Terreno Realty Corporation

Q2 2014 Update

August 11, 2014

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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.

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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 (89.1%)
  - Flex (including light industrial and R&D) (8.6%)
  - Trans-shipment (2.3%)
- 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 June 30, 2014

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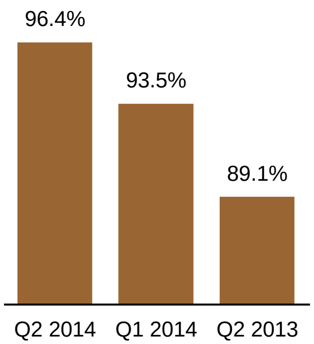
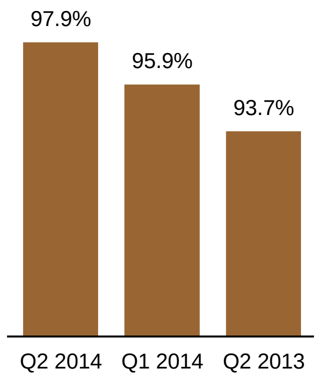
Recent Highlights

Operating Performance

Portfolio Occupancy



Same Store Occupancy



Acquisitions

- Year-to-date through August 11, 2014, closed approximately $91.7 million of acquisitions comprising approximately 785,633 square feet.
- As of August 11, 2014, $26.8 million of acquisitions were under contract and $16.7 million were under letter of intent (1)

Financing Activities

- Issued 8.05 million shares of common stock at a price per share of $17.75, generating approximately $136.5 million in net proceeds
- Converted existing credit facility to unsecured, extended maturity of $100 million revolving credit facility by two years and $50 million five-year term loan by one year and decreased the interest rate to LIBOR plus 1.50%-2.05% (previously 1.65%-2.65%), depending on leverage
- Added new $50 million seven-year term loan that bears interest at LIBOR plus 1.75%-2.30%, depending on leverage

(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, various closing conditions and with respect to one property, the consent of the mortgage lender. There can be no assurance that we will enter into purchase and sale agreements with respect to the properties under letter of intent or otherwise complete any such prospective purchases on the terms described or at all.

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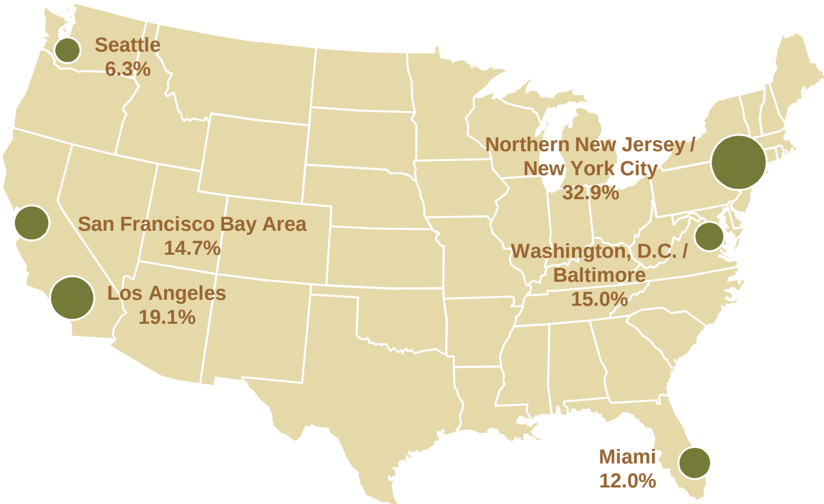
Current Portfolio Overview

Key Metrics[1]	
Square Feet	7.5 million
Number of Buildings	106
Total Investments in Properties	$739.7 million
Average Acquisition Size	$11.5 million
Weighted Average Occupancy at Acquisition	79.8%
Occupancy as of June 30, 2014	96.4%

Current Portfolio by Geography [2]



(1) Properties owned as of June 30, 2014
(2) Based on purchase price by market aggregating approximately 7.5 million square feet owned at June 30, 2014

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Selected Recent Acquisitions

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 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

Las Hermanas

Compton, CA
June 12, 2014

- Purchase Price: $4.0 million
- Estimated Stabilized Cap Rate: 5.1%
- Size: One industrial distribution building, 24,000 square feet on approximately 2.5 acres with trailer storage
- Occupancy: 100% leased to two tenants at acquisition
- Location: Adjacent to Interstate 710 and the Artesia Freeway between LAX and the Ports of LA and Long Beach

Hampton

Capitol Heights, MD
May 13, 2014

- Purchase Price: $18.1 million
- Estimated Stabilized Cap Rate: 6.4%
- Size: One industrial distribution building, 139,000 square feet on approximately 7.7 acres
- Occupancy: 100% leased to one tenant at acquisition
- Location: Adjacent to the Capital Beltway and approximately four miles east of Washington, DC

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Selected Examples of Value Creation

- In addition to the acquisition and operation of core properties, Terreno has successfully stabilized 21 of 34 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. ▪ 101st Road: Terreno acquired a newly constructed, vacant building and a leased surface storage lot in Medley, FL. Executed a four-year lease for 100% of the building with an e-commerce related tenant, immediately after acquisition.
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.

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Value Creation – Ethel Rd

- **Location:** Piscataway, NJ
- **Size:** Two buildings, 104,930 SF on approximately 7.7 acres
- **Acquisition Price:** $7.0 million, $66 Psf
- **Occupancy:** 76% occupied at acquisition; 100% leased within 7 months
- **Product Type:** Rear-load Multi-tenant Warehouse

Value Creation – Multi-tenant warehouse located in Piscataway, New Jersey, acquired with 25,000 SF of vacancy. Vacancy leased within 7 months with rents above underwriting.

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Value Creation – 240 Littlefield

- **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 high 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.

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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

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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
- 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

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Appendix

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Appendix: Statements Of Operations

CONSOLIDATED STATEMENTS OF OPERATIONS	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
REVENUES				
Rental revenues	$ 13,184	$ 8,518	$ 25,255	$ 16,254
Tenant expense reimbursements	3,426	2,297	7,159	4,590
Total revenues	16,610	10,815	32,414	20,844
COSTS AND EXPENSES				
Property operating expenses	4,394	3,008	9,216	5,851
Depreciation and amortization	4,763	2,896	9,129	5,532
General and administrative	2,462	2,389	4,818	4,383
Acquisition costs	611	613	1,493	1,070
Total costs and expenses	12,230	8,906	24,656	16,836
OTHER INCOME (EXPENSE)				
Interest and other income (expense)	2	3	(3)	9
Interest expense, including amortization	(1,661)	(1,540)	(3,249)	(3,061)
Total other income and expenses	(1,659)	(1,537)	(3,252)	(3,052)
Income from continuing operations	2,721	372	4,506	956
Discontinued operations				
Income from discontinued operations	-	450	-	660
Net income	2,721	822	4,506	1,616
Preferred stock dividends	(891)	(891)	(1,783)	(1,783)
Net and comprehensive income (loss), net of preferred stock dividends	1,830	(69)	2,723	(167)
Allocation to participating securities	(7)	-	(12)	-
Net and comprehensive income (loss) available to common stockholders, net of preferred stock dividends	$ 1,823	$ (69)	$ 2,711	$ (167)
EARNINGS PER COMMON SHARE - BASIC AND DILUTED:				
Income (loss) from continuing operations available to common stockholders, net of preferred stock dividends	$ 0.06	$ (0.02)	$ 0.10	$ (0.05)
Income from discontinued operations	-	0.02	-	0.04
Net income (loss) available to common stockholders, net of preferred stock dividends	$ 0.06	$ (0.00)	$ 0.10	$ (0.01)
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	28,419,154	19,076,760	26,644,814	17,443,729

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Appendix: Supplemental Components of NAV

COMPONENTS OF NET OPERATING INCOME		*For the Three Months Ended June 30, 2014*
Total revenues	$	16,610
Less straight-line rents		(715)
Less amortization of lease intangibles		(261)
Less property operating expenses		(4,394)
Net operating income	$	11,240
CONTRACTUAL RENT ABATEMENTS [(1)]	$	475
ADJUSTMENTS TO STABILIZE PORTFOLIO		

BALANCE SHEET ITEMS		
Other assets and liabilities		
Cash and cash equivalents	$	29,626
Restricted cash		3,025
130 Interstate expansion land		7,124
Other assets, net		12,343
Less straight-line rents		(7,582)
Security deposits		(4,747)
Dividends payable		(4,633)
Accounts payable and other liabilities		(9,751)
Total other assets and liabilities	$	25,405
DEBT AND PREFERRED STOCK		
Credit facility	$	-
Term loans payable		(58,000)
Mortgage loans payable		(100,089)
Total Debt	$	(158,089)
Preferred Stock	$	(46,000)
Total debt and preferred stock	$	(204,089)
Total Shares Outstanding		33,094,789

Q2 2014 Acquisitions

Property Name	Date	Purchase Price (in thousands)	Estimated Stabilized Cap Rate	Leased % at Acquisition
747 Glasgow	April 22, 2014	$ 3,450	4.8%	94%
Hampton	May 13, 2014	18,050	6.4%	100%
Burroughs	May 14, 2014	13,328	5.3%	100%
California	June 5, 2014	7,815	5.1%	100%
Las Hermanas	June 12, 2014	4,020	5.1%	100%
Total/Weighted Average		$ 46,663	5.6%	100%

SUMMARY MARKET INFORMATION

Market	Rentable Square Feet	Occupancy Percentage as of June 30, 2014	Annualized Base Rent (000's)	Annualized Base Rent Per Occupied Square Foot
Los Angeles [(2)]	1,269,245	98.0%	$ 7,979	$ 6.41
Northern New Jersey/New York City	2,250,363	96.1%	17,406	8.05
San Francisco Bay Area	873,762	98.0%	8,274	9.66
Seattle	558,209	97.4%	3,314	6.10
Miami	1,248,243	98.3%	8,186	6.67
Washington, D.C./Baltimore	1,315,466	91.8%	8,325	6.89
Total/Weighted Average	7,515,288	96.4%	$ 53,484	$ 7.39

(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, the estimated stabilized cap rate is 8.4%

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Appendix: Net Income, FFO and Adjusted FFO

NET INCOME, FFO AND ADJUSTED FFO	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Total revenues	$ 16,610	$ 10,815	$ 32,414	$ 20,844
Property operating expenses	(4,394)	(3,008)	(9,216)	(5,851)
Depreciation and amortization	(4,763)	(2,896)	(9,129)	(5,532)
General and administrative	(2,462)	(2,389)	(4,818)	(4,383)
Acquisition costs	(611)	(613)	(1,493)	(1,070)
Interest and other income (expense)	2	3	(3)	9
Interest expense, including amortization	(1,661)	(1,540)	(3,249)	(3,061)
Income from continuing operations	2,721	372	4,506	956
Income from discontinued operations	-	450	-	660
Net income	**2,721**	**822**	**4,506**	**1,616**
Preferred stock dividends	(891)	(891)	(1,783)	(1,783)
Net and comprehensive income (loss), net of preferred stock dividends	**$ 1,830**	**$ (69)**	**$ 2,723**	**$ (167)**
Allocation to participating securities	(7)	-	(12)	-
Net and comprehensive income (loss) available to common stockholders, net of preferred stock dividends	**$ 1,823**	**$ (69)**	**$ 2,711**	**$ (167)**
Net income (loss) available to common stockholders per common share, net of preferred stock dividends	**$ 0.06**	**$ (0.00)**	**$ 0.10**	**$ (0.01)**
Adjustments to arrive at Funds from Operations:				
Depreciation and amortization related to real estate	4,739	2,873	9,082	5,579
Allocation to participating securities	(33)	(23)	(66)	(45)
Funds from operations [(1)]	**$ 6,536**	**$ 2,781**	**$ 11,739**	**$ 5,367**
Funds from operations per common share (basic and diluted)	**$ 0.23**	**$ 0.15**	**$ 0.44**	**$ 0.31**
Adjustments to arrive at Adjusted Funds From Operations:				
Acquisition costs	611	613	1,493	1,070
Stock-based compensation	827	877	1,352	1,319
Straight-line rents	(715)	(1,004)	(1,168)	(1,445)
Amortization of lease intangibles	(261)	(356)	(489)	(473)
Total capital expenditures	(4,676)	(2,471)	(7,984)	(4,935)
Capital expenditures related to stabilization [(2)]	3,641	1,492	6,026	2,950
Adjusted funds from operations	**$ 5,963**	**$ 1,932**	**$ 10,969**	**$ 3,853**
Common stock dividends paid	**$ 3,254**	**$ 2,307**	**$ 6,503**	**$ 3,919**
Weighted average basic and diluted common shares	**28,419,154**	**19,076,760**	**26,644,814**	**17,443,729**

(1) Includes expensed acquisition costs of $0.6 million for each of the three months ended June 30, 2014 and 2013, respectively, and $1.5 million and $1.1 million for the six months ended June 30, 2014 and 2013, respectively

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

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Appendix: Same Store Results

SAME STORE GROWTH [1]	For the Three Months Ended June 30, 2014	2013	$ Change	% Change	For the Six Months Ended June 30, 2014	2013	$ Change	% Change
Net income	$ 2,721	$ 822	$ 1,899	231.0%	$ 4,506	$ 1,616	$ 2,890	178.8%
Depreciation and amortization from continuing operations	4,763	2,896	1,867	64.5%	9,129	5,532	3,597	65.0%
Income from discontinued operations	-	(450)	450	n/a	-	(660)	660	n/a
General and administrative	2,462	2,389	73	3.1%	4,818	4,383	435	9.9%
Acquisition costs	611	613	(2)	(0.3)%	1,493	1,070	423	39.5%
Total other income and expenses	1,659	1,537	122	7.9%	3,252	3,052	200	6.6%
Net operating income	12,216	7,807	4,409	56.5%	23,198	14,993	8,205	54.7%
Less non same store NOI	(4,395)	(435)	(3,960)	910.3%	(7,622)	(545)	(7,077)	1298.5%
Same store NOI	$ 7,821	$ 7,372	$ 449	6.1%	$ 15,576	$ 14,448	$ 1,128	7.8%
Less straight-line rents and amortization of lease intangibles	(563)	(1,212)	649	(53.5)%	(1,084)	(1,827)	743	(40.7)%
Cash-basis same store NOI	$ 7,258	$ 6,160	$ 1,098	17.8%	$ 14,492	$ 12,621	$ 1,871	14.8%

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
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
Occupancy %	92.0%	92.7%	92.8%	93.0%	95.3%	93.9%	90.2%	96.8%	95.9%	97.9%
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%
Average cash-basis same store growth since Q1 2012		18.1%								

(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, 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

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