401
Common stock dividends paid	\$ 9,282	\$ 6,930	\$ 33,182	\$ 27,545
Weighted average basic and diluted common shares	46,277,521	42,906,538	44,725,936	42,861,276

(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 December 31,		For the Year Ended December 31,	
	2016	2015	2016	2015
Performance share award expense	\$ 3,006	\$ 2,024	\$ 7,322	\$ 4,481

(3) Includes expensed acquisition costs of approximately \$1.0 million and \$1.1 million for the three months ended December 31, 2016 and 2015, respectively and \$3.1 million and \$4.7 million for the years ended December 31, 2016 and 2015, respectively.

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



Appendix: Supplemental Components of NAV

COMPONENTS OF NET OPERATING INCOME ⁽¹⁾	For the Three Months Ended December 31, 2016
Total revenues	\$ 29,840
Less straight-line rents	(1,616)
Less amortization of lease intangibles	(346)
Less property operating expenses	(8,181)
Net operating income	\$ 19,697
CONTRACTUAL RENT ABATEMENTS⁽¹⁾	\$ 1,370

ADJUSTMENTS TO STABILIZE PORTFOLIO

BALANCE SHEET ITEMS

Other assets and liabilities	
Cash and cash equivalents	\$ 14,208
Restricted cash	4,270
Construction in progress ⁽²⁾	-
Other assets, net	26,822
Less straight-line rents	(17,283)
Dividends payable	(9,483)
Performance share awards payable	(10,739)
Accounts payable and other liabilities	(18,220)
Total other assets and liabilities	\$ (20,347)

DEBT AND PREFERRED STOCK

Credit facility	\$ (51,500)
Term loans payable	(150,000)
Senior unsecured notes	(150,000)
Mortgage loans payable	(66,980)
Total debt	\$ (418,480)
Preferred stock	(46,000)
Total debt and preferred stock	\$ (464,480)
Total shares outstanding	47,414,365

(1) See Reporting Definitions for further explanation.

(2) Represents contractual free rent given to tenants.

Q4 2016 Acquisitions

Property Name	Date	Purchase Price (in thousands)	Estimated Stabilized Cap Rate	Leased % at Acquisition
West 140th	October 20, 2016	\$ 15,875	5.2%	0%
74th North Bergen	November 1, 2016	4,750	5.7%	0%
NW 70th III	November 2, 2016	6,100	5.3%	100%
Paterson Plank	November 16, 2016	5,000	6.6%	100%
NW 74th	December 16, 2016	6,288	5.4%	100%
Business Parkway	December 21, 2016	6,700	5.9%	100%
Total/Weighted Average		\$ 44,713	5.6%	54%

SUMMARY MARKET INFORMATION (Investments in Real Estate)

Market	Rentable Square Feet	Occupancy Percentage as of December 31, 2016	Annualized Base Rent ('000's)	Annualized Base Rent Per Occupied Square Foot
Los Angeles	1,614,761	99.6%	\$ 13,234	\$ 8.23
Northern New Jersey/New York City	2,892,524	98.5%	22,647	7.95
San Francisco Bay Area	1,327,777	91.5%	12,739	10.48
Seattle	1,526,648	99.5%	10,398	6.84
Miami	1,877,197	94.9%	13,145	7.38
Washington, D.C./Baltimore	2,758,577	98.2%	22,622	8.35
Total/Weighted Average	11,997,484	97.4%	\$ 94,785	\$ 8.11

SUMMARY MARKET INFORMATION (Improved Land)

Market	Number of Parcels	Acreage	Occupancy Percentage as of December 31, 2016	Annualized Base Rent ('000's)
Los Angeles	2	2.6	45.8%	\$ 150
Northern New Jersey/New York City	1	4.5	100.0%	649
San Francisco Bay Area	-	-	-	-
Seattle	-	-	-	-
Miami	1	2.3	100.0%	202
Washington, D.C./Baltimore	1	13.4	100.0%	720
Total/Weighted Average	5	22.8	93.8%	\$ 1,721



Appendix: Same Store and Disposition Results

SAME STORE GROWTH ⁽¹⁾	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2016	2015	\$ Change	% Change	2016	2015	\$ Change	% Change
Net income	\$ 1,832	\$ 560	\$ 1,272	227.1%	\$ 15,118	\$ 14,601	\$ 517	3.5%
Depreciation and amortization from continuing operations	9,185	12,065	(2,880)	(23.9)%	34,399	36,026	(1,627)	(4.5)%
General and administrative	6,015	4,747	1,268	26.7%	19,319	14,846	4,473	30.1%
Acquisition costs	990	1,062	(72)	(6.8)%	3,129	4,713	(1,584)	(33.6)%
Total other income and expenses	3,637	(1,157)	4,794	n/a	6,128	(946)	7,074	n/a
Net operating income	21,659	17,277	4,382	25.4%	78,093	69,240	8,853	12.8%
Less non-same store NOI	(6,218)	(2,892)	(3,326)	115.0%	(18,460)	(12,386)	(6,074)	49.0%
Same store NOI	\$ 15,441	\$ 14,385	\$ 1,056	7.3%	\$ 59,633	\$ 56,854	\$ 2,779	4.9%
Less straight-line rents and amortization of lease intangibles	(261)	(723)	462	(63.9)%	(2,200)	(3,982)	1,782	(44.8)%
Cash-basis same store NOI	\$ 15,180	\$ 13,662	\$ 1,518	11.1%	\$ 57,433	\$ 52,872	\$ 4,561	8.6%

HISTORICAL SAME STORE RESULTS ^{(1) (2)}

	Full Year 2012	Full Year 2013	Full Year 2014	Full Year 2015	Full Year 2016
Same store square feet	2,235,500	3,091,365	4,792,329	6,312,641	8,627,109
Occupancy %	93.0%	96.8%	97.1%	94.4%	99.0%
Cash-basis same store NOI growth %	11.9%	18.1%	12.9%	3.1%	8.6%

Average cash-basis same store growth since IPO: 12.5%

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%
Total			\$ 58,874	\$ 83,059	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 December 31, 2016 and since January 2015 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 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 party.

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 Ventas, Inc (NYSE: VTR), Alexander & Baldwin (NYSE: ALEX) and Sunstone Hotel Investors, Inc. (NYSE: SHO)
Dennis Polk – <i>Nominating & Corporate Governance Chair</i>	<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 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 December 31, 2016 and since January 1, 2015 and excludes properties that were either disposed of prior to, held for sale to a third party or in redevelopment as of December 31, 2016. As of December 31, 2016, the same store pool consisted of 116 buildings aggregating approximately 8.6 million square feet representing approximately 71.9% 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.