

Terreno Realty Corporation

Q1 2015 Update

May 6, 2015



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, 2014, including those set forth under the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in the Company’s preliminary prospectus supplement relating to the offering under the section titled “Risk Factors”, and in our other public filings.

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

Investment Strategy

Unique and Highly Selective Market Approach

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

Focus on Functional Assets in Infill Locations

- Broad product opportunity set⁽¹⁾⁽²⁾
 - Warehouse / distribution (90.1%)
 - Flex (including light industrial and R&D) (8.3%)
 - Trans-shipment (1.6%)
- 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 March 31, 2015.

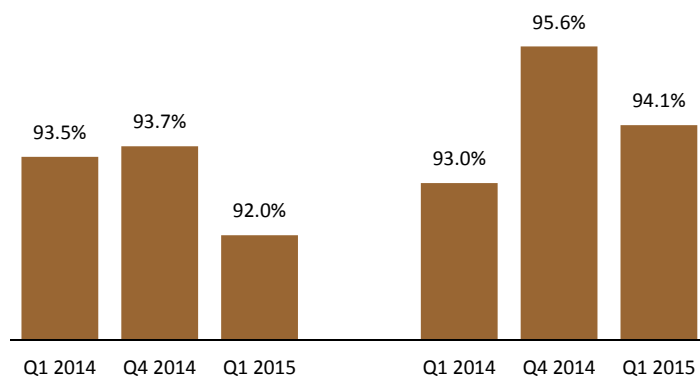
(2) Terreno also owns two improved land parcels totaling approximately 3.5 acres that are leased to two tenants. Such land is used for truck, trailer and container storage and/or car parking.

Recent Highlights

Occupancy

Portfolio

Same Store



Acquisitions

- Year-to-date through May 6, 2015, closed approximately \$166.0 million of acquisitions comprising approximately 1.3 million square feet
- As of May 6, 2015, \$58.9 million of acquisitions were under contract and \$6.8 million were under letter of intent⁽¹⁾
- As of May 6, 2015, two properties located in the Washington, D.C./Baltimore and San Francisco Bay Area markets were under contract to sell for an aggregate sales price of approximately \$24.6 million⁽¹⁾

Operating and Capital Markets Highlights

- Cash-basis same store NOI growth was -4.1% for the quarter ended March 31, 2015 driven primarily by increased vacancy at our Garfield, Dodge and 10th Avenue properties. In addition, contractual rent abatements were given to certain tenants related to long-term leases signed in the first quarter of 2015
- Cash rent changes on new and renewed leases commenced were +11.5% for the quarter ended March 31, 2015⁽²⁾

(1) 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 properties under letter of intent, purchase and sale agreements.

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

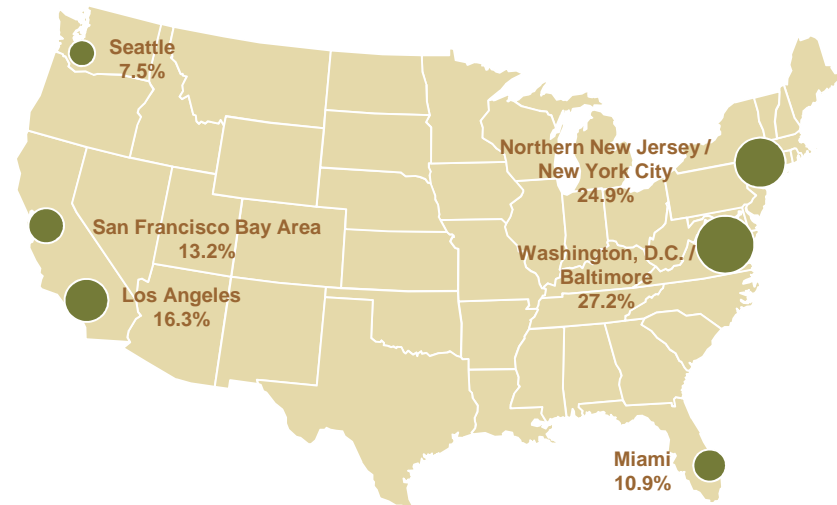


Current Portfolio Overview

Key Metrics⁽¹⁾

Square Feet	10.4 million
Number of Buildings	137
Total Investments in Properties	\$1.1 billion
Average Acquisition Size	\$12.9 million
Weighted Average Occupancy at Acquisition	80.9%
Occupancy as of March 31, 2015	92.0%

Current Portfolio by Geography ⁽²⁾



(1) Properties owned as of March 31, 2015

(2) Based on purchase price by market aggregating approximately 10.4 million square feet owned at March 31, 2015

Selected Recent Acquisitions

V Street

Washington, DC
January 29, 2015

- Purchase Price: \$115.5 million
- Estimated Stabilized Cap Rate: 5.8%
- Size: Six industrial buildings, 820,000 square feet on approximately 18.9 acres
- Occupancy: 87% leased to 22 tenants at acquisition
- Location: One block from New York Avenue/Route 50 in the northeastern section of the District of Columbia



NW 81st

Medley, FL
February 27, 2015

- Purchase Price: \$8.5 million
- Estimated Stabilized Cap Rate: 5.5%
- Size: Two industrial buildings, 89,000 square feet on approximately 4.7 acres
- Occupancy: 100% leased to one tenant at acquisition
- Location: Four miles northwest of Miami International Airport and adjacent to the Palmetto Expressway and North Okeechobee Road



Ahern II

Union City, CA
March 26, 2015

- Purchase Price: \$7.4 million
- Estimated Stabilized Cap Rate: 5.5%
- Size: One industrial building, 65,000 square feet on approximately 3.0 acres
- Occupancy: 100% leased to one tenant at acquisition
- Location: Across the street from existing two building Ahern property and adjacent to Interstate 880



Selected Examples of Value Creation

- In addition to the acquisition and operation of core properties, Terreno has successfully stabilized 25 of 40 value-added investments to date. Since its IPO, approximately half of Terreno's acquisitions have been value-add investments

Strategy	Examples
Repositioning of Vacant Properties	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Americas Gateway: The Doral, FL property was purchased 70% occupied and was 97% leased as of December 31, 2014. ▪ Las Hermanas: Acquired this Compton, CA property in June 2014 via a short-term sale-leaseback with the warehouse tenant expiring in three months. In August 2014, executed a long term lease with a tenant for the entire warehouse.
Value Realized	<ul style="list-style-type: none"> ▪ 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.



Value Creation – Broadway



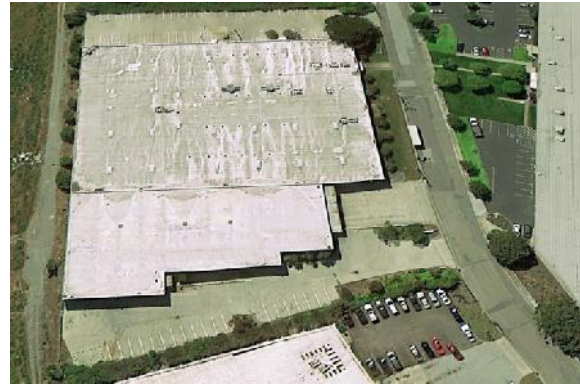
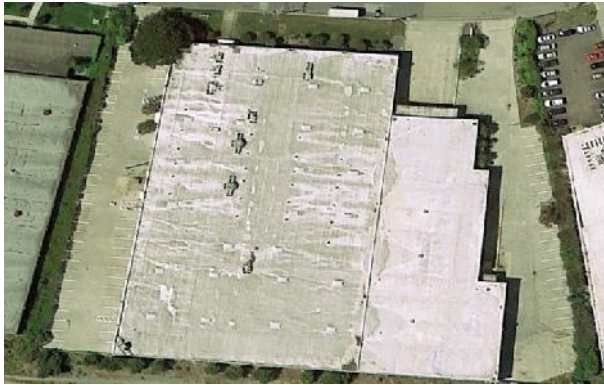
- **Location:** Gardena, CA
- **Size:** One building, 40,000 SF
- **Acquisition Price:** \$6.0 million, \$150 PSF
- **Estimated Stabilized Cap Rate:** 6.5%
- **Occupancy:** 100% occupied at acquisition to a short-term tenant; 100% re-leased to a long-term tenant within three months
- **Product Type:** Front-Load Warehouse with excess land (22.5% FAR)

Value Creation – One building with excess yard located in Gardena, CA acquired with a short-term tenant; renovated office and re-leased within three months of ownership.



Value Creation – 240 Littlefield

BEFORE



AFTER



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

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



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 2% 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

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



Appendix

Appendix: Statements Of Operations

CONSOLIDATED STATEMENTS OF OPERATIONS

	<i>For the Three Months Ended March 31,</i>	
	<i>2015</i>	<i>2014</i>
REVENUES		
Rental revenues	\$ 17,807	\$ 12,071
Tenant expense reimbursements	5,324	3,733
Total revenues	<u>23,131</u>	<u>15,804</u>
COSTS AND EXPENSES		
Property operating expenses	7,130	4,822
Depreciation and amortization	7,626	4,366
General and administrative ⁽¹⁾	3,835	2,356
Acquisition costs	3,218	882
Total costs and expenses	<u>21,809</u>	<u>12,426</u>
OTHER INCOME (EXPENSE)		
Interest and other income (expense)	7	(5)
Interest expense, including amortization	(2,174)	(1,588)
Total other income and expenses	<u>(2,167)</u>	<u>(1,593)</u>
Net (loss) income	(845)	1,785
Preferred stock dividends	(891)	(891)
Net (loss) income, net of preferred stock dividends	(1,736)	894
Allocation to participating securities	-	(6)
Net (loss) income available to common stockholders, net of preferred stock dividends	<u>\$ (1,736)</u>	<u>\$ 888</u>
EARNINGS PER COMMON SHARE - BASIC AND DILUTED:		
Net (loss) income available to common stockholders, net of preferred stock dividends	<u>\$ (0.04)</u>	<u>\$ 0.04</u>
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
	<u>42,731,802</u>	<u>24,850,760</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. 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:

	<i>For the Three Months Ended March 31,</i>	
	<i>2015</i>	<i>2014</i>
Performance share award expense	\$ 1,405	\$ 283



Appendix: Supplemental Components of NAV

COMPONENTS OF NET OPERATING INCOME	<i>For the Three Months Ended March 31, 2015</i>	
Total revenues	\$	23,131
Less straight-line rents		(1,308)
Less amortization of lease intangibles		(581)
Less property operating expenses		(7,130)
Net operating income	\$	14,112

CONTRACTUAL RENT ABATEMENTS ⁽¹⁾ \$ 919

ADJUSTMENTS TO STABILIZE PORTFOLIO

BALANCE SHEET ITEMS

Other assets and liabilities

Cash and cash equivalents	\$	35,206
Restricted cash		4,671
Other assets, net		15,908
Less straight-line rents		(10,466)
Security deposits		(6,052)
Dividends payable		(6,860)
Accounts payable and other liabilities		(11,822)
Total other assets and liabilities	\$	20,585

DEBT AND PREFERRED STOCK

Credit facility	\$	-
Term loans payable		(200,000)
Mortgage loans payable		(103,618)
Total debt	\$	(303,618)
Preferred stock	\$	(46,000)
Total debt and preferred stock	\$	(349,618)
Total shares outstanding		42,875,085

Q1 2015 Acquisitions

Property Name	Date	Purchase Price (in thousands)	Estimated Stabilized Cap Rate	Leased % at Acquisition
10100 NW 25th	January 23, 2015	\$ 9,875	6.4%	100%
V Street	January 29, 2015	115,500	5.8%	87%
9070 Junction	February 19, 2015	10,360	6.2%	38%
NW 81st	February 27, 2015	8,500	5.5%	100%
Ahern II	March 26, 2015	7,375	5.5%	100%
Total/Weighted Average		\$ 151,610	5.8%	86%

SUMMARY MARKET INFORMATION (Investments in Real Estate)

Market	Rentable Square Feet	Occupancy Percentage as of March 31, 2015	Annualized Base Rent (000's)	Annualized Base Rent Per Occupied Square Foot
Los Angeles ⁽²⁾	1,568,571	91.0%	\$ 10,018	\$ 7.02
Northern New Jersey/New York City	2,604,563	85.2%	17,828	8.03
San Francisco Bay Area	1,108,645	98.6%	10,734	9.82
Seattle	904,914	98.2%	5,429	6.11
Miami	1,529,317	98.4%	10,879	7.23
Washington, D.C./Baltimore	2,731,978	90.7%	17,561	7.09
Total/Weighted Average	10,447,988	92.0%	\$ 72,449	\$ 7.54

SUMMARY MARKET INFORMATION (Improved Land)

Market	Number of Parcels	Acreage	Occupancy Percentage as of March 31, 2015	Annualized Base Rent (000's)
Los Angeles	1	1.2	100.0%	\$ 146
Northern New Jersey/New York City	-	-	0.0%	-
San Francisco Bay Area	-	-	0.0%	-
Seattle	-	-	0.0%	-
Miami	1	2.3	100.0%	202
Washington, D.C./Baltimore	-	-	0.0%	-
Total/Weighted Average	2	3.5	100.0%	348

(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%.

Appendix: Net Income, FFO and Adjusted FFO

NET INCOME, FFO AND ADJUSTED FFO	For the Three Months Ended March 31,	
	2015	2014
Total revenues	\$ 23,131	\$ 15,804
Property operating expenses	(7,130)	(4,822)
Depreciation and amortization	(7,626)	(4,366)
General and administrative	(3,835)	(2,356)
Acquisition costs	(3,218)	(882)
Interest and other income (expense)	7	(5)
Interest expense, including amortization	(2,174)	(1,588)
Net (loss) income	(845)	1,785
Preferred stock dividends	(891)	(891)
Net (loss) income, net of preferred stock dividends	\$ (1,736)	\$ 894
Allocation to participating securities	-	(6)
Net (loss) income available to common stockholders, net of preferred stock dividends	\$ (1,736)	\$ 888
Net (loss) income available to common stockholders per common share, net of preferred stock dividends	\$ (0.04)	\$ 0.04
Adjustments to arrive at Funds from Operations:		
Gain on sales of real estate investments	-	-
Depreciation and amortization related to real estate	7,599	4,343
Allocation to participating securities	(16)	(33)
Funds from operations ⁽¹⁾	\$ 5,847	\$ 5,204
Funds from operations per common share (basic and diluted)	\$ 0.14	\$ 0.21
Adjustments to arrive at Adjusted Funds From Operations:		
Acquisition costs	3,218	882
Stock-based compensation	1,641	525
Straight-line rents	(1,308)	(453)
Amortization of lease intangibles	(581)	(228)
Total capital expenditures	(4,610)	(3,308)
Capital expenditures related to stabilization ⁽²⁾	1,756	2,422
Adjusted funds from operations	\$ 5,963	\$ 5,044
Common stock dividends paid	\$ 6,859	\$ 3,249
Weighted average basic and diluted common shares	42,731,802	24,850,760

(1) Includes expensed acquisition costs of \$3.2 million and \$0.9 million for the three months ended March 31, 2015 and 2014, respectively

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

Appendix: Same Store Results

SAME STORE GROWTH ⁽¹⁾	For the Three Months Ended March 31,			
	2015	2014	\$ Change	% Change
Net (loss) income	\$ (845)	\$ 1,785	\$ (2,630)	n/a
Depreciation and amortization from continuing operations	7,626	4,366	3,260	74.7%
General and administrative	3,835	2,356	1,479	62.8%
Acquisition costs	3,218	882	2,336	264.9%
Total other income and expenses	2,167	1,593	574	36.0%
Net operating income	16,001	10,982	5,019	45.7%
Less non-same store NOI	(5,439)	(495)	(4,944)	998.8%
Same store NOI	<u>\$ 10,562</u>	<u>\$ 10,487</u>	<u>\$ 75</u>	<u>0.7%</u>
Less straight-line rents and amortization of lease intangibles	(1,156)	(674)	(482)	71.5%
Cash-basis same store NOI	<u>\$ 9,406</u>	<u>\$ 9,813</u>	<u>\$ (407)</u>	<u>(4.1)%</u>

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

	Full Year 2012	Full Year 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Same store square feet	2,235,500	3,091,365	4,873,919	4,877,290	4,877,290	4,792,329	6,570,157
Occupancy %	93.0%	96.8%	95.9%	97.9%	95.1%	97.1%	94.1%
Cash-basis same store NOI growth %	11.9%	18.1%	11.0%	17.8%	21.1%	1.4%	-4.1%
Average cash-basis same store growth since IPO:			15.3%				

(1) Same Store NOI is computed as rental revenues, including tenant expense reimbursements, less property operating expenses on a same store basis. The same store pool includes all properties that were owned as of March 31, 2015 and since January 2014 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