March 2, 2020

Dear Fellow Shareholders,
Here is a review of our strategy, our 2019 results and our outlook.

This is our strategy

We acquire, own and operate industrial real estate in six major coastal U.S. markets: Los Angeles, Northern New Jersey/New York City, San Francisco Bay Area, Seattle, Miami and Washington, D.C. Exclusively. We believe that over time these six markets have the best potential for superior returns given favorable supply and demand factors. Supply of newly developed industrial product will be limited due to physical and regulatory constraints; in some of our submarkets the supply of industrial product is shrinking. Future demand will result from large and growing population densities and proximity to high volume distribution points. Further, these locations may provide the opportunity for higher and better use over time.

We invest in functional and flexible industrial real estate in infill locations within our six markets. We acquire, own and operate the product that satisfies customer demand within a submarket: warehouse/distribution, flex (including light industrial and R&D), transshipment and improved land parcels (which we lease as surface storage, retaining the optionality of redevelopment to higher and better use). As of year-end 2019 82% of our rent is warehouse/distribution, 7% is flex, 5% is transshipment and 6% is from improved land.

Our six-market strategy provides a margin of safety. We acquire properties at discounts to replacement cost. We may renovate, redevelop or expand properties, but we do no ground up greenfield development or raw land acquisition. We have no complex joint ventures.

We acquire both value-add and stabilized properties; over 60% of our acquisitions so far have been value-add. We retain the best local third-party firms to help us efficiently manage our space.

We sell properties when we believe the prospective total return from a property is particularly low relative to its market value or the market value is significantly greater than the property's estimated replacement cost. Capital from such sales is recycled into properties that are expected to provide better prospective returns or is returned to shareholders.

These are our 2019 results

Our same store cash basis net operating income grew by 9.2% and our cash rents on new and renewed leases commencing in 2019 grew 17.3% demonstrating what the right assets in very infill locations can produce. Our value-add acquisitions generally contain vacant space or space with near-term lease expirations and many require physical repositioning. On average our acquisitions since our IPO have been 82.4% leased. Notwithstanding, delivering on our investment strategy and stabilizing 74 value-add properties, we ended the year 96.8% leased, and 98.4% leased in our same store pool.

Market conditions were the best since our 2010 IPO, our balance sheet was well positioned, and investor demand for our type of real estate was high. We acquired 13 properties containing 17 buildings aggregating 0.7 million square feet and four improved land parcels totaling 22.6 acres for a total purchase price of approximately $274 million.

We sold four properties for approximately $49 million. We have sold 19 properties since our IPO for a total of approximately $291 million generating a cumulative unleveraged IRR of 12.7%.

We earned EPS of $0.85 compared to $1.09 in 2018. Our 2019 Funds from Operations was $1.38 per share, up 6.2% compared to $1.30 per share in 2018. Further, we operated with excess liquidity and an undrawn credit facility for much of the year.

We raised $278 million of common equity via our ATM program at an average price of $45.85 per share and did not repurchase any common shares pursuant to our share buyback program in 2019. We issued $100 million of ten-year senior unsecured notes at a fixed annual interest rate of 3.14%. With the proceeds, we retired a $50 million floating rate term loan due in 2021 and in January 2020 a maturing $33 million mortgage loan.

For incentive compensation we measure our performance over rolling three-year periods. Our total shareholder return over the preceding three years of 100% significantly exceeded the 26% total return of the MSCI US REIT index and the 75% total return of industrial REITs. We are fully aligned with our shareholders and committed to creating superior long-term value for all of us.

This is our outlook

Current operating conditions in our six markets are excellent. We believe that on average, the rental rates we are likely to achieve on new or renewed leases for our 2020 expirations will be above the rates currently paid for the same space. However, new speculative development continues. This new development will slow potential rent growth from what it would be without such new development. Macroeconomic conditions, while uncertain and impossible to accurately predict, appear favorable to us.

We see attractive acquisition opportunities. Nevertheless, our acquisition volume will be dependent on both the quality and pricing of the opportunity set and the price of our stock relative to NAV. Those conditions, not knowable in advance, will determine our results. We will continue to sell assets and redeploy the capital to enhance NAV or return the capital to shareholders. We entered 2020 with our balance sheet very well positioned for growth.

Ten years ago, we completed our $175 million blind-pool IPO with a plan to invest in infill industrial real estate in the six best coastal U.S. markets. Since then we have grown to $4.5 billion, with $4.0 billion of equity. Our compounded annual total shareholder returns are as follows:

	Terreno	MSCI US REIT Index
One-Year	54.4%	17.4%
Three-Year	33.9%	9.3%
Five-Year	25.2%	7.6%
Since Inception	14.5%	13.5%

Within our six markets we have increasingly focused on urban infill locations. While our net growth will remain limited to a size where we can make directly informed operational decisions, we feel more strongly today than we did ten years ago about the long-term investment merits of our strategy and the growth opportunities ahead. We are mindful, always, that it is *per share* rather than aggregate results that matter.

We believe in the long-term operating prospects of our functional, extremely infill coastal assets. We believe in sound balance sheet management. We believe in the benefits of our market-leading corporate governance and exceptionally aligned executive management compensation. As a result, we are enthusiastic about the future and our ability to produce superior results for our shareholders over time.

As we relentlessly pursue Terreno's goals, we thank our Board of Directors for their counsel and our fellow shareholders for their support.

Sincerely,

W. Blake Baird
Chairman & Chief Executive Officer,
Co-Founder

Michael A. Coke
President, Co-Founder