

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-34603

Terreno Realty Corporation

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

27-1262675
(I.R.S. Employer
Identification Number)

101 Montgomery Street, Suite 200
San Francisco, CA
(Address of Principal Executive Offices)

94104
(Zip Code)

Registrant's telephone number, including area code: (415) 655-4580
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol (s)	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value per share	TRNO	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price, as reported by the New York Stock Exchange, at which the common equity was last sold, as of June 28, 2019, the last business day of the Registrant's most recently completed second fiscal quarter: \$3,180,085,144. (For this computation, the Registrant has excluded the market

value of all shares of its common stock reported as beneficially owned by executive officers and directors of the Registrant. Such exclusion shall not be deemed to constitute and admission that any such person is an affiliate of the Registrant).

The registrant had 67,388,281 shares of its common stock, \$0.01 par value per share, outstanding as of February 4, 2020.

Documents Incorporated by Reference

Part III of this Annual Report on Form 10-K incorporates by reference portions of Terreno Realty Corporation's Proxy Statement for its 2020 Annual Meeting of Stockholders, which the registrant anticipates will be filed with the Securities and Exchange Commission no later than 120 days after the end of its 2019 fiscal year pursuant to Regulation

14A.

Terreno Realty Corporation
Annual Report on Form 10-K
for the Year Ended December 31, 2019

Table of Contents

Part I:

Item 1	Business	2
Item 1A	Risk Factors	6
Item 1B	Unresolved Staff Comments	24
Item 2	Properties	24
Item 3	Legal Proceedings	28
Item 4	Mine Safety Disclosures	28

Part II:

Item 5	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	29
Item 6	Selected Financial Data	30
Item 7	Management’s Discussion and Analysis of Financial Condition and Results of Operations	31
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	56
Item 8	Financial Statements and Supplementary Data	56
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	56
Item 9A	Controls and Procedures	57
Item 9B	Other Information	59

Part III:

Item 10	Directors, Executive Officers and Corporate Governance	59
Item 11	Executive Compensation	59
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	59
Item 13	Certain Relationships and Related Transactions, and Director Independence	59
Item 14	Principal Accounting Fees and Services	59

Part IV:

Item 15	Exhibits and Financial Statement Schedules	60
	Index to Financial Statements	60
Item 16	Form 10-K Summary	60
	Exhibit Index	
	Signatures	

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We caution investors that forward-looking statements are based on management’s beliefs and on assumptions made by, and information currently available to, management. When used, the words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “project”, “result”, “should”, “will”, “seek”, “target”, “see”, “likely”, “position”, “opportunity”, “outlook”, “potential”, “enthusiastic”, “future” and similar expressions which do not relate solely to historical matters are intended to identify forward-looking statements. 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 expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. 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.

Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- the factors included in this Annual Report on Form 10-K, including those set forth under the headings “Risk Factors”, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”;
- our ability to identify and acquire industrial properties on terms favorable to us;
- general volatility of the capital markets and the market price of our common stock;
- adverse economic or real estate conditions or developments in the industrial real estate sector and/or in the markets in which we acquire properties;
- our dependence on key personnel and our reliance on third-party property managers;
- our inability to comply with the laws, rules and regulations applicable to companies, and in particular, public companies;
- our ability to manage our growth effectively;
- tenant bankruptcies and defaults on, or non-renewal of, leases by tenants;
- decreased rental rates or increased vacancy rates;
- increased interest rates and operating costs;
- the potential discontinuation of London Interbank Offered Rate (“LIBOR”);
- declining real estate valuations and impairment charges;
- our expected leverage, our failure to obtain necessary outside financing, and existing and future debt service obligations;
- our ability to make distributions to our stockholders;
- our failure to successfully hedge against interest rate increases;
- our failure to successfully operate acquired properties;
- risks relating to our real estate redevelopment, renovation and expansion strategies and activities;
- our failure to qualify or maintain our status as a real estate investment trust (“REIT”), and possible adverse changes to tax laws;
- uninsured or underinsured losses and costs relating to our properties or that otherwise result from future litigation;
- environmental uncertainties and risks related to natural disasters;
- financial market fluctuations; and
- changes in real estate and zoning laws and increases in real property tax rates.

PART I

Item 1. Business.

Overview

Terreno Realty Corporation (“Terreno”, and together with its subsidiaries, “we”, “us”, “our”, “our Company” or “the Company”) acquires, owns and operates 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. We invest in several types of industrial real estate, including warehouse/distribution (approximately 81.5% of our total annualized base rent as of December 31, 2019), flex (including light industrial and research and development, or R&D) (approximately 7.2%), transshipment (approximately 5.5%) and improved land (approximately 5.8%). We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate. Infill locations are geographic locations surrounded by high concentrations of already developed land and existing buildings. As of December 31, 2019, we owned a total of 220 buildings aggregating approximately 13.3 million square feet, 19 improved land parcels consisting of approximately 77.6 acres and four properties under redevelopment expected to contain approximately 0.5 million square feet upon completion. The buildings and improved land parcels were approximately 96.8% and 92.0% leased, respectively, to 493 customers, the largest of which accounted for approximately 3.6% of our total annualized base rent.

We are an internally managed Maryland corporation and elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Code, commencing with our taxable year ended December 31, 2010.

Our Investment 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.

As described in more detail below, we invest in several types of industrial real estate, including warehouse/distribution, flex (including light industrial and R&D), transshipment and improved land. We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate.

Industrial Facility General Characteristics

Warehouse / distribution (approximately 81.5% of our total annualized base rent as of December 31, 2019)

- Single and multiple tenant facilities that typically serve tenants greater than 10,000 square feet of space
- Generally less than 20% office space
- Typical clear height from 18 feet to 36 feet
- May include production/manufacturing areas
- Interior access via dock high and/or grade level doors
- Truck court for large and small truck distribution options, possibly including staging for a high volume of truck activity and/or trailer storage

Flex (including light industrial and R&D, approximately 7.2% of our total annualized base rent as of December 31, 2019)

- Single and multiple tenant facilities that typically serve tenants less than 10,000 square feet of space
- Facilities generally accommodate both office and warehouse/manufacturing activities
- Typically has a larger amount of office space and shallower bay depths than warehouse/distribution facilities
- Parking consistent with increased office use
- Interior access via grade level and/or dock high doors
- Staging for moderate truck activity
- May include a showroom, service center, or assembly/light manufacturing component
- Enhanced landscaping

Transshipment (approximately 5.5% of our total annualized base rent as of December 31, 2019)

- Includes truck terminals and other transshipment facilities, which serve both single and multiple tenants
- Typically has a high number of dock high doors, shallow bay depth and lower clear height
- Staging for a high volume of truck activity and trailer storage

Improved land (approximately 5.8% of our total annualized base rent as of December 31, 2019)

- Used for truck, trailer and container storage and/or car parking
- May be redeveloped in the future

We selected our target markets by drawing upon the experience of our executive management investing and operating in over 50 global industrial markets located in North America, Europe and Asia, the fundamentals of supply and demand, and in anticipation of trends in logistics patterns resulting from population changes, regulatory and physical constraints, changes in technology, e-commerce, the economic and environmental benefits of reducing vehicle miles traveled and other factors. We believe that our target markets have attractive long-term investment attributes. We target assets with characteristics that include, but are not limited to, the following:

- Located in high population coastal markets;
- Close proximity to transportation infrastructure (such as sea ports, airports, highways and railways);
- Situated in supply-constrained submarkets with barriers to new industrial development, as a result of physical and/or regulatory constraints;
- Functional and flexible layout that can be modified to accommodate single and multiple tenants;
- Acquisition price at a discount to the replacement cost of the property;
- Potential for enhanced return through re-tenanting or operational or physical improvements; and
- Opportunity for higher and better use of the property over time.

In general, we prefer to utilize local third-party property managers for day-to-day property management. We believe outsourcing property management is cost effective and provides us with operational flexibility and is a source of acquisition opportunities. We may directly manage properties in the future if we determine such direct property management is in our best interest.

We have no current intention to acquire undeveloped or unimproved industrial land or to pursue greenfield ground-up development. Nevertheless, we pursue redevelopment, renovation and expansion opportunities of properties that we own, acquire properties and improved land parcels with the intent to redevelop in the near-term, and acquire adjacent land to expand our existing facilities.

We expect that we will continue to acquire the significant majority of our investments as equity interests in individual properties, portfolios of properties or improved industrial land parcels which may be rented without a building in place. We may acquire industrial properties through the acquisition of other corporations or entities that own industrial real estate. We will opportunistically make investments in debt secured by industrial real estate that would otherwise meet our investment criteria with the intention of ultimately acquiring the underlying real estate. We currently do not intend to target specific percentages of holdings of particular types of industrial properties. This expectation is based upon prevailing market conditions and may change over time in response to different prevailing market conditions.

The properties we acquire may be stabilized (fully leased) or unstabilized (have near term lease expirations or be partially or fully vacant). During the period from February 16, 2010 to December 31, 2019, we have stabilized 74 properties.

We sell properties from time to time when we believe the prospective total return from a property is particularly low relative to its market value or the market value of the property is significantly greater than its estimated replacement cost. Capital from such sales is reinvested into properties that are expected to provide better prospective returns or returned to shareholders. We have disposed of 19 properties since inception in 2010 for an aggregate sales price of approximately \$291.4 million and a total gain of approximately \$93.1 million.

Competitive Strengths

We believe we distinguish ourselves from our competitors through the following competitive advantages:

- ***Focused Investment Strategy.*** We invest exclusively in six major coastal U.S. markets and focus on infill locations. We selected our six target markets based upon the experience of our executive management investing and operating in over 50 global industrial markets located in North America, Europe and Asia, the fundamentals of supply and demand,

and in anticipation of trends in logistics patterns resulting from population changes, regulatory and physical constraints, changes in technology, e-commerce, the economic and environmental benefits of reducing vehicle miles traveled and other factors. We have no current intention to acquire undeveloped or unimproved land or pursue greenfield ground-up development, but we pursue redevelopment, renovation and expansion activities.

- **Highly Aligned Compensation Structure.** We believe that executive compensation should be closely aligned with long-term stockholder value creation. As a result, the long-term equity incentive compensation of our executive officers is based primarily on our total shareholder return exceeding the total shareholder return of the MSCI U.S. REIT Index (RMS) or the FTSE National Association of Real Estate Investment Trusts (“Nareit”) Equity Industrial Index.
- **Commitment to Strong Corporate Governance.** We are committed to strong corporate governance, as demonstrated by the following:
 - all members of our board of directors serve annual terms;
 - we have adopted a majority voting standard in non-contested director elections;
 - we have opted out of three Maryland anti-takeover provisions and, in the future, we may not opt back in to these provisions without stockholder approval;
 - we designed our ownership limits solely to protect our status as a REIT and not for the purpose of serving as an anti-takeover device; and
 - we have no stockholder rights plan. In the future, we will not adopt a stockholder rights plan unless our stockholders approve in advance the adoption of such a plan or, if adopted by our board of directors, we will submit the stockholder rights plan to our stockholders for a ratification vote within 12 months of adoption or the plan will terminate.

Our Financing Strategy

The primary objective of our financing strategy is to maintain financial flexibility with a conservative capital structure using retained cash flows, proceeds from dispositions of properties, long-term debt and the issuance of common and perpetual preferred stock to finance our growth. Over the long term, we intend to:

- limit the sum of the outstanding principal amount of our consolidated indebtedness and the liquidation preference of any outstanding perpetual preferred stock to less than 35% of our total enterprise value;
- maintain a fixed charge coverage ratio in excess of 2.0x;
- maintain a debt-to-adjusted EBITDA ratio below 6.0x;
- limit the principal amount of our outstanding floating rate debt to less than 20% of our total consolidated indebtedness; and
- have staggered debt maturities that are aligned to our expected average lease term (5-7 years), positioning us to re-price parts of our capital structure as our rental rates change with market conditions.

We intend to preserve a flexible capital structure with a long-term goal to maintain our investment grade rating and be in a position to issue additional unsecured debt and additional perpetual preferred stock. Fitch Ratings assigned us an issuer rating of BBB with a stable outlook. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. There can be no assurance that we will be able to maintain our current credit rating. Our credit rating can affect the amount and type of capital we can access, as well as the terms of any financings we may obtain. In the event our current credit rating is downgraded, it may become difficult or expensive to obtain additional financing or refinance existing obligations and commitments. We intend to primarily utilize senior unsecured notes, term loans, credit facilities, dispositions of properties, common stock and perpetual preferred stock. We may also assume debt in connection with property acquisitions which may have a higher loan-to-value ratio.

Our Corporate Structure

We are a Maryland corporation formed on November 6, 2009 and have been publicly held and subject to U.S. Securities and Exchange Commission, or SEC, reporting obligations since 2010. We are not structured as an Umbrella Partnership Real Estate Investment Trust, or UPREIT, although we could put in place a similar structure to facilitate an acquisition if needed. We currently own our properties indirectly through subsidiaries and may utilize one or more taxable REIT subsidiaries as appropriate.

Our Tax Status

We elected to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ended December 31, 2010. We believe that our organization and method of operation has enabled and will continue to enable us to meet the requirements for qualification and taxation as a REIT for federal income tax purposes. To maintain REIT status we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our net taxable income to our stockholders, excluding net capital gains. As a REIT, we generally will not be subject to federal income tax on REIT taxable income we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state and local taxes on our income or property and the income of our taxable REIT subsidiaries, if any, will be subject to taxation at regular corporate rates. We do not currently own any taxable REIT subsidiaries but may in the future.

Competition

We believe the current market for industrial real estate acquisitions to be competitive. We compete for real property investments with pension funds and their advisors, bank and insurance company investment accounts, other public and private real estate investment companies, including other REITs, real estate limited partnerships, owner-users, individuals and other entities engaged in real estate investment activities, some of which have greater financial resources than we do. We believe the leasing of real estate to be highly competitive. We experience competition for customers from owners and managers of competing properties. As a result, we may have to provide free rental periods, incur charges for tenant improvements or offer other inducements, all of which may have an adverse impact on our results of operations.

Environmental Matters

The industrial properties that we own and will acquire are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, as owner of a contaminated property, to clean up the property, even if we did not know of or were not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated, and therefore it is possible we could incur these costs even after we sell some of our properties. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow using the property as collateral or to sell the property. Under applicable environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the clean up of that facility if it becomes contaminated and threatens human health or the environment.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos at one of our properties may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities. An example would be laws that require a business using chemicals to manage them carefully and to notify local officials that the chemicals are being used.

We could be responsible for any of the costs discussed above. The costs to clean up a contaminated property, to defend against a claim, or to comply with environmental laws could be material and could adversely affect the funds available for distribution to our stockholders. We generally obtain "Phase I environmental site assessments", or ESAs, on each property prior to acquiring it. However, these ESAs may not reveal all environmental costs that might have a material adverse effect on our business, assets, results of operations or liquidity and may not identify all potential environmental liabilities.

In general, we utilize local third-party property managers for day-to-day property management and will rely on these third parties to operate our industrial properties in compliance with applicable federal, state and local environmental laws in their daily operation of the respective properties and to promptly notify us of any environmental contaminations or similar issues. As a result, we may become subject to material environmental liabilities of which we are unaware. We can make no assurances that (1) future laws or regulations will not impose material environmental liabilities on us, or (2) the environmental condition of our industrial properties will not be affected by the condition of the properties in the vicinity of our industrial properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to us. We were not aware of any significant or material exposures as of December 31, 2019 and 2018.

Employees

As of February 6, 2020, we have 24 employees. None of our employees is a member of any union.

Available Information

We maintain an internet website at the following address: <http://terreno.com>. The information on our website is neither part of nor incorporated by reference in this Annual Report on Form 10-K. We make available, free of charge, on or through our website certain reports and amendments to those reports that we file with or furnish to the SEC in accordance with the Exchange Act. These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and exhibits and amendments to these reports, and Section 16 filings. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. You may also obtain our reports by accessing the EDGAR database at the SEC's website at <http://www.sec.gov>.

Item 1A. Risk Factors.

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we may currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, operating results and cash flows could be adversely affected. Investors should also refer to our quarterly reports on Form 10-Q and current reports on Form 8-K for any material updates to these risk factors.

Risks Related to Our Business and Our Properties

Our long-term growth will depend, in part, upon future acquisitions of properties, and we may be unable to consummate acquisitions on advantageous terms, the acquired properties may not perform as we expect, or we may be unable to quickly and efficiently integrate our new acquisitions into our existing operations.

We intend to continue to acquire industrial properties in our six target markets. The acquisition of properties entails various risks, including the risks that our investments may not perform as well as we had expected, that we may be unable to quickly and efficiently integrate our new acquisitions into our existing operations and that our cost estimates for bringing an acquired property up to market standards may prove inaccurate. In addition, we cannot assure you of the availability of investment opportunities in our targeted markets at attractive pricing levels or at all. In the event that such opportunities are not available in our targeted markets as we expect, our ability to execute our business plan and realize our projections for growth may be materially adversely affected. Further, we face significant competition for attractive investment opportunities from other well-capitalized real estate investors, including pension funds and their advisors, bank and insurance company investment accounts, other public and private real estate investment companies, including other REITs, real estate limited partnerships, owner-users, individuals and other entities engaged in real estate investment activities, some of which have greater financial resources than we do and a greater ability to borrow funds to acquire properties. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. As a result of competition, we may be unable to acquire properties as we desire or the purchase price may be significantly elevated.

In addition, we expect to finance future acquisitions through a combination of debt and equity financing including borrowings under our revolving credit facility, term loans, issuance of unsecured debt securities, debt secured by individual properties or pools of properties, the use of retained cash flows and the issuance of a combination of long-term debt and common and perpetual preferred stock, which may not be available at all or on advantageous terms and which could adversely affect our cash flows. Any of the above risks could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock and our preferred stock.

We may make acquisitions that pose integration and other risks that could harm our business.

We may be required to incur debt and expenditures and issue additional shares of our common stock or issue shares of preferred stock to pay for industrial properties that we may acquire, which may dilute our stockholders' ownership interests and may reduce or eliminate our profitability. These acquisitions may also expose us to risks such as:

- the possibility that we may not be able to successfully integrate acquired properties into our operations;
- the possibility that additional capital expenditures may be required;
- the possibility that senior management may be required to spend considerable time negotiating agreements and integrating acquired properties;
- the possible loss or reduction in value of acquired properties;

- the possibility of pre-existing undisclosed liabilities regarding acquired properties, including but not limited to environmental or asbestos liability, for which our insurance may be insufficient or for which we may be unable to secure insurance coverage;
- the possibility that a concentration of our industrial properties in Los Angeles, the San Francisco Bay Area and Seattle may increase our exposure to seismic activity, especially if these industrial properties are located on or near fault zones; and
- the possibility that we may not meet our estimated forecasts related to stabilized cap rates.

We expect acquisition costs, including capital expenditures required to render industrial properties operational, to increase in the future. If our revenue does not keep pace with these potential acquisition costs, we may not be able to maintain our current or expected earnings as we absorb these additional expenses. There is no assurance we would successfully overcome these risks or any other problems encountered with these acquisitions.

If we cannot obtain additional financing, our growth will be limited.

If adverse conditions in the credit markets — in particular with respect to real estate — materially deteriorate, our business could be materially and adversely affected. Our long-term ability to grow through investments in industrial properties, including our ability to realize our projections for growth, will be limited if we cannot obtain additional financing on favorable terms or at all. In the future, we will rely on equity and debt financing, including issuances of common and perpetual preferred stock, borrowings under our revolving credit facility, term loans, issuances of unsecured debt securities and debt secured by individual properties or pools of properties, to finance our acquisition, redevelopment, renovation and expansion activities and for working capital. If we are unable to obtain equity or debt financing from these or other sources, or to refinance existing indebtedness upon maturity, our financial condition and results of operations would likely be adversely affected. Market conditions may make it difficult to obtain additional financing, and we cannot assure you that we will be able to obtain additional debt or equity financing or that we will be able to obtain it on favorable terms.

In addition, to qualify as a REIT, we are required to distribute at least 90% of our taxable income (determined before the deduction for dividends paid and excluding any net capital gains) each year to our stockholders, and we generally expect to make distributions in excess of such amount. As a result, our ability to retain earnings to fund acquisitions, redevelopment, renovation and expansion, if any, or other capital expenditures will be limited.

The availability and timing of cash distributions is uncertain.

We have made regular quarterly cash distributions (which we also refer to as dividends, in this Annual Report on Form 10-K and in the other documents we file with the SEC) to our stockholders, and we intend to continue to pay regular quarterly cash distributions. However, we bear all expenses incurred by our operations, and the funds generated by our operations, after deducting these expenses, may not be sufficient to cover desired levels of distributions to our stockholders. In addition, our board of directors, in its discretion, may retain any portion of such cash for working capital. Our ability to make distributions to our stockholders also will depend on our levels of retained cash flows, which we intend to use as a source of investment capital. We cannot assure our stockholders that sufficient funds will be available to pay distributions. Our corporate strategy is to fund the payment of quarterly distributions to our stockholders entirely from distributable cash flows. However, we may fund our quarterly distributions to our stockholders from a combination of available cash flows, net of recurring capital expenditures, and proceeds from borrowings and property dispositions. In the event we are unable to consistently fund future quarterly distributions to our stockholders entirely from distributable cash flows, the value of our shares may be negatively impacted.

We depend on key personnel.

Our success depends to a significant degree upon the contributions of certain key personnel, including but not limited to, our chairman and chief executive officer and our president, each of whom would be difficult to replace. If any of our key personnel were to cease employment with us, our operating results could suffer. Our ability to retain our senior management group or to attract suitable replacements should any members of the senior management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flows. Further, such a loss could be negatively perceived in the capital markets. We have not obtained and do not expect to obtain key man life insurance on any of our key personnel.

We also believe that, as we expand, our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, investment, financial and operational personnel. Competition for such personnel is intense, and we cannot assure our stockholders that we will be successful in attracting and retaining such skilled personnel.

Our investments are concentrated in the industrial real estate sector, and our business would be adversely affected by an economic downturn in that sector.

Our investments in real estate assets are concentrated in the industrial real estate sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included a more significant portion of other sectors of the real estate industry.

Events or occurrences that affect areas in which our properties are located may materially adversely impact our financial results.

In addition to general, regional, national and international economic conditions that may materially adversely affect our business and financial results, our operating performance will be materially adversely impacted by adverse economic conditions in the specific markets in which we operate and particularly in the markets in which we have significant concentrations of properties. For example, as of December 31, 2019, approximately 26.7% of our rentable square feet and approximately 62.8% of our improved land parcels were located in Northern New Jersey/New York City, representing a combined percentage of approximately 30.9% of our total annualized base rent. See “Item 2 – Properties” in this Annual Report on Form 10-K for additional information regarding our ownership of properties in our markets. Any downturn in the economy in the real estate market or any of our markets and any failure to accurately predict the timing of any economic improvement in these markets could cause our operations and our revenue and cash available for distribution, including cash available to pay distributions to our stockholders, to be materially adversely affected.

We may be unable to renew leases, lease vacant space, including vacant space resulting from tenant defaults, or re-lease space as leases expire.

We cannot assure you that leases at our properties will be renewed or that such properties will be re-leased at net effective rental rates equal to or above the then current average net effective rental rates or at all. In addition, we may be required to grant concessions or fund improvements. If the rental rates for our properties decrease, our tenants do not renew their leases or we do not re-lease a significant portion of our available space, including vacant space resulting from tenant defaults, and space for which leases are scheduled to expire, our financial condition, results of operations, cash flows, cash available for distribution to stockholders, per share trading price of our common stock and our ability to satisfy our debt service obligations could be materially adversely affected. In addition, if we are unable to renew leases or re-lease a property, the resale value of that property could be diminished because the market value of a particular property will depend in part upon the value of the leases of such property.

We face potential adverse effects from the bankruptcies or insolvencies of tenants or from tenant defaults generally.

We are dependent on tenants for our revenues, including certain significant tenants. Moreover, certain of our properties are occupied by a single tenant, and the income produced by these properties depends on the financial stability of that tenant. The bankruptcy or insolvency of the tenants at our properties, or tenant defaults generally, may adversely affect the income produced by our properties. The tenants, particularly those that are highly leveraged, could file for bankruptcy protection or become insolvent in the future. Under bankruptcy law, a tenant cannot be evicted solely because of its bankruptcy. On the other hand, a bankrupt tenant may reject and terminate its lease with us. In such case, our claim against the bankrupt tenant for unpaid and future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and, even so, our claim for unpaid rent would likely not be paid in full. This shortfall could adversely affect our cash flows and results of operations and could cause us to reduce the amount of distributions to stockholders.

A default by a tenant on its lease payments could force us to find an alternative source of revenues to pay any mortgage loan or operating expenses on the property. In the event of a tenant default, we may experience delays in enforcing our rights as landlord and may incur substantial costs, including litigation and related expenses, in protecting our investment and re-leasing our property.

Declining real estate valuations and impairment charges could adversely affect our earnings and financial condition.

We review the carrying value of our properties when circumstances, such as adverse market conditions, indicate potential impairment may exist. We base our review on an estimate of the future cash flows (excluding interest charges) expected to result from the real estate investment’s use and eventual disposition. We consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our evaluation indicates that we may be unable to recover the carrying value of a real estate investment, an impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair value of the property. These losses would have a direct impact on our net income

because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. A worsening real estate market may cause us to reevaluate the assumptions used in our impairment analysis. Impairment charges could adversely affect our financial condition, results of operations, cash available for distribution, including cash available for us to pay distributions to our stockholders and per share trading price of our common stock.

We utilize local third-party managers for day-to-day property management for substantially all of our properties.

In general, we prefer to utilize local third-party managers for day-to-day property management, although we may directly manage other properties in the future. To the extent we utilize third-party managers, our cash flows from our industrial properties may be adversely affected if our managers fail to provide quality services. In addition, our managers or their affiliates may manage, and in some cases may own, invest in or provide credit support or operating guarantees to industrial properties that compete with our industrial properties, which may result in conflicts of interest and decisions regarding the operation of our industrial properties that are not in our best interests.

Our real estate redevelopment, renovation or expansion strategies may not be successful.

In connection with our business strategy, we may pursue redevelopment opportunities or construct expansions or improvements of industrial properties that we own. We will be subject to risks associated with our redevelopment, renovation and expansion activities that could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock. Such risks include the expenditure of money and time on projects that do not perform as expected; higher than estimated construction or operating costs, including labor and material costs; failure to obtain, or delays in obtaining, any necessary permits and authorizations; permits and authorizations that are subject to stringent conditions; the inability to complete construction on the timeframe we expect; occupancy and rental rates that may not meet expectations; and the inability to obtain financing on favorable terms or at all to finance redevelopment, renovation and expansion projects.

We may be required to fund future tenant improvements, and we may not have funding for those improvements.

When a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings in the future, it is likely that, in order to attract one or more new tenants, we will be required to expend funds to construct new tenant improvements in the vacated space. We may also be required to fund tenant improvements to retain tenants. Although we intend to manage our cash position or financing availability to pay for any improvements required for re-leasing, we cannot assure our stockholders that we will have adequate sources of funding available to us for such purposes in the future.

Debt service obligations could adversely affect our overall operating results, may require us to sell industrial properties and could adversely affect our ability to make distributions to our stockholders and the market price of our shares of common stock.

Our business strategy contemplates the use of both non-recourse secured debt and unsecured debt to finance long-term growth. As of December 31, 2019, we had total debt, net of deferred financing costs, of approximately \$491.6 million, which consisted of revolving credit facility borrowings, term loan borrowings, senior unsecured note borrowings and mortgage loans payable. While over the long term we intend to limit the sum of the outstanding principal amount of our consolidated indebtedness and the liquidation preference of any outstanding shares of preferred stock to less than 35% of our total enterprise value, our governing documents contain no limitations on the amount of debt that we may incur, and our board of directors may change our financing policy at any time without stockholder approval. Over the long-term, we also intend to maintain a fixed charge coverage ratio in excess of 2.0x and a debt-to-adjusted EBITDA ratio below 6.0x and limit the principal amount of our outstanding floating rate debt to less than 20% of our total consolidated indebtedness. Our board of directors may modify or eliminate these limitations at any time without the approval of our stockholders. As a result, we may be able to incur substantial additional debt, including secured debt, in the future. Our existing debt, and the incurrence of additional debt, could subject us to many risks, including the risks that:

- our cash flows from operations will be insufficient to make required payments of principal and interest;
- our debt may increase our vulnerability to adverse economic and industry conditions;
- we may be required to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing cash available for distribution to our stockholders, funds available for operations and capital expenditures, future business opportunities or other purposes;
- the terms of any refinancing will not be as favorable as the terms of the debt being refinanced; and

- the use of leverage could adversely affect our ability to make distributions to our stockholders and the market price of our shares of common stock.

If we do not have sufficient funds to repay existing or future debt, including debt under our credit facility and senior unsecured notes, it may be necessary to refinance the debt through additional debt or additional equity financings. If, at the time of any refinancing, prevailing interest rates or other factors result in higher interest rates on refinancings, increases in interest expense would adversely affect our cash flows, and, consequently, cash available for distribution to our stockholders. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of industrial properties on disadvantageous terms, potentially resulting in losses. We may place mortgages on our properties that we own to secure a revolving credit facility or other debt. To the extent we cannot meet any future debt service obligations, we will risk losing some or all of our industrial properties that may be pledged to secure our obligations to foreclosure. Also, covenants applicable to any existing or future debt could impair our planned investment strategy and, if violated, result in a default.

Higher interest rates could increase debt service requirements on any floating rate debt that we incur and could reduce the amounts available for distribution to our stockholders, as well as reduce funds available for our operations, future business opportunities, or other purposes. In addition, an increase in interest rates could decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions. Adverse economic conditions could cause the terms on which we borrow to be unfavorable. We could be required to liquidate one or more of our industrial properties in order to meet our debt service obligations at times which may not permit us to receive an attractive return on our investments.

Our \$250.0 million revolving credit facility, our \$100.0 million term loan, our \$350.0 million of senior unsecured notes and certain of our existing mortgage loans payable contain, and we expect that our future indebtedness will contain, covenants that could limit our operations and our ability to make distributions to our stockholders.

We have a credit facility, which consists of a \$100.0 million term loan that matures in January 2022 and a revolving credit facility with \$250.0 million in borrowing capacity that matures in October 2022. We also have \$350.0 million of senior unsecured notes outstanding. We have agreed to guarantee the obligations of the borrower (a wholly-owned subsidiary) under our revolving credit facility, our term loan and our senior unsecured notes. Our revolving credit facility, our term loan, our senior unsecured notes and certain of our existing mortgage loans payable contain, and we expect that our future indebtedness will contain, financial and operating covenants, such as fixed charge coverage and debt ratios and other limitations that will limit or restrict our ability to make distributions or other payments to our stockholders and may restrict our investment activities. For example, our credit facility restricts distributions if we are in default. The covenants in our debt agreements may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our stockholders or obtain necessary funds. Given the restrictions in our debt covenants on these and other activities, we may be limited in our operating and financial flexibility and in our ability to respond to changes in our business or competitive activities in the future.

Failure to meet our financial covenants could result from, among other things, changes in our results of operations, the incurrence of debt or changes in general economic conditions. In addition, the failure of at least one of our chief executive officer and our president or any successors approved by the administrative agent to continue to be active in our day-to-day management constitutes an event of default under our credit facility. We have 120 days under our credit facility to hire a successor executive reasonably satisfactory to the administrative agent in the event that both our chief executive officer and our president or any successors cease to be active in our management. If we violate covenants or if there is an event of default under our credit facility, our senior unsecured notes, our existing mortgage loans payable or in our future agreements, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all which may have a material adverse effect on our cash flows, financial condition and results of operations.

In addition, the note purchase agreements with respect to our existing senior unsecured notes contain, and any unsecured debt agreements we enter into in the future may contain, specific cross-default provisions with respect to specified other indebtedness, giving the unsecured lenders the right to declare a default if we are in default under other loans in some circumstances. Defaults under our debt agreements could materially and adversely affect our financial condition and results of operations.

We may acquire outstanding debt or provide a loan, in each case secured by an industrial property, which will expose us to risks.

We may acquire outstanding debt secured by an industrial property from lenders and investors or provide a loan secured by industrial property if we believe we can acquire ownership of the underlying property through foreclosure, deed-in-lieu of foreclosure or other means. For example, on May 7, 2018, we made a senior secured loan of \$55.0 million with a two-year term

that bears interest at a fixed annual interest rate of 8.0% and matures in May 2020, which is secured by a portfolio of seven improved land parcels. During the year ended December 31, 2019, we acquired two properties that were securing the senior secured loan for a previously agreed upon purchase price, which resulted in an equivalent reduction of the amount outstanding under the senior secured loan. The balance of the loan at December 31, 2019 was \$15.9 million. If we do acquire such debt or provide such a loan, borrowers may seek to assert various defenses to our foreclosure or other actions and we may not be successful in acquiring the underlying property on a timely basis, or at all, in which event we could incur significant costs and experience significant delays in acquiring such properties, all of which could adversely affect our financial performance and reduce our expected returns from such investments. In addition, we may not earn a current return on such investments particularly if the loan that we acquire or provide is in, or goes into, default.

If we provide debtor-in-possession financing or provide a loan, a default by the borrower could adversely affect our cash flows.

We may on a limited basis provide debtor-in-possession financing to a property owner that has filed for bankruptcy, or make a loan secured by real estate that we might otherwise purchase directly. We expect that any such loans would be secured by one or more properties that we intend to acquire and that we would have the option to acquire such property in lieu of the repayment of such loan. For example, on May 7, 2018, we made a senior secured loan of \$55.0 million with a two-year term that bears interest at a fixed annual interest rate of 8.0% and matures in May 2020, which is secured by a portfolio of seven improved land parcels. During the year ended December 31, 2019, we acquired two properties that were securing the senior secured loan for a previously agreed upon purchase price, which resulted in an equivalent reduction of the amount outstanding under the senior secured loan. Any default by the borrower under any such loan, including such senior secured loan, could negatively impact our cash flows and our ability to make cash distributions to our stockholders and result in litigation and related expenses. Although we would expect to acquire the secured property upon a borrower's default, there is no assurance that we will successfully foreclose on a property, and any such foreclosure could result in significant expenses.

Adverse changes in our credit rating could negatively affect our financing activity.

Fitch Ratings assigned us an issuer rating of BBB with a stable outlook. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Our credit rating can affect the amount of capital we can access, as well as the terms and pricing of any debt we may incur. There can be no assurance that we will be able to maintain our current credit rating, and in the event our credit rating is downgraded, we would likely incur higher borrowing costs and may encounter difficulty in obtaining additional financing. Also, a downgrade in our credit rating may trigger additional payments or other negative consequences under our existing and future credit facilities and debt instruments. For example, if our credit rating is downgraded to below investment grade levels, we may not be able to obtain or maintain extensions on certain of our existing debt. Adverse changes in our credit rating could negatively impact our refinancing activities, our ability to manage our debt maturities, our future growth, our financial condition, the market price of our stock and our acquisition activities.

Failure to hedge effectively against interest rate changes may adversely affect results of operations.

We may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as cap contracts and swap agreements. For example, we have executed interest rate caps to hedge the variable cash flows associated with our \$100.0 million variable-rate term loan. These agreements have costs and involve the risks that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such agreements are not legally enforceable. Hedging may reduce overall returns on our investments. Failure to hedge effectively against interest rate changes may materially adversely affect our results of operations.

We may be adversely affected by the potential discontinuation of LIBOR.

In July 2017, the Financial Conduct Authority in the United Kingdom, which regulates LIBOR, announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is expected that a transition away from the widespread use of LIBOR to alternative interest rates will occur over the course of the next few years. As of December 31, 2019, we had \$100.0 million of debt that was indexed to LIBOR, including our credit facility.

In the event that LIBOR is discontinued, the interest rate for our debt that is indexed to LIBOR will be based on a replacement rate or an alternate base rate as specified in the applicable documentation governing such debt or as otherwise agreed upon. Such an event would not affect our ability to borrow or maintain already outstanding borrowings, but the replacement rate or alternate base rate could be higher or more volatile than LIBOR prior to its discontinuance. The full impact of the expected transition away from LIBOR and the potential discontinuation of LIBOR after 2021 is unclear, but these changes could adversely affect our cash flow, financial condition and results of operations.

Our property taxes could increase due to property tax rate changes or reassessment, which would impact our cash flows.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. For example, all of our properties located in California may be reassessed as a result of various factors including, without limitation, changes in California laws that contain certain limitations on annual increases of assessed value of real property, commonly referred to as “Proposition 13 Protections.” A measure proposing to remove certain Proposition 13 Protections for commercial real estate owners qualified as a November 2020 California ballot measure. Therefore, the amount of property taxes we pay in the future may increase substantially. If the property taxes we pay increase, our cash flows will be impacted, and our ability to pay expected distributions to our stockholders could be adversely affected.

Actions of our joint venture partners could negatively impact our performance.

While we have no current intention to do so, we may acquire and/or redevelop properties through joint ventures, limited liability companies and partnerships with other persons or entities when warranted by the circumstances. Such partners may share certain approval rights over major decisions. Such investments may involve risks not otherwise present with other methods of investment in real estate. We generally will seek to maintain sufficient control of our partnerships, limited liability companies and joint ventures to permit us to achieve our business objectives; however, we may not be able to do so, and the occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock.

If we invest in a limited partnership as a general partner, we could be responsible for all liabilities of such partnership.

In some joint ventures or other investments we may make, if the entity in which we invest is a limited partnership, we may acquire all or a portion of our interest in such partnership as a general partner. As a general partner, we could be liable for all the liabilities of such partnership. Additionally, we may be required to take our interests in other investments as a non-managing general partner. Consequently, we would be potentially liable for all such liabilities without having the same rights of management or control over the operation of the partnership as the managing general partner or partners may have. Therefore, we may be held responsible for all of the liabilities of an entity in which we do not have full management rights or control, and our liability may far exceed the amount or value of the investment we initially made or then had in the partnership.

The conflict of interest policies we have adopted may not adequately address all of the conflicts of interest that may arise with respect to our activities.

In order to avoid any actual or perceived conflicts of interest with our directors, officers or employees, we have adopted certain policies to specifically address some of the potential conflicts relating to our activities. In addition, our board of directors is subject to certain provisions of Maryland law, which are also designed to eliminate or minimize conflicts. Although under these policies the approval of a majority of our disinterested directors is required to approve any transaction, agreement or relationship in which any of our directors, officers or employees has an interest, there is no assurance that these policies will be adequate to address all of the conflicts that may arise or will address such conflicts in a manner that is favorable to us.

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal controls over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, there can be no guarantee that our internal controls over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal controls over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

Volatility in the capital and credit markets could materially and adversely impact us.

The capital and credit markets have experienced extreme volatility and disruption from time to time, which has at times made it more difficult to borrow money or raise equity capital. Market volatility and disruption could hinder our ability to obtain new debt financing or refinance our maturing debt on favorable terms or at all. In addition, our future access to the equity markets could be limited. Any such financing or refinancing issues could materially and adversely affect us. Market turmoil and

tightening of credit, which have occurred in the past, can lead to an increased lack of consumer confidence and widespread reduction of business activity generally, which also could materially and adversely impact us, including our ability to acquire and dispose of assets on favorable terms or at all. Volatility in capital and credit markets may also have a material adverse effect on the market price of our common stock.

We may not acquire the industrial properties that we have entered into agreements or non-binding letters of intent to acquire.

We have entered into agreements and non-binding letters of intent with third-party sellers to acquire properties as more fully described under the heading “Contractual Obligations” in this Annual Report on Form 10-K. There is no assurance that we will acquire the properties under contract and non-binding letters 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 non-binding letters of intent, our entry into purchase and sale agreements with respect to the properties. There is no assurance that such proposed acquisitions, if completed, will be completed on the timeframe or terms we expect. If we do not complete the acquisition of the properties under contract or non-binding letters of intent, we will have incurred expenses without our stockholders realizing any benefit from the acquisition of such properties.

We face risks associated with security breaches through cyber-attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems.

Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations and, in some cases, may be critical to the operations of certain of our tenants. We face risks associated with security breaches, whether through cyber-attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, people with access or who gain access to our systems and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Although we make efforts to maintain the security and integrity of our IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, including but not limited to password protection, ongoing training modules throughout the year, frequent backups and a redundant data system, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures.

A security breach or other significant disruption involving our IT networks and related systems could, among other things:

- disrupt the proper functioning of our networks and systems, and therefore our operations and/or those of certain of our tenants;
- result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines;
- result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- require significant management attention and resources to remedy any damages that result;
- compromise the confidential information of our employees and tenants;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes;
- subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or
- damage our reputation among our tenants, investors and associates.

Risks Related to the Real Estate Industry

Our performance and value are subject to general economic conditions and risks associated with our real estate assets.

The investment returns available from investments in real estate depend on the amount of income earned and capital appreciation generated by the properties, as well as the expenses incurred in connection with the properties. If our properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, then our ability to pay distributions to our stockholders could be adversely affected. In addition, there are significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) that generally do not decline

when circumstances reduce the income from the property. Income from and the value of our properties may be adversely affected by:

- downturns in national, regional and local economic conditions (particularly increases in unemployment);
- the attractiveness of our properties to potential tenants and competition from other industrial properties;
- changes in supply of or demand for similar or competing properties in an area;
- bankruptcies, financial difficulties or lease defaults by the tenants of our properties;
- adverse capital and credit market conditions, which may restrict our operating activities;
- changes in interest rates, availability and terms of debt financing;
- changes in operating costs and expenses and our ability to control rents;
- changes in, or increased costs of compliance with, governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws, and our potential liability thereunder;
- our ability to provide adequate maintenance and insurance;
- changes in the cost or availability of insurance, including coverage for mold or asbestos;
- unanticipated changes in costs associated with known adverse environmental conditions or retained liabilities for such conditions;
- periods of high or rising interest rates;
- tenant turnover;
- re-leasing that may require concessions or reduced rental rates under the new leases due to reduced demand;
- general overbuilding or excess supply in the market area;
- disruptions in the global supply chain caused by political, regulatory or other factors including terrorism;
- disruptions to political, governmental or regulatory systems, including shutdowns of the government and its agencies; and
- the effects of deflation, including credit market dislocation, weakened consumer demand and a decline in general price levels.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or public perception that any of these events may occur, would result in a general decrease in rents or an increased occurrence of defaults under existing leases, which would materially adversely affect our financial condition and results of operations. Future terrorist attacks may result in declining economic activity, which could reduce the demand for, and the value of, our properties. To the extent that future attacks impact the tenants of our properties, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases. For these and other reasons, we cannot assure our stockholders that we will be profitable or that we will realize growth in the value of our real estate properties.

Investments in real estate properties are subject to risks that could adversely affect our business.

Investments in real estate properties are subject to varying degrees of risk. While we seek to minimize these risks through geographic diversification of our portfolio, market research and our asset management capabilities, these risks cannot be eliminated. Factors that may affect real estate values and cash flows include:

- local conditions, such as oversupply or a reduction in demand;
- technological changes, such as reconfiguration of supply chains, autonomous vehicles, robotics, 3D printing or other technologies;
- the attractiveness of our properties to potential tenants and competition from other available properties;
- increasing costs of maintaining, insuring, renovating and making improvements to our properties;
- our ability to renovate and reposition our properties due to changes in the business and logistical needs of our tenants;
- our ability to control rents and variable operating costs; and
- government regulations and the associated liability under, and changes in, environmental, zoning, usage, tax tariffs and other laws.

Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties.

We compete with other developers, owners and operators of real estate, some of which own properties similar to our properties in the same markets and submarkets in which the properties we own are located. If our competitors offer space at rental rates below current market rates or below the rental rates we will charge the tenants of our properties, we may lose existing or potential tenants, and we may be pressured to reduce our rental rates or offer tenant concessions or favorable lease terms in order to retain tenants when such tenants' leases expire or attract new tenants. In addition, if our competitors sell assets similar to assets we intend to divest in the same markets and/or at valuations below our valuations for comparable assets, we may be unable to divest our assets at all or at favorable pricing or on favorable terms. As a result of these actions by our competitors, our financial condition, cash flows, cash available for distribution, trading price of our common stock and ability to satisfy our debt service obligations could be materially adversely affected.

Real estate investments are not as liquid as other types of assets, which may reduce economic returns to investors.

Real estate investments are not as liquid as other types of investments, and this lack of liquidity may limit our ability to react promptly to changes in economic, financial, investment or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. In addition, we intend to comply with the safe harbor rules relating to the number of properties that can be disposed of in a year, the tax bases and the costs of improvements made to these properties, and meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, our ability at any time to sell assets may be restricted. This lack of liquidity may limit our ability to vary our portfolio promptly in response to changes in economic, financial, investment or other conditions and, as a result, could adversely affect our financial condition, results of operations, cash flows and our ability to pay distributions on, and the market price of, our common stock.

Uninsured or underinsured losses relating to real property may adversely affect our returns.

We will attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, there are certain losses, including losses from floods, hurricanes, fires, earthquakes and other natural disasters, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. In addition, changes in the cost or availability of insurance could expose us to uninsured casualty losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by the amount of any such uninsured loss, and we could experience a significant loss of capital invested and potential revenues in these properties and could potentially remain obligated under any recourse debt associated with the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a property after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property. Any such losses could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock. In addition, we may have no source of funding to repair or reconstruct the damaged property, and we cannot assure that any such sources of funding will be available to us for such purposes in the future.

We own properties in Los Angeles, the San Francisco Bay Area and Seattle, which are located in areas that are known to be subject to earthquake activity. Although we carry replacement-cost earthquake insurance on all of our properties located in areas historically subject to seismic activity, subject to coverage limitations and deductibles that we believe are commercially reasonable, we may not be able to obtain coverage to cover all losses with respect to such properties on economically favorable terms, which could expose us to uninsured casualty losses. We intend to evaluate our earthquake insurance coverage annually in light of current industry practice.

We own properties located in areas which are known to be subject to hurricane and/or flood risk. Although we carry replacement-cost hurricane and/or flood hazard insurance on all of our properties located in areas historically subject to such activity, subject to coverage limitations and deductibles that we believe are commercially reasonable, we may not be able to obtain coverage to cover all losses with respect to such properties on economically favorable terms, which could expose us to uninsured casualty losses. We intend to evaluate our insurance coverage annually in light of current industry practice.

If any of our insurance carriers becomes insolvent, we could be adversely affected.

We carry several different lines of insurance with several large insurance carriers. If any one of these large insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier, and any outstanding claims would be at significant risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential of uncollectible claims due to carrier insolvency would likely adversely affect us.

Contingent or unknown liabilities could adversely affect our financial condition.

We may own or acquire properties that are subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. Additionally, many sellers of real estate are single-purpose entities without any other significant assets. As a result, if a liability were asserted against us based upon ownership of any of these entities or properties, then we might have to pay substantial sums to settle it, which could adversely affect our cash flows. Unknown liabilities with respect to entities or properties acquired might include:

- liabilities for investigation, clean-up or remediation of adverse environmental conditions;
- accrued but unpaid liabilities incurred in the ordinary course of business;

- tax liabilities; and
- claims for indemnification by the general partners, officers and directors and others indemnified by the former owners of the properties.

We may from time to time be subject to litigation that may negatively impact our cash flow, financial condition, results of operations and market price of our common stock.

We may from time to time be a defendant in lawsuits and regulatory proceedings relating to our business. Such litigation and proceedings may result in defense costs, settlements, fines or judgments against us, some of which may not be covered by insurance. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such litigation or proceedings. An unfavorable outcome could negatively impact our cash flow, financial condition, results of operations and trading price of our common stock.

Additionally, whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise), which would detract from our management's ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant, or involve our agreement with terms that restrict the operation of our business. Certain litigation or the resolution of certain litigation may also affect the availability or cost of some of our insurance coverage and could expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract directors, officers and other key employees.

Environmentally hazardous conditions may adversely affect our operating results.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of investigating, removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, each person covered by applicable environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resource or property damage or other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination, or otherwise adversely affect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition and ownership of our properties, we may be exposed to such costs. The cost of defending against environmental claims, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to our stockholders.

Environmental laws in the U.S. also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our properties may contain asbestos-containing building materials.

We invest in properties historically used for industrial, manufacturing and commercial purposes. Some of these properties contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. All of these operations create a potential for the release of petroleum products or other hazardous or toxic substances. Some of our properties may be adjacent to or near other properties that have contained or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. In addition, certain of our properties may be on or are adjacent to or near other properties upon which others, including former owners or tenants of such properties, have engaged, or may in the future engage, in activities that may release petroleum products or other hazardous or toxic substances. As needed, we may obtain environmental insurance policies on commercially reasonable terms that provide coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations. From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk-adjusted return. In such an instance, we underwrite the costs of environmental investigation, clean-up and monitoring into the

cost. Further, in connection with property dispositions, we may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

We generally obtain Phase I environmental site assessments on each property prior to acquiring it and we generally anticipate that the properties that we may acquire in the future may be subject to a Phase I or similar environmental assessment by independent environmental consultants at the time of acquisition. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. Phase I assessments generally include a historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey. Even if none of our environmental assessments of our properties reveal an environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations taken as a whole, we cannot give any assurance that such conditions do not exist or may not arise in the future. Material environmental conditions, liabilities or compliance concerns may go undetected by the environmental assessment or arise after the environmental assessment has been completed. Moreover, there can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the environmental condition of our properties will not be affected by tenants, by the condition of land or operations in the vicinity of such properties (such as releases from underground storage tanks), or by third parties unrelated to us.

Costs of complying with governmental laws and regulations with respect to our properties may adversely affect our income and the cash available for any distributions.

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Tenants' ability to operate and to generate income to pay their lease obligations may be affected by permitting and compliance obligations arising under such laws and regulations. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. Leasing our properties to tenants that engage in industrial, manufacturing, and commercial activities will cause us to be subject to the risk of liabilities under environmental laws and regulations. In addition, the presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such property as collateral for future borrowings.

Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Additionally, the operations of the tenants of our properties, the existing condition of the land, operations in the vicinity of such properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect such properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply and which may subject us to liability in the form of fines or damages for noncompliance. Any material expenditures, fines or damages we must pay will reduce our ability to make distributions and may reduce the value of our common stock. In addition, changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur.

Furthermore, while leases with our tenants generally include provisions to obligate the tenants to comply with all laws and operate within a defined use, there is no guaranty that the tenants will comply with the terms of their leases. Moreover, our tenants may disregard the use restrictions contained in their leases and conduct operations not contemplated by the lease, such as prohibited uses related to cannabis or highly hazardous uses, for example, despite our efforts to prohibit certain uses. We may incur costs to bring a property into legal compliance even though the tenant may have been contractually required to comply and pay for the cost of compliance.

The potential impacts of climate-related initiatives at the U.S. federal and state levels remain uncertain at this time but could result in increased operating costs.

Government authorities and various interest groups are promoting laws and regulations that could limit greenhouse gas, or GHG, emissions due to concerns over contributions to climate change. Laws and regulations targeting climate change or GHG emissions, including any additional taxation or regulation of energy use could result in increased operating costs that we may not be able to effectively pass on to our tenants. In addition, such laws and regulations could impose substantial costs on our tenants. These costs include, for example, an increase in the cost of the fuel and other energy purchased by our tenants and capital costs associated with updating or replacing their trucks earlier than planned. Any such increased costs could impact the financial condition of our tenants and their ability to meet their lease obligations and to lease or re-lease our properties.

We are exposed to the potential impacts of future climate change and climate-change related risks, which may result in unanticipated losses that could affect our business and financial condition.

We may be exposed to physical risks from possible future changes in climate. Our properties may be exposed to rare catastrophic weather events, such as severe storms or floods. If the frequency of extreme weather events increases, our exposure to these events could increase. Some of our properties may be subject to risks from rising sea levels. In addition, many state and local governments are adopting or considering adopting regulations requiring that property owners and developers include in their development or redevelopment plans resiliency measures to address climate-change related risks. If such regulations apply to any of our properties, we may be required to incur substantial costs to address such regulations.

Compliance or failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs.

Under the Americans with Disabilities Act, the Fair Housing Amendment Act of 1988, and any other similar regulations, places of public accommodation must meet certain requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines or the award of damages to private litigants. If we are required to make unanticipated expenditures to comply with the above acts, statutes, and/or other similar regulations, including removing access barriers, then our cash flows and the amounts available for distributions to our stockholders may be adversely affected. If we are required to make substantial modifications to our properties, whether to comply with the above acts, statutes, and/or other similar regulations, or other changes in governmental rules and regulations, our financial condition, cash flows, results of operations, the market price of our shares of common stock and our ability to make distributions to our stockholders could be adversely affected.

Some of our properties may be subject to California energy efficiency standards.

Under California energy efficiency standards, enacted and periodically amended, including, without limitation, Title 24 or The Energy Efficiency Standards for Residential and Nonresidential Buildings, building owners may incur increased costs to renovate properties in order to meet changing energy efficiency standards and make energy usage disclosures. If we are required to make unanticipated expenditures or substantial modifications to our properties, our financial condition, cash flows, results of operations, the market price of our shares of common stock and our ability to make distributions to our stockholders could be adversely affected. We may incur additional costs collecting and reporting energy usage data from our tenants and properties in order to comply with such energy efficiency standards.

We may be unable to sell a property if or when we decide to do so, including as a result of uncertain market conditions, which could adversely affect the return on an investment in our common stock.

We expect to hold the various real properties in which we invest until such time as we decide that a sale or other disposition is appropriate given our investment objectives. Our ability to dispose of properties on advantageous terms or at all depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. We cannot predict the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure our stockholders that we will be able to sell such properties at a profit or at all in the future. Accordingly, the extent to which our stockholders will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions.

Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure our stockholders that we will have funds available to correct such defects or to make such improvements. In acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These provisions would restrict our ability to sell a property.

If we sell properties and provide financing to purchasers, defaults by the purchasers would adversely affect our cash flows.

If we decide to sell any of our properties, we presently intend to sell them for cash. However, if we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash distributions to stockholders and result in litigation and related expenses. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

Risks Related to Our Organizational Structure

Our board of directors may change significant corporate policies without stockholder approval.

Our investment, financing, borrowing and distribution policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, are determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of the board of directors without a vote of our stockholders. In addition, the board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal and regulatory requirements, including the listing standards of the New York Stock Exchange. A change in these policies could have an adverse effect on our financial condition, results of operations, cash flows, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay distributions to our stockholders.

We could increase the number of authorized shares of stock and issue stock without stockholder approval.

Subject to applicable legal and regulatory requirements, our charter authorizes our board of directors, without stockholder approval, to increase the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series, to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock and to set the preferences, rights and other terms of such classified or unclassified shares. Our board of directors could establish a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting or deterring a third-party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- “*Business Combination*” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting shares) or an affiliate of an interested stockholder for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter may impose special appraisal rights and special stockholder voting requirements on these combinations; and
- “*Control Share*” provisions that provide that “control shares” of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of “control shares”) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL by resolution of our board of directors, and in the case of the control share provisions of the MGCL pursuant to a provision in our bylaws. However, in the future, only upon the approval of our stockholders, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, only upon the approval of our stockholders, by amendment to our bylaws, opt in to the control share provisions of the MGCL. Our board of directors has also adopted a resolution prohibiting us from electing to be subject to the provisions of Title 3, Subtitle 8 of the MGCL that would permit our board of directors to classify the board without stockholder approval. Such provisions of Title 3, Subtitle 8 of the MGCL could have an anti-takeover effect. We may only elect to be subject to the classified board provisions of Title 3, Subtitle 8 after first obtaining the approval of our stockholders.

In addition, the provisions of our charter on removal of directors and the advance notice provisions of our bylaws could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interest. Likewise, if our board of directors, with stockholder approval, as applicable, were to opt in to the business combination provisions of the MGCL or the provisions of Title 3, Subtitle 8 of the MGCL, or if the provision in our bylaws opting out of the control share acquisition provisions of the MGCL were rescinded by our board of directors and our stockholders, these provisions of the MGCL could have similar anti-takeover effects.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she satisfies his or her duties to us and our stockholders. Our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter will authorize us to obligate our company, and our bylaws will require us, to indemnify our directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited. In addition, we may be obligated to advance the defense costs incurred by our directors and executive officers, and may, in the discretion of our board of directors, advance the defense costs incurred by our employees and other agents in connection with legal proceedings.

Risks Related to Our Status as a REIT

Failure to qualify as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to stockholders.

We believe that our organization and method of operation has enabled and will continue to enable us to meet the requirements for qualification and taxation as a REIT. However, we cannot assure you that we will qualify as such. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code as to which there are only limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of such qualification.

If we fail to qualify as a REIT in any taxable year, and are unable to obtain relief under certain statutory provisions, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because:

- we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to federal and state income tax at regular corporate rates; and
- we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

In addition, we would no longer be required to pay distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it could adversely affect the value of our common stock.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.

Even if we qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. Any of these taxes would decrease cash available for distributions to stockholders.

REIT distribution requirements could adversely affect our liquidity and may force us to borrow funds or sell assets during unfavorable market conditions.

In order to maintain our REIT status and to meet the REIT distribution requirements, we may need to borrow funds on a short-term basis or sell assets, even if the then-prevailing market conditions are not favorable for these borrowings or sales. To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding capital gains. In addition, we will be subject to corporate income tax to the extent we distribute less than 100% of our net taxable income including any net capital gain. We intend to make distributions to our stockholders to comply with the requirements of the Code for REITs and to minimize or eliminate our corporate income tax obligation to the extent consistent with our business objectives. Our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt service or amortization payments. The insufficiency of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short-

and long-term debt or sell equity securities in order to fund distributions required to maintain our REIT status. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

Dividends payable by REITs generally do not qualify for reduced tax rates.

Currently, the maximum tax rate for qualified dividends payable to individual U.S. stockholders is 20%. Dividends payable by REITs, however, are generally not eligible for such reduced rates. However, for taxable years beginning after December 31, 2017 and before January 1, 2026, new legislation provides for a deduction of up to 20% (subject to certain limitations) on most ordinary REIT dividends and certain trade or business income of non-corporate taxpayers. Additionally, to the extent such dividends are attributable to certain dividends that we receive from a taxable REIT subsidiary (“TRS”), such dividends generally will be eligible for the reduced rates that apply to qualified dividend income. While we currently do not own any interest in a TRS, we may own any such interest in the future. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

We may in the future choose to pay dividends in our stock instead of cash, in which case stockholders may be required to pay income taxes in excess of the cash dividends they receive.

We may, in the future, distribute taxable dividends that are payable in cash and common stock at the election of each stockholder or distribute other forms of taxable stock dividends. Taxable stockholders receiving such dividends or other forms of taxable stock dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or to liquidate otherwise attractive investments.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investments in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the total voting power of the outstanding securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by the securities of one or more TRSs at the close of each calendar quarter. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Our relationship with any TRS will be limited, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. While we currently do not own any interest in a TRS, we may own any such interest in the future. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Overall, no more than 20% of the value of a REIT’s assets may consist of stock or securities of one or more TRSs. A domestic TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is

subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Any TRS of ours will pay federal, state and local income tax on its taxable income, and its after-tax net income will be available (but not required) to be distributed to us. We anticipate that the aggregate value of any TRS stock and securities owned by us will be significantly less than 20% of the value of our total assets (including the TRS stock and securities) at the close of each calendar quarter. Furthermore, we will monitor the value of our investments in TRSs for the purpose of ensuring compliance with the foregoing rule. In addition, we will scrutinize all of our transactions with TRSs for the purpose of ensuring that they are entered into on arm's-length terms in order to avoid incurring the 100% excise tax described above. No assurance, however, can be given that we will be able to comply with the 20% limitation on ownership of TRS stock and securities on an ongoing basis so as to maintain our REIT qualification or avoid application of the 100% excise tax imposed on certain non-arm's-length transactions.

The ability of our board of directors to revoke our REIT qualification without stockholder approval may subject us to federal income tax and reduce distributions to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to be qualified as a REIT. If we cease to be a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders and on the market price of our common stock.

Stockholders and prospective investors are urged to consult with their tax advisors regarding the effects of recently enacted tax legislation and other legislative, regulatory and administrative developments.

On December 22, 2017, President Trump signed into law H.R. 1, informally titled the Tax Cuts and Jobs Act (the "TCJA"). The TCJA makes major changes to the Code, including a number of provisions of the Code that affect the taxation of REITs and their stockholders. The effect of the certain changes made by the TCJA remains uncertain, and administrative guidance will be required in order to fully evaluate the effect of many provisions. The effect of any technical corrections with respect to the TCJA could have an adverse effect on us or our stockholders. Stockholders and prospective investors should consult their tax advisors regarding the implications of the TCJA on their investment in our common stock.

We may face risks in connection with Section 1031 Exchanges.

We may engage in one or more real estate transactions intended to qualify for federal income tax deferral as a "like-kind exchange" under Section 1031 of the Code. If a transaction that is intended to qualify for deferral under Section 1031 is later determined to have been taxable, we may face adverse consequences. Additionally, if the laws applicable to such transactions are amended or repealed, we may not be able to dispose of properties on a tax-deferred basis.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new federal income tax law, regulation, or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

Risks Related to Our Common Stock

Level of cash distributions, market interest rates and other factors may affect the value of our common stock.

The market value of the equity securities of a REIT is based upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales or refinancings, and upon the real estate market value of the underlying assets. Our common stock may trade at prices that are higher or lower than our net asset value per share. To the extent we retain operating cash flows for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectations with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock. In addition, the price of our common stock will be influenced by the dividend yield on the common stock relative to market interest rates and the dividend yields of other REITs. An increase in

market interest rates, which are currently at low levels relative to historical rates but have increased recently, could cause the market price of our common stock to go down. The trading price of the shares of common stock will also depend on many other factors, which may change from time to time, including:

- the market for similar securities;
- the attractiveness of REIT securities in comparison to the securities of other companies, taking into account, among other things, the higher tax rates imposed on dividends paid by REITs;
- government legislation, action or regulation;
- our issuance of debt or preferred equity securities;
- changes in earnings estimates by analysts and our ability to meet analysts' earnings estimates;
- general economic conditions; and
- our financial condition, performance and prospects.

The number of shares of our common stock available for future sale could adversely affect the market price of our common stock and have a dilutive effect to our existing stockholders.

Sales of substantial amounts of shares of our common stock in the public market or the perception that such sales might occur could adversely affect the market price of the shares of our common stock. The issuance and vesting of any restricted stock granted to certain directors, executive officers and other employees under our 2019 Equity Incentive Plan, the issuance of our common stock upon the vesting of awards under our Amended and Restated Long-Term Incentive Plan, the issuance of our common stock in connection with property, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the market price of our common stock. Future sales of shares of our common stock may be dilutive to existing stockholders.

The market price and trading volume of our common stock may be volatile.

The market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the price you paid for such shares. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- our financial condition, performance, liquidity and prospects;
- actual or anticipated variations in our quarterly operating results or distributions;
- changes in our funds from operations (as defined by Nareit and discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" elsewhere in this Annual Report on Form 10-K) or earnings;
- publication of research reports about us or the real estate industry;
- changes in earnings estimates by analysts;
- our ability to meet analysts' earnings estimates;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- the market for similar securities issued by REITs;
- actions by institutional stockholders;
- speculation in the press or investment community;
- our compliance with generally accepted accounting principles;
- our compliance with applicable laws and regulations and the listing requirements of the New York Stock Exchange;
- the realization of any of the other risk factors presented in this Annual Report on Form 10-K; and
- general market, including capital market and real estate market and economic conditions.

Future offerings of debt securities and the incurrence of other future indebtedness, which would be senior to our common stock upon liquidation, and/or preferred stock which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of our common stock.

Upon liquidation, holders of our debt securities and any shares of preferred stock, and lenders with respect to other borrowings, including our existing credit facility and mortgage loans payable, will receive distributions of our available assets prior to the holders of our common stock. In the future we may attempt to increase our capital resources by making additional

offerings of debt and equity securities. Additional equity offerings may dilute the holdings of our existing stockholders and/or reduce the market price of our common stock. In addition, future offerings of debt securities or the incurrence of additional other indebtedness may reduce the market price of our common stock. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued in the future, could have a preference on liquidating distributions and a preference on dividend payments that could limit our ability to pay a dividend or make another distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

We may be unable to generate sufficient cash flows from our operations to make distributions to our stockholders at any time in the future.

Our ability to make distributions to our stockholders may be adversely affected by the risk factors described in this Annual Report on Form 10-K. We may not generate sufficient income to make distributions to our stockholders. Our board of directors has the sole discretion to determine the timing, form and amount of any distributions to our stockholders. Our board of directors will make determinations regarding distributions based upon, among other factors, our financial performance, any debt service obligations, any debt covenants, and capital expenditure requirements. Among the factors that could impair our ability to make distributions to our stockholders are:

- our inability to realize attractive returns on our investments;
- unanticipated expenses or reduced revenues that reduce our cash flow or non-cash earnings;
- our debt service obligations; and
- decreases in the value of our industrial properties that we own.

As a result, no assurance can be given that we will be able to make distributions to our stockholders at any time in the future or that the level of any distributions we do make to our stockholders will increase or even be maintained over time, any of which could materially and adversely affect the market price of our shares of common stock.

Our ability to pay dividends is limited by the requirements of Maryland law.

Our ability to pay dividends on our stock is limited by the laws of the State of Maryland. Under applicable Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business, or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter provides otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on our stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences senior to those of our outstanding stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2019, we owned a total of 220 buildings aggregating approximately 13.3 million square feet, 19 improved land parcels consisting of approximately 77.6 acres and four properties under redevelopment expected to contain approximately 0.5 million square feet upon completion. The buildings and improved land parcels were approximately 96.8% and 92.0% leased, respectively, to 493 customers, the largest of which accounted for approximately 3.6% of our total annualized base rent. The properties are located in Los Angeles, Northern New Jersey/New York City, San Francisco Bay Area, Seattle, Miami, and Washington, D.C. We invest in several types of industrial real estate, including warehouse/distribution buildings, flex buildings (including light industrial and research and development, or R&D), transshipment buildings and improved land parcels. See "Item 1 – Our Investment Strategy – Industrial Facility General Characteristics" in this Annual

Report on Form 10-K for a general description of these types of industrial real estate. We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate. Infill locations are geographic locations surrounded by high concentrations of already developed land and existing buildings. See our “Consolidated Financial Statements, Schedule III-Real Estate Investments and Accumulated Depreciation” in this Annual Report on Form 10-K for a detailed listing of our properties.

The following table summarizes by type our investments in real estate as of December 31, 2019:

Type	Number of Buildings or Improved Land Parcels	Annualized Base Rent (000's) ¹	% of Total
Warehouse/distribution	195	\$ 110,734	81.5 %
Flex	11	9,793	7.2 %
Transshipment	14	7,482	5.5 %
Improved land	19	7,835	5.8 %
Total	239	\$ 135,844	100.0 %

¹ Annualized base rent is calculated as contractual monthly base rent per the leases, excluding any partial or full rent abatements, as of December 31, 2019, multiplied by 12.

The following table summarizes by market our investments in real estate as of December 31, 2019:

	Los Angeles	Northern New Jersey/New York City	San Francisco Bay Area	Seattle	Miami	Washington, D.C.	Total/Weighted Average
Investments in Real Estate							
Number of Buildings	42	62	40	27	28	21	220
Rentable Square Feet	2,523,969	3,552,681	2,028,909	1,776,954	1,563,326	1,874,378	13,320,217
% of Total	19.0 %	26.7 %	15.2 %	13.3 %	11.7 %	14.1 %	100.0 %
Occupancy % as of December 31, 2019	97.7 %	98.6 %	91.1 %	99.1 %	97.1 %	96.1 %	96.8 %
Annualized Base Rent ¹ (000's)	\$ 21,398	36,540	22,822	15,587	13,656	18,006	\$ 128,009
% of Total	16.7 %	28.5 %	17.8 %	12.2 %	10.7 %	14.1 %	100.0 %
Annualized Base Rent ¹ Per Occupied Square Foot	\$ 8.67	10.43	12.34	8.85	8.99	9.99	\$ 9.92
Weighted Average Remaining Lease Term (Years) ²	6.7	3.6	4.2	3.2	4.3	4.0	4.4
Investments in Improved Land							
Number of Land Parcels	5	9	1	1	2	1	19
Acres	10.1	48.7	1.3	0.9	3.2	13.4	77.6
% of Total	13.1 %	62.8 %	1.6 %	1.2 %	4.1 %	17.2 %	100.0 %
Occupancy % as of December 31, 2019	47.8 %	100.0 %	100.0 %	— %	100.0 %	100.0 %	92.0 %
Annualized Base Rent ¹ (000's)	\$ 1,007	5,480	195	—	389	764	\$ 7,835
% of Total	12.8 %	69.9 %	2.5 %	— %	5.0 %	9.8 %	100.0 %
Annualized Base Rent ¹ Per Occupied Square Foot	\$ 4.88	2.63	3.54	—	2.82	1.31	\$ 2.54
Weighted Average Remaining Lease Term (Years) ²	3.1	5.8	0.3	—	3.6	—	4.3
Total Investments in Real Estate							
Annualized Base Rent ¹ (000's)	\$ 22,405	42,020	23,017	15,587	14,045	18,770	\$ 135,844
Gross Book Value (000's) ³	\$ 406,212	642,686	369,030	313,927	167,156	255,183	\$ 2,154,194

¹ Annualized base rent is calculated as contractual monthly base rent per the leases, excluding any partial or full rent abatements, as of December 31, 2019, multiplied by 12.

² Weighted average remaining lease term is calculated by summing the remaining lease term of each lease as of December 31, 2019, weighted by the respective square footage.

³ Includes four properties under redevelopment expected to contain approximately 0.5 million square feet upon completion, as discussed below.

As of December 31, 2019, we owned four properties under redevelopment expected to contain approximately 0.5 million square feet upon completion with a total expected investment of approximately \$120.4 million, including redevelopment costs, capitalized interest and other costs of approximately \$52.4 million.

The following table summarizes our capital expenditures incurred during the three months and years ended December 31, 2019 and 2018 (dollars in thousands):

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2019	2018	2019	2018
Building improvements	\$ 8,171	\$ 6,855	\$ 21,385	\$ 17,953
Tenant improvements	2,268	2,336	4,669	4,312
Leasing commissions	3,224	3,174	7,813	7,937
Redevelopment, renovation and expansion	4,336	6,026	27,968	11,639
Total capital expenditures ¹	\$ 17,999	\$ 18,391	\$ 61,835	\$ 41,841

¹ Includes approximately \$10.8 million and \$13.7 million for the three months ended December 31, 2019 and 2018, respectively, and approximately \$42.5 million and \$27.5 million for the years ended December 31, 2019 and 2018, respectively, related to leasing acquired vacancy, redevelopment construction in progress and renovation and expansion projects (stabilization capital) at 17 and 13 properties for the three months ended December 31, 2019 and 2018, respectively, and 20 and 21 properties for the years ended December 31, 2019 and 2018, respectively.

Our industrial properties are typically subject to leases on a “triple net basis,” in which tenants pay their proportionate share of real estate taxes, insurance and operating costs, or are subject to leases on a “modified gross basis,” in which tenants pay expenses over certain threshold levels. In addition, approximately 92.6% of our leased space includes fixed rental increases or Consumer Price Index-based rental increases. Lease terms typically range from three to ten years. We monitor the liquidity and creditworthiness of our tenants on an on-going basis by reviewing outstanding accounts receivable balances, and as provided under the respective lease agreements, review the tenant’s financial condition periodically as appropriate. As needed, we hold discussions with the tenant’s management about their business and we conduct site visits of the tenant’s operations.

Our top 20 customers based on annualized base rent as of December 31, 2019 are as follows:

	Customer	Leases	Rentable Square Feet	% of Total Rentable Square Feet	Annualized Base Rent (000's) ¹	% of Total Annualized Base Rent
1	United States Government	9	381,431	2.9 %	\$ 4,919	3.6 %
2	FedEx Corporation ²	7	490,779	3.7 %	4,872	3.6 %
3	Amazon.com	3	260,462	2.0 %	4,805	3.5 %
4	Danaher	3	171,707	1.3 %	3,235	2.4 %
5	AmerisourceBergen	1	211,418	1.5 %	2,469	1.7 %
6	DirectBuy Home Improvement	1	230,891	1.7 %	1,860	1.4 %
7	XPO Logistics	2	180,717	1.4 %	1,672	1.2 %
8	District of Columbia	3	124,744	0.9 %	1,632	1.2 %
9	Miami International Freight Systems	1	192,454	1.4 %	1,463	1.1 %
10	Port Kearny Security, Inc. ³	1	—	— %	1,437	1.1 %
11	O'Neill Logistics	2	237,692	1.8 %	1,429	1.1 %
12	YRC	2	61,252	0.5 %	1,401	1.0 %
13	Bar Logistics	2	203,263	1.5 %	1,354	1.0 %
14	L3 Harris Technologies, Inc.	1	147,898	1.1 %	1,342	1.0 %
15	Saia Motor Freight Line LLC	1	52,086	0.4 %	1,245	0.9 %
16	Space Systems/Loral LLC	2	107,060	0.8 %	1,210	0.9 %
17	JAM'N Logistics	1	110,336	0.8 %	1,193	0.9 %
18	Northrop Grumman Systems	1	103,200	0.8 %	1,183	0.9 %
19	Fredmore Inc. DBA Airpark Newark ⁴	1	—	— %	1,171	0.9 %
20	Exquisite Apparel Corporation	1	114,061	0.9 %	1,077	0.8 %
	Total	45	3,381,451	25.4 %	\$ 40,969	30.2 %

- ¹ Annualized base rent is calculated as contractual monthly base rent per the leases, excluding any partial or full rent abatements, as of December 31, 2019, multiplied by 12.
- ² Includes an improved land parcel consisting of 2.3 acres.
- ³ Lease area consists of 16.9 acres of improved land.
- ⁴ Lease area consists of 10.6 acres of improved land.

The following table summarizes the anticipated lease expirations for leases in place at December 31, 2019, without giving effect to renewal options or termination rights, if any, at or prior to the scheduled expirations:

Year	Rentable Square Feet	% of Total Rentable Square Feet	Annualized Base Rent (000's) ²	% of Total Annualized Base Rent
2020 ¹	1,753,594	12.6 %	\$ 15,976	9.9 %
2021	2,403,025	17.3 %	23,089	14.3 %
2022	1,670,792	12.1 %	17,696	10.9 %
2023	1,573,994	11.4 %	19,922	12.3 %
2024	1,613,286	11.6 %	20,503	12.7 %
Thereafter	4,168,164	30.1 %	64,411	39.9 %
Total	13,182,855	95.1 %	\$ 161,597	100.0 %

- ¹ Includes leases that expire on or after December 31, 2019 and month-to-month leases totaling approximately 57,698 square feet.
- ² Annualized base rent is calculated as monthly base rent per the leases at expiration, excluding any partial or full rent abatements, as of December 31, 2019, multiplied by 12.

Our ability to re-lease or renew expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. As of December 31, 2019, leases representing approximately 12.6% of the total rentable square footage of our portfolio are scheduled to expire during the year ending December 31, 2020. We currently expect that on average, the rental rates we are likely to achieve on any new (re-leased) or renewed leases for our 2020 expirations will be above the rates currently being paid for the same space. Rent changes on new and renewed leases totaling approximately 0.5 million square feet commencing during the three months ended December 31, 2019 were approximately 15.3% higher as compared to the previous rental rates for that same space, and rent changes on new and renewed leases totaling approximately 2.4 million square feet commencing during the year ended December 31, 2019 were approximately 17.3% higher as compared to the previous rental rates for that same space. Our past performance may not be indicative of future results, and we cannot assure you that leases will be renewed or that our properties will be re-leased at all or at rental rates above the current average rental rates. Further, re-leased/renewed rental rates in a particular market may not be consistent with rental rates across our portfolio as a whole and re-leased/renewed rental rates for particular properties within a market may not be consistent with rental rates across our portfolio within a particular market, in each case due to a number of factors, including local real estate conditions, local supply and demand for industrial space, the condition of the property, the impact of leasing incentives, including free rent and tenant improvements and whether the property, or space within the property, has been redeveloped.

As of December 31, 2019, four properties with a gross investment book value of approximately \$114.9 million were encumbered by mortgage loans payable, net of deferred financing costs, totaling approximately \$44.3 million, which bear interest at a weighted average fixed annual rate of 4.1%.

Item 3. Legal Proceedings.

We are not involved in any material litigation nor, to our knowledge, is any material litigation threatened against us.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "TRNO". As of January 30, 2020, there were approximately 22,995 holders of record of shares of our common stock. This number does not include stockholders for which shares are held in "nominee" or "street" name.

Distribution Policy

We intend to pay regular quarterly distributions when, as and if authorized by our board of directors and declared by us. Our ability to make distributions to our stockholders also will depend on our levels of retained cash flows, which we intend to use as a source of investment capital. In order to qualify for taxation as a REIT, we must distribute to our stockholders an amount at least equal to:

- (i) 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gain); plus
- (ii) 90% of the excess of our after-tax net income, if any, from foreclosure property over the tax imposed on such income by the Code; less
- (iii) the sum of certain items of non-cash income.

Generally, we expect to distribute 100% of our REIT taxable income so as to avoid the income and excise tax on undistributed REIT taxable income. However, we cannot assure you as to our ability to sustain those distributions.

The timing and frequency of distributions will be authorized by our board of directors and declared by us based upon a variety of factors, including:

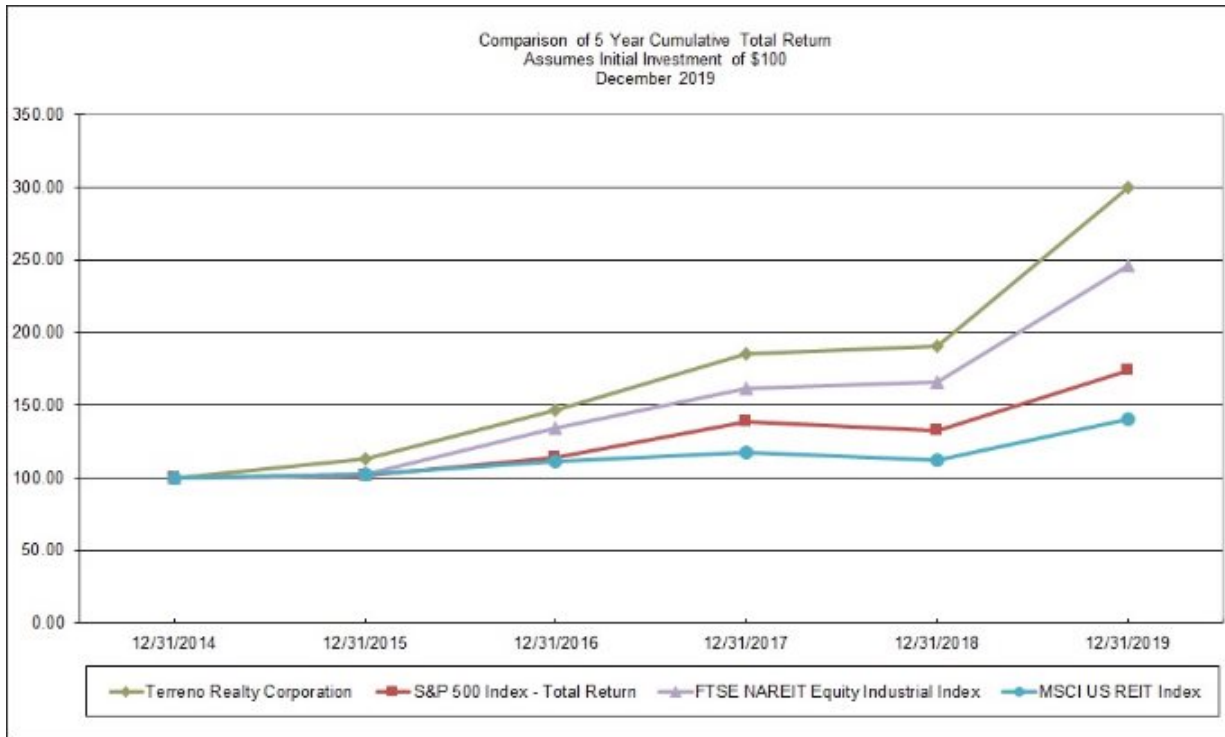
- actual results of operations;
- our level of retained cash flows;
- any debt service requirements;
- capital expenditure requirements for our properties;
- our property dispositions;
- our taxable income;
- the annual distribution requirement under the REIT provisions of the Code;
- our operating expenses;
- restrictions on the availability of funds under Maryland law; and
- other factors that our board of directors may deem relevant.

To the extent that, in respect of any calendar year, cash available for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form of a taxable share distribution or distribution of debt securities. Income as computed for purposes of the tax rules described above will not necessarily correspond to our income as determined for financial reporting purposes.

Distributions to our stockholders generally are taxable to our stockholders as ordinary income; however, because a significant portion of our investments are equity ownership interests in industrial properties, which generate depreciation and other non-cash charges against our income, a portion of our distributions may constitute a tax-free return of capital, although our current intention is to limit the level of such return of capital.

Performance Graph

The following graph compares the change in the cumulative total stockholder return on our common stock during the period from December 31, 2014 to December 31, 2019 with the cumulative total return of the Standard and Poor's 500 Stock Index, the MSCI U.S. REIT Index (RMS) and the FTSE Nareit Equity Industrial Index. The return shown on the graph is not necessarily indicative of future performance. The comparison assumes that \$100 was invested on December 31, 2014 in our common stock and in each of the foregoing indices and assumes reinvestment of dividends, if any.



The performance graph and related information shall not be deemed “soliciting material” or be deemed to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing, except to the extent that the company specifically incorporates it by reference into such filing.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data.

The following table sets forth selected financial data derived from our audited consolidated financial statements as of and for the years ended December 31, 2019, 2018, 2017, 2016, and 2015, should be read in conjunction with the consolidated financial statements and notes thereto included in this Annual Report on Form 10-K beginning on page F-1 and with Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (dollars in thousands, except share and per share amounts):

For the Year Ended December 31,

	2019	2018	2017	2016	2015
Operating Data					
Total revenues	\$ 171,022	\$ 151,657	\$ 132,484	\$ 108,418	\$ 95,895
Total costs and expenses	112,185	102,431	93,435	87,172	82,240
Gain on sales of real estate investments	9,391	28,610	30,654	7,140	10,567
Income from operations	55,516	63,289	53,095	15,118	14,601
Net income available to common stockholders, net of redemption of preferred stock and preferred stock dividends	55,165	62,888	49,015	11,458	10,958
Earnings per Common Share - Basic and Diluted:					
Net income available to common stockholders, basic, net of redemption of preferred stock and preferred stock dividends	\$ 0.86	\$ 1.09	\$ 0.95	\$ 0.26	\$ 0.26
Net income available to common stockholders, diluted, net of redemption of preferred stock and preferred stock dividends	\$ 0.85	\$ 1.09	\$ 0.95	\$ 0.26	\$ 0.26
Dividends declared per common share	\$ 1.02	\$ 0.92	\$ 0.84	\$ 0.76	\$ 0.66
Dividends declared per preferred share	\$ —	\$ —	\$ 0.97	\$ 1.94	\$ 1.94
Basic Weighted Average Common Shares Outstanding	64,428,406	57,486,399	51,357,719	44,725,936	42,861,276
Diluted Weighted Average Common Shares Outstanding	64,722,976	57,486,399	51,357,719	44,725,936	42,861,276
Other Data					
Funds from operations ¹	\$ 89,467	\$ 74,904	\$ 56,070	\$ 38,391	\$ 36,172
Basic FFO per common share ¹	1.39	1.30	1.09	0.86	0.84
Diluted FFO per common share ¹	1.38	1.30	1.09	0.86	0.84
Cash flows provided by (used in):					
Operating activities	\$ 94,688	\$ 77,599	\$ 69,498	\$ 49,241	\$ 42,068
Investing activities	(251,482)	(234,957)	(249,118)	(149,629)	(259,664)
Financing activities	235,054	149,037	203,942	93,758	45,140
Balance Sheet Data					
Investments in real estate at cost ²	\$ 2,154,194	\$ 1,845,776	\$ 1,636,930	\$ 1,343,038	\$ 1,179,920
Total assets	2,108,464	1,796,504	1,567,871	1,278,981	1,152,138
Total debt	491,575	462,097	461,683	415,327	381,475
Total stockholders' equity	1,517,123	1,247,797	1,027,494	811,805	733,082

¹ See Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures,” in this Annual Report on Form 10-K for a reconciliation to net income, net of redemption of preferred stock and preferred stock dividends and a discussion of why we believe funds from operations, or FFO, is a useful supplemental measure of operating performance, ways in which investors might use FFO when assessing our financial performance, and FFO’s limitations as a measurement tool.

² Excludes one property held for sale with a gross book value of approximately \$6.3 million as of December 31, 2015.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion in conjunction with the sections of this Annual Report on Form 10-K entitled “Risk Factors”, “Forward-Looking Statements”, “Business” and our audited consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled “Risk Factors” and elsewhere in this Annual Report on Form 10-K.

Overview

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. We invest in several types of industrial real estate, including warehouse/distribution buildings (approximately 81.5% of our total annualized base rent as of December 31, 2019), flex buildings (including light industrial and R&D) (approximately 7.2%), transshipment buildings (approximately 5.5%) and improved land parcels (approximately 5.8%). We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate. Infill locations are geographic locations surrounded by high concentrations of already developed land and existing buildings. As of December 31, 2019, we owned a total of 220 buildings aggregating approximately 13.3 million square feet, 19 improved land parcels consisting of approximately 77.6 acres and four properties under redevelopment expected to contain approximately 0.5 million square feet upon completion. As of December 31, 2019, our buildings and improved land parcels were approximately 96.8% and 92.0% leased, respectively, to 493 customers, the largest of which accounted for approximately 3.6% of our total annualized base rent. We are an internally managed Maryland corporation and elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year ended December 31, 2010.

Our Investment 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. We invest in several types of industrial real estate, including warehouse/distribution, flex (including light industrial and R&D), transshipment and improved land. We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate.

We selected our target markets by drawing upon the experience of our executive management investing and operating in over 50 global industrial markets located in North America, Europe and Asia, the fundamentals of supply and demand, and in anticipation of trends in logistics patterns resulting from population changes, regulatory and physical constraints, changes in technology, e-commerce, the economic and environmental benefits of reducing vehicle miles traveled and other factors. We believe that our target markets have attractive long term investment attributes. We target assets with characteristics that include, but are not limited to, the following:

- Located in high population coastal markets;
- Close proximity to transportation infrastructure (such as sea ports, airports, highways and railways);
- Situated in supply-constrained submarkets with barriers to new industrial development, as a result of physical and/or regulatory constraints;
- Functional and flexible layout that can be modified to accommodate single and multiple tenants;
- Acquisition price at a discount to the replacement cost of the property;
- Potential for enhanced return through re-tenanting or operational and physical improvements; and
- Opportunity for higher and better use of the property over time.

In general, we prefer to utilize local third-party property managers for day-to-day property management and as a source of acquisition opportunities. We believe outsourcing property management is cost effective and provides us with operational flexibility. We may directly manage properties in the future if we determine such direct property management is in our best interest.

We have no current intention to acquire undeveloped or unimproved industrial land or to pursue greenfield ground up development. Nevertheless, we pursue redevelopment, renovation and expansion opportunities of properties that we own, acquire properties and improved land parcels with the intent to redevelop in the near-term, and acquire adjacent land to expand our existing facilities.

We expect that we will continue to acquire the significant majority of our investments as equity interests in individual properties, portfolios of properties or improved industrial land parcels which may be rented without a building in place. We may acquire industrial properties through the acquisition of other corporations or entities that own industrial real estate. We

will opportunistically make investments in debt secured by industrial real estate that would otherwise meet our investment criteria with the intention of ultimately acquiring the underlying real estate. We currently do not intend to target specific percentages of holdings of particular types of industrial properties. This expectation is based upon prevailing market conditions and may change over time in response to different prevailing market conditions.

The properties we acquire may be stabilized (fully leased) or unstabilized (have near term lease expirations, be partially or fully vacant and may require physical repositioning). During the period from February 16, 2010 to December 31, 2019, we have stabilized 74 properties.

We sell properties from time to time when we believe the prospective total return from a property is particularly low relative to its market value and/or the market value of the property is significantly greater than its estimated replacement cost. Capital from such sales is reinvested into properties that are expected to provide better prospective returns or returned to shareholders. We have disposed of 19 properties since inception in 2010 for an aggregate sales price of approximately \$291.4 million and a total gain of approximately \$93.1 million.

2019 Developments

Acquisition Activity

During 2019, we acquired 17 industrial buildings containing approximately 0.7 million square feet and four improved land parcels containing approximately 22.6 acres for a total purchase price of approximately \$273.6 million. The properties and improved land parcels were acquired from unrelated third parties using existing cash on hand, net proceeds from dispositions and net proceeds from the issuance of common stock. The following table sets forth the industrial properties and improved land parcels we acquired during 2019:

Property Name	Location	Acquisition Date	Number of Buildings	Square Feet	Purchase Price (in thousands) ¹	Stabilized Cap Rate ²
49th Street	Queens, NY	February 12, 2019	1	19,000	\$ 24,017	5.3 %
81 N Hackensack ³	Kearny, NJ	March 8, 2019	—	—	25,000	5.3 %
48 3rd and 286 Central ⁴	Kearny, NJ	March 29, 2019	1	28,124	14,085	5.4 %
Minnesota and Tennessee	San Francisco, CA	May 28, 2019	2	119,089	47,775	4.0 %
51 Kero ⁵	Carlstadt, NJ	August 7, 2019	—	—	4,025	5.0 %
Anderson ⁶	Los Angeles, CA	August 19, 2019	5	53,016	18,100	5.2 %
Auburn 400	Auburn, WA	August 21, 2019	1	70,345	9,450	5.1 %
Morgan ⁷	Brooklyn, NY	August 29, 2019	2	195,598	80,500	4.0 %
20th Street	Oakland, CA	August 30, 2019	1	92,884	23,752	4.8 %
Slauson	Santa Fe Springs, CA	August 30, 2019	2	29,927	5,331	5.2 %
East Marginal ⁸	Seattle, WA	November 15, 2019	—	—	2,850	5.6 %
Whelan ⁹	East Rutherford, NJ	December 13, 2019	1	50,305	12,000	5.0 %
917 Valley	Puyallup, WA	December 19, 2019	1	40,816	6,725	5.4 %
Total/Weighted Average			17	699,104	\$ 273,610	4.6 %

¹ The total aggregate initial investment was approximately \$289.6 million, including \$6.0 million in closing costs and acquisition costs and \$10.0 million in assumed intangible liabilities.

² Stabilized capitalization rates, referred to herein as stabilized cap rates, are calculated, at the time of acquisition, as annualized cash basis net operating income for the property stabilized to market occupancy (generally 95%) divided by the total acquisition cost for the property. Total acquisition cost basis for the property 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. We define cash basis net operating income for the property as net operating income excluding straight-line rents and amortization of lease intangibles. These stabilized cap rates 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, including risks related to our ability to meet our estimated forecasts related to stabilized cap rates and those risk factors contained in this Annual Report on Form 10-K.

³ Represents an improved land parcel containing approximately 16.8 acres.

⁴ Also includes an improved land parcel containing approximately 2.9 acres.

- 5 Represents an improved land parcel containing approximately 2.0 acres.
6 Includes approximately 20,000 square feet expiring in 2020.
7 Includes approximately 106,000 square feet expiring in 2020.
8 Represents an improved land parcel containing approximately 0.9 acres.
9 Includes approximately 50,305 square feet expiring in 2020.

Redevelopment Activity

As of December 31, 2019, we have four properties under redevelopment that will contain approximately 0.5 million square feet upon completion with a total expected investment of approximately \$120.4 million, including redevelopment costs, capitalized interest and other costs of approximately \$52.4 million as follows:

Property Name	Total Expected Investment (in thousands) ¹	Amount Spent to Date (in thousands)	Estimated Amount Remaining to Spend (in thousands)	Estimated Stabilized Cap Rate ²	Estimated Completion Quarter	% Pre-leased December 31, 2019
Sodo Row - North	\$ 17,000	\$ 10,067	\$ 6,933	5.4 %	Q2 2021	— %
Sodo Row - South	53,446	44,726	8,720	5.7 %	Q2 2021	28.1 %
6th Avenue South	15,511	14,976	535	5.1 %	Q2 2020	— %
Kent 192	34,410	31,484	2,926	5.5 %	Q4 2020	— %
Total/Weighted Average	<u>\$ 120,367</u>	<u>\$ 101,253</u>	<u>\$ 19,114</u>	<u>5.5 %</u>		<u>10.2 %</u>

¹ Total expected investment for the property includes the initial purchase price, buyer's due diligence and closing costs, estimated near-term redevelopment expenditures, capitalized interest and leasing costs necessary to achieve stabilization.

² Estimated stabilized cap rates are calculated as annualized cash basis net operating income for the property stabilized to market occupancy (generally 95%) divided by the total acquisition cost for the property. We define cash basis net operating income for the property as net operating income excluding straight-line rents and amortization of lease intangibles. These estimated stabilized cap rates 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, including risks related to our ability to meet our estimated forecasts related to stabilized cap rates and those risk factors contained in this Annual Report on Form 10-K.

During 2019, we completed redevelopment of our 1775 NW 70th Avenue property in Miami, Florida. We executed a full-building five-year lease stabilizing the approximately 65,000 square foot redevelopment property. The total investment was approximately \$10.0 million. In addition, we completed redevelopment and sold our 10100 NW 25th Street property in Miami, Florida for a sales price of approximately \$14.0 million, resulting in a gain of approximately \$1.8 million, as discussed below.

Disposition Activity

During the year ended December 31, 2019, we sold four properties for an aggregate sales price of approximately \$48.9 million, resulting in a total gain of approximately \$9.4 million. We sold one property located in the Los Angeles market for a sales price of approximately \$12.4 million, resulting in a gain of approximately \$4.5 million, one redevelopment property located in the Miami market for a sales price of approximately \$14.0 million, resulting in a gain of approximately \$1.8 million, and two properties located in the Washington, D.C. market for an aggregate sales price of approximately \$22.5 million, resulting in an aggregate gain of approximately \$3.1 million.

The following summarizes the condensed results of operations of the properties sold during the year ended December 31, 2019 for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	For the Year Ended December 31,		
	2019	2018	2017
Rental revenues	\$ 1,604	\$ 2,332	\$ 2,964
Tenant expense reimbursements	449	566	645
Property operating expenses	(527)	(631)	(701)
Depreciation and amortization	(499)	(733)	(1,203)
Income from operations	<u>\$ 1,027</u>	<u>\$ 1,534</u>	<u>\$ 1,705</u>

ATM Program

We have an at-the-market equity offering program (the “\$300 Million ATM Program”) pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to \$300.0 million (\$148.9 million remaining as of December 31, 2019) in amounts and at times as we determine from time to time. Prior to the implementation of the \$300 Million ATM Program, we had a \$250.0 million ATM program (the “\$250 Million ATM Program”), which was substantially utilized as of May 2019 and which is no longer active. We intend to use the net proceeds from the offering of the shares under the \$300 Million ATM Program, if any, for general corporate purposes, which may include future acquisitions and repayment of indebtedness, including borrowings under our revolving credit facility. During 2019, we issued an aggregate of 6,064,576 shares of common stock at a weighted average offering price of \$45.85 per share under the \$300 Million ATM Program and the \$250 Million ATM Program, resulting in net proceeds of approximately \$274.0 million and paying total compensation to the applicable sales agents of approximately \$4.0 million.

Long Term Incentive Plan

During 2019, we amended and restated our Amended and Restated Long-Term Incentive Plan (as amended and restated, the “Amended LTIP”). Under the Amended LTIP, each participant’s performance share target award for target awards granted on or after January 1, 2019 will be expressed as a number of shares of common stock and settled in shares of common stock. Target awards were previously expressed as a dollar amount and settled in shares of common stock. Commencing with performance share awards granted on or after January 1, 2019, the grant date fair value of the performance share awards will be determined under current accounting treatment using a Monte Carlo simulation model on the date of grant and recognized on a straight-line basis over the performance period. The fair value of the performance share awards for the performance measurement period of January 1, 2019 to December 31, 2021 is \$4.8 million, which will be recognized quarterly over a three-year period. Stock-based compensation expense for the performance share awards for the performance measurement period of January 1, 2019 to December 31, 2021 was \$1.6 million for the year ended December 31, 2019.

Equity Incentive Plan

During 2019, our stockholders approved the 2019 Equity Incentive Plan (the “2019 Plan”), which replaced the Amended and Restated 2010 Equity Incentive Plan (the “2010 Plan”). The 2019 Plan permits the grant of restricted stock awards, performance share awards and unrestricted stock awards. The maximum number of shares of our common stock that may be issued under the 2019 Plan is 1,898,961, which consists of (i) 1,510,079 shares initially reserved and available for issuance under the 2019 Plan and (ii) 388,882 shares underlying outstanding awards under the 2010 Plan, which if forfeited, canceled or otherwise terminated under the 2010 Plan shall be added to the shares available for issuance under the 2019 Plan. No further awards will be made under the 2010 Plan. As of December 31, 2019, there were 1,898,961 shares of common stock authorized for issuance as restricted stock grants, unrestricted stock awards or performance share awards under the 2019 Plan, of which 1,460,991 were remaining available for issuance.

Senior Secured Loan

As of December 31, 2019, we had a senior secured loan, with an original principle amount of \$55.0 million, outstanding with a two-year term that bears interest at a fixed annual interest rate of 8.0% and matures in May 2020 (the “Senior Secured Loan”). The Senior Secured Loan is secured by a portfolio of seven improved land parcels primarily located in Newark, New Jersey. One of the properties securing the Senior Secured Loan may be put to us as partial repayment of the Senior Secured Loan. This property may be called by us as partial repayment of the Senior Secured Loan at a previously agreed upon value. In addition, per the terms of the Senior Secured Loan, the borrower may repay the loan at any time with either cash or deed in lieu, with the deed subject to our approval. During the year ended December 31, 2019, we acquired two properties that were securing the Senior Secured Loan for a previously agreed upon aggregate purchase price which approximated their fair value of approximately \$39.1 million, which resulted in an approximately \$39.1 million reduction in the amount outstanding under the Senior Secured Loan. As of December 31, 2019, there was approximately \$15.9 million, net of deferred loan fees of

approximately \$0.1 million, outstanding on the Senior Secured Loan and approximately \$0.3 million of interest receivable outstanding on the Senior Secured Loan.

Senior Unsecured Notes

During 2019, we entered into a note purchase agreement with certain institutional investors in a private placement transaction pursuant to which we issued \$100.0 million of ten-year 3.14% senior unsecured notes on December 2, 2019. The proceeds from the issuance were used to repay the previously outstanding \$50.0 million term loan that was to mature in August 2021 and the related unamortized deferred financing costs of approximately \$0.2 million were written off to loss on extinguishment of debt.

Share Repurchase Program

We have a share repurchase program authorizing us to repurchase up to 3,000,000 shares of our outstanding common stock from time to time through December 31, 2020. Purchases made pursuant to the program, if any, will be made in either the open market or in privately negotiated transactions as permitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchases will be determined by us in our discretion and will be subject to economic and market conditions, stock price, applicable legal requirements and other factors. The program may be suspended or discontinued at any time. As of December 31, 2019, we have not repurchased any shares of our stock pursuant to the share repurchase authorization.

Dividend and Distribution Activity

The following table sets forth the cash dividends paid or payable per share during the year ended December 31, 2019:

For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2019	Common stock	\$ 0.24	February 5, 2019	March 29, 2019	April 12, 2019
June 30, 2019	Common stock	\$ 0.24	April 30, 2019	July 5, 2019	July 19, 2019
September 30, 2019	Common stock	\$ 0.27	July 26, 2019	October 4, 2019	October 18, 2019
December 31, 2019	Common stock	\$ 0.27	October 29, 2019	December 31, 2019	January 14, 2020

Recent Developments

Contractual Commitments

As of February 6, 2020, we have two outstanding contracts with third-party sellers to acquire one industrial property and one improved land parcel and one non-binding letter of intent with a third party buyer to sell three industrial properties as further described under the heading “Contractual Obligations” in this Annual Report on Form 10-K. There is no assurance that we will acquire the property and improved land parcel under contract or sell the properties under non-binding letter of intent because the proposed acquisitions and disposition are subject to the completion of satisfactory due diligence and various closing conditions, and with respect to the properties under non-binding letter of intent, our entry into a purchase and sale agreement.

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 being 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 our net asset value (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.

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.

We contribute positively to the environment by owning and operating facilities in infill locations close to population centers thereby minimizing vehicle miles traveled and the concomitant use of fuel and production of airborne particulate matter pollution. Further, we do no ground up greenfield development of properties; sustainability for us means never building on a site that has not previously been commercially developed. During redevelopment of our facilities, we recycle the majority of the building materials from existing buildings and focus on modern design solutions to reduce our impact on the environment. When releasing vacant space, we seek to reduce our carbon footprint by upgrading existing facilities with energy efficient lighting and heating.

Our outlook is subject to the risks set forth in this Annual Report on Form 10-K, including the risks set forth in “Item 1A - Risk Factors”.

Inflation

Although the U.S. economy has been experiencing relatively modest inflation rates recently, and a wide variety of industries and sectors are affected differently by changing commodity prices, inflation has increased construction costs but has not had a significant impact on our operating costs. Most of our leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation. In addition, approximately 65.0% of our total rentable square feet expire within five years which enables us to seek to replace existing leases with new leases at the then-existing market rate.

Supplemental Material U.S. Federal Income Tax Considerations

The following discussion updates the disclosures under “Material U.S. Federal Income Tax Considerations” in the prospectus dated February 9, 2018 contained in our Registration Statement on Form S-3 filed with the SEC on February 9, 2018 and contained in the prospectus supplement dated May 17, 2019.

Consolidated Appropriations Act

On March 23, 2018, President Donald J. Trump signed into law the Consolidated Appropriations Act, 2018 (the “CAA”), which amended various provisions of the Code and implicate certain tax-related disclosures contained in the prospectus. As a result, the discussion in the third and fourth paragraphs under “Material U.S. Federal Income Tax Considerations-U.S. Taxation of Non-U.S. Stockholders-Sale of Stock” on pages 33 to 35 of the prospectus is replaced with the following paragraphs:

Additionally, to the extent our stock is held directly (or indirectly through one or more partnerships) by a “qualified shareholder,” it will not be treated as a U.S. real property interest for such qualified shareholder. Therefore, gain treated as gain from the sale or exchange of our stock will not be subject to tax under FIRPTA but would be subject to tax if such gain is treated as effectively connected with the qualified shareholder’s conduct of a U.S. trade or business. Further, to the extent such treatment applies, any distribution to such shareholder will not be treated as gain recognized from the sale or exchange of a U.S. real property interest (and capital gain dividends and non-dividend distributions to such shareholder may be treated as ordinary dividends). For these purposes, a qualified shareholder is generally a non-U.S. stockholder that (i)(A) is eligible for treaty benefits under an income tax treaty with the United States that includes an exchange of information program, and the principal class of interests of which is listed and regularly traded on one or more stock exchanges as defined by the treaty, or (B) is a foreign limited partnership organized in a jurisdiction with an exchange of information agreement with the United States and that has a class of regularly traded limited partnership units (having a value greater than 50% of the value of all partnership units) on the New York Stock Exchange or Nasdaq, (ii) is a “qualified collective investment vehicle” (within the meaning of section 897(k)(3)(B) of the Code) and (iii) maintains records of persons holding 5% or more of the class of interests described in clauses (i)(A) or (i)(B) above. However, in the case of a qualified shareholder having one or more “applicable investors,” the exception described in the first sentence of this paragraph will not apply to the applicable percentage of the qualified shareholder’s stock (where “applicable percentage” generally means the percentage of the value of the interests in the qualified shareholder held by applicable investors after applying certain constructive ownership rules). The applicable percentage of the amount realized by a qualified shareholder on the disposition of our stock or with respect to a distribution from us attributable to gain from the sale or exchange of a U.S. real property interest will be treated as amounts realized from the disposition of U.S. real property interest. Such treatment shall also apply to applicable investors in respect of distributions treated as a sale or exchange of stock with respect to a qualified shareholder. For these purposes, an “applicable investor” is a person (other than a qualified shareholder) who holds an interest in the qualified shareholder and holds more than 10% of our stock applying certain constructive ownership rules.

For periods on or after December 18, 2015, for FIRPTA purposes neither a “qualified foreign pension fund” nor a “qualified controlled entity” (each as defined below) shall be treated as a non-U.S. stockholder. Accordingly, the U.S. federal income tax treatment of ordinary dividends received by qualified foreign pension funds and qualified controlled entities will be determined without regard to the FIRPTA rules, and their gain from the sale or exchange of our stock, as well as our capital gain dividends and distributions treated as gain from the sale or exchange, will not be subject to U.S. federal income tax unless such gain is treated as effectively connected with such qualified foreign pension fund’s (or such qualified controlled entity’s) conduct of a U.S. trade or business. A “qualified foreign pension fund” is an organization or arrangement (i) created or organized in a foreign country, (ii) established to provide retirement or pension benefits to current or former employees (including self-employed individuals) or their designees by either (A) a foreign country as a result of services rendered by such employees to their employers, or (B) one or more employers in consideration for services rendered by such employees to such employers, (iii) which does not have a single participant or beneficiary that has a right to more than 5% of its assets or income, (iv) which is subject to government regulation and with respect to which annual information about its beneficiaries is provided, or is otherwise made available, to relevant local tax authorities and (v) with respect to which, under its local laws, (A) contributions that would otherwise be subject to tax are deductible or excluded from its gross income or taxed at a reduced rate, or (B) taxation of its investment income is deferred, or such income is excluded from its gross income or taxed at a reduced rate. A “qualified controlled entity” for purposes of the above summary means an entity all the interests of which are held by a qualified foreign pension fund. Alternatively, under proposed Treasury Regulations that taxpayers generally may rely on, but which are subject to change, a “qualified controlled entity” is a trust of corporation organized under the laws of a foreign country all of the interests of which are held by one or more qualified foreign pension funds either directly or indirectly through one or more qualified controlled entities or partnerships.

Finally, the Consolidated Appropriations Act, 2018 clarified that for purposes of determining whether a REIT is a “domestically controlled qualified investment entity” under FIRPTA, the presumption that generally a person holding less than 5% of a REIT’s class of stock that is regularly traded on an established securities market in the United States for five years has been, and will be, treated as a U.S. person applies for testing periods ending on or after December 18, 2015 (e.g., if a testing period ends on June 1, 2018, then the presumption applies for the entire five-year period starting on June 1, 2013).

Recent FATCA Proposed Regulations

On December 13, 2018, the Department of the Treasury and the Internal Revenue Service issued proposed regulations under Sections 1471-1474 of the Code (commonly referred to as FATCA), which proposed regulations eliminate FATCA withholding on gross proceeds and thus implicate certain tax-related disclosures contained in the prospectus. While these regulations have not yet been finalized, taxpayers are generally entitled to rely on the proposed regulations (subject to certain limited exceptions). Accordingly, the discussion under “Material U.S. Federal Income Tax Considerations-Additional U.S. Federal Income Tax Withholding Rules” on pages 36 and 37 of the prospectus is replaced with the following paragraph:

The Foreign Account Tax Compliance Act, or FATCA, imposes withholding taxes on dividends made to “foreign financial institutions” and certain other non-U.S. entities unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign non-financial entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. If the payee is a foreign financial institution, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertakes to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent them from complying with these reporting and other requirements. Investors in jurisdictions that have entered into “intergovernmental agreements” may, in lieu of the foregoing requirements, be required to report such information to their home jurisdictions. Prospective investors should consult their tax advisors regarding this legislation.

Financial Condition and Results of Operations

We derive substantially all of our revenues from rents received from tenants under existing leases on each of our properties. These revenues include fixed base rents and recoveries of certain property operating expenses that we have incurred and that we pass through to the individual tenants. Approximately 92.6% of our leased space includes fixed rental increases or Consumer Price Index-based rental increases. Lease terms typically range from three to ten years.

Our primary cash expenses consist of our property operating expenses, which include: real estate taxes, repairs and maintenance, management expenses, insurance, utilities, general and administrative expenses, which include compensation costs, office expenses, professional fees and other administrative expenses, acquisition costs, which include third-party costs paid to brokers and consultants, and interest expense, primarily on our mortgage loans, revolving credit facility, term loans and senior unsecured notes.

Our consolidated results of operations often are not comparable from period to period due to the impact of property acquisitions at various times during the course of such periods. The results of operations of any acquired property are included in our financial statements as of the date of its acquisition.

The following analysis of our results below for the years ended December 31, 2019 and 2018 includes the changes attributable to same store properties. The same store pool for the comparison of the 2019 and 2018 fiscal years includes all properties that were owned and in operation as of December 31, 2019 and since January 1, 2018 and excludes properties that were either disposed of prior to, held for sale to a third-party or in redevelopment as of December 31, 2019. As of December 31, 2019, the same store pool consisted of 187 buildings aggregating approximately 11.8 million square feet representing approximately 88.6% of our total square feet owned and ten improved land parcels consisting of approximately 47.2 acres. As of December 31, 2019, the non-same store properties, which we acquired, redeveloped or sold during 2018 and 2019, or were held for sale (if any) or in redevelopment as of December 31, 2019, consisted of 33 buildings aggregating approximately 1.5 million square feet, nine improved land parcels consisting of approximately 30.4 acres and four properties under redevelopment expected to contain approximately 0.5 million square feet upon completion. As of December 31, 2019 and 2018, our consolidated same store pool occupancy was approximately 98.4% and 99.1%, respectively.

Our future financial condition and results of operations, including rental revenues, straight-line rents and amortization of lease intangibles, may be impacted by the acquisitions of additional properties, and expenses may vary materially from historical results.

Comparison of the Year Ended December 31, 2019 to the Year Ended December 31, 2018:

	<u>For the Year Ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
(Dollars in thousands)				
Rental revenues ¹				
Same store	\$ 115,505	\$ 109,096	\$ 6,409	5.9 %
Non-same store operating properties ²	19,141	9,087	10,054	110.6 %
Total rental revenues	134,646	118,183	16,463	13.9 %
Tenant expense reimbursements ¹				
Same store	33,287	31,948	1,339	4.2 %
Non-same store operating properties ²	3,089	1,526	1,563	102.4 %
Total tenant expense reimbursements	36,376	33,474	2,902	8.7 %
Total revenues	171,022	151,657	19,365	12.8 %
Property operating expenses				
Same store	38,302	37,539	763	2.0 %
Non-same store operating properties ²	5,899	2,449	3,450	140.9 %
Total property operating expenses	44,201	39,988	4,213	10.5 %
Net operating income ³				
Same store	110,490	103,505	6,985	6.7 %
Non-same store operating properties ²	16,331	8,164	8,167	100.0 %
Total net operating income	\$ 126,821	\$ 111,669	\$ 15,152	13.6 %
Other costs and expenses				
Depreciation and amortization	44,015	40,816	3,199	7.8 %
General and administrative	23,924	21,503	2,421	11.3 %
Acquisition costs	45	124	(79)	(63.7) %
Total other costs and expenses	67,984	62,443	5,541	8.9 %
Other income (expense)				
Interest and other income	3,815	3,664	151	4.1 %
Interest expense, including amortization	(16,338)	(18,211)	1,873	(10.3) %
Loss on extinguishment of debt	(189)	—	(189)	n/a
Gain on sales of real estate investments	9,391	28,610	(19,219)	(67.2) %
Total other income and (expenses)	(3,321)	14,063	(17,384)	n/a
Net income	\$ 55,516	\$ 63,289	\$ (7,773)	(12.3) %

¹ On January 1, 2019, we adopted the practical expedient under Accounting Standards Update (“ASU”) No. 2018-11, Leases (Topic 842), Targeted Improvements, which allows us to elect not to separate lease and non-lease rental income. All rental income earned pursuant to tenant leases is reflected as one line, “Rental revenues and tenant expense reimbursements” on our accompanying consolidated statements of operations. We believe that the above presentation of rental revenues and tenant expense reimbursements is not, and is not intended to be, a presentation in accordance with accounting principals generally accepted in the United States of America (“GAAP”). We believe this information is frequently used by management, investors, and other interested parties to evaluate our performance. See “Note 2 - Significant Accounting Policies” in our condensed notes to consolidated financial statements for more information regarding our adoption of this standard.

² Includes 2018 and 2019 acquisitions and dispositions, nine improved land parcels and four properties under redevelopment as of December 31, 2019.

³ Includes straight-line rents and amortization of lease intangibles. See “Non-GAAP Financial Measures” in this Annual Report on Form 10-K for a reconciliation of net operating income and same store net operating income from net income and a discussion of why we believe net operating income and same store net operating income are useful supplemental measures of our operating performance.

Revenues. Total revenues increased approximately \$19.4 million for the year ended December 31, 2019 compared to the prior year due primarily to property acquisitions during 2018 and 2019, and increased revenue on new and renewed leases. Cash rents on new and renewed leases totaling approximately 0.2 million square feet commencing during the year ended December 31, 2019 increased approximately 17.3% compared to the same period from the prior year. For the quarter and year ended December 31, 2019, approximately \$0.3 million and \$2.0 million, respectively, was recorded in straight-line rental revenues related to contractual rent abatements given to certain tenants.

Property operating expenses. Total property operating expenses increased approximately \$4.2 million during the year ended December 31, 2019 compared to the prior year. The increase in total property operating expenses was due primarily to an increase of approximately \$3.5 million attributable to property acquisitions during 2018 and 2019.

Depreciation and amortization. Depreciation and amortization increased approximately \$3.2 million during the year ended December 31, 2019 compared to the prior year due to property acquisitions during 2018 and 2019.

General and administrative expenses. General and administrative expenses increased approximately \$2.4 million for the year ended December 31, 2019 compared to the prior year due primarily to increased compensation expense, bonus expense, accounting service fees and performance share award expense. The increase in performance share award expense primarily related to the expense for performance share awards granted prior to January 1, 2019, which varies quarter to quarter based on our relative share price performance. Performance share award expense for the year ended December 31, 2019 was approximately \$8.0 million as compared to approximately \$7.1 million for the prior year. See “Note 11 —Stockholder’s Equity” in our notes to the consolidated financial statements for more information regarding our performance share awards.

Acquisition costs. Acquisition costs decreased by approximately \$0.1 million for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Interest and other income. Interest and other income increased approximately \$0.2 million for the year ended December 31, 2019 compared to the prior year primarily due to approximately \$3.3 million in interest and fees earned on our Senior Secured Loan, which we made in May 2018 and higher cash balances and interest rates during 2019 compared to the prior year.

Interest expense, including amortization. Interest expense decreased approximately \$1.9 million for the year ended December 31, 2019 compared to the prior year due primarily to lower average outstanding borrowings on our revolving credit facility and mortgage loans payable and an increase of \$0.7 million in capitalized interest compared to the prior year.

Gain on sales of real estate investments. Gain on sales of real estate investments decreased approximately \$19.2 million for the year ended December 31, 2019 compared to the prior year period due to property sales. The aggregate sales price for property sales for the year ended December 31, 2019 was approximately \$48.9 million as compared to approximately \$82.1 million for the prior year.

The following analysis of our results below for the years ended December 31, 2018 and 2017 includes the changes attributable to same store properties. The same store pool for the comparison of the 2018 and 2017 fiscal years includes all properties that were owned and in operation as of December 31, 2018 and since January 1, 2017 and excludes properties that were either disposed of prior to, held for sale to a third-party or in redevelopment as of December 31, 2018. As of December 31, 2018, the same store pool consisted of 156 buildings aggregating approximately 10.4 million square feet representing approximately 81.3% of our total square feet owned and six improved land parcels consisting of approximately 23.0 acres. As of December 31, 2018, the non-same store properties, which we acquired or sold during 2017 and 2018, were held for sale or in redevelopment as of December 31, 2018, consisted of 49 buildings aggregating approximately 2.4 million square feet, ten improved land parcels consisting of approximately 32.2 acres and five properties under redevelopment expected to contain approximately 0.7 million square feet upon completion. As of December 31, 2018 and 2017, our consolidated same store pool occupancy was approximately 99.1% and 98.1%, respectively.

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017:

	For the Year Ended December 31,		\$ Change	% Change
	2018	2017		
(Dollars in thousands)				
Rental revenues ¹				
Same store	\$ 94,937	\$ 90,273	\$ 4,664	5.2 %
Non-same store operating properties ²	23,246	13,056	10,190	78.0 %
Total rental revenues	118,183	103,329	14,854	14.4 %
Tenant expense reimbursements ¹				
Same store	27,866	26,556	1,310	4.9 %
Non-same store operating properties ²	5,608	2,599	3,009	115.8 %
Total tenant expense reimbursements	33,474	29,155	4,319	14.8 %
Total revenues	151,657	132,484	19,173	14.5 %
Property operating expenses				
Same store	31,871	31,795	76	0.2 %
Non-same store operating properties ²	8,117	4,079	4,038	99.0 %
Total property operating expenses	39,988	35,874	4,114	11.5 %
Net operating income ³				
Same store	90,932	85,034	5,898	6.9 %
Non-same store operating properties ²	20,737	11,576	9,161	79.1 %
Total net operating income	\$ 111,669	\$ 96,610	\$ 15,059	15.6 %
Other costs and expenses				
Depreciation and amortization	40,816	37,870	2,946	7.8 %
General and administrative	21,503	19,681	1,822	9.3 %
Acquisition costs	124	10	114	1,140.0 %
Total other costs and expenses	62,443	57,561	4,882	8.5 %
Other income (expense)				
Interest and other income	3,664	169	3,495	2,068.0 %
Interest expense, including amortization	(18,211)	(16,777)	(1,434)	8.5 %
Loss on extinguishment of debt	—	—	—	n/a
Gain on sales of real estate investments	28,610	30,654	(2,044)	(6.7)%
Total other income and expenses	14,063	14,046	17	0.1 %
Net income	\$ 63,289	\$ 53,095	\$ 10,194	19.2 %

¹ On January 1, 2019, we adopted the practical expedient under ASU No. 2018-11, Leases (Topic 842), Targeted Improvements, which allows us to elect not to separate lease and non-lease rental income. All rental income earned pursuant to tenant leases is reflected as one line, "Rental revenues and tenant expense reimbursements" on our accompanying consolidated statements of operations. We believe that the above presentation of rental revenues and tenant expense reimbursements is not, and is not intended to be, a presentation in accordance with GAAP. We believe this information is frequently used by management, investors, and other interested parties to evaluate our performance. See "Note 2 - Significant Accounting Policies" in our condensed notes to consolidated financial statements for more information regarding our adoption of this standard.

² Includes 2017 and 2018 acquisitions and dispositions, ten improved land parcels, five properties under redevelopment and one completed redevelopment property with a gross book value of \$29.3 million as of December 31, 2018.

³ Includes straight-line rents and amortization of lease intangibles. See "Non-GAAP Financial Measures" in this Annual Report on Form 10-K for a reconciliation of net operating income and same store net operating income from net income and a discussion of why we believe net operating income and same store net operating income are useful supplemental measures of our operating performance.

Revenues. Total revenues increased approximately \$19.2 million for the year ended December 31, 2018 compared to the prior year due primarily to property acquisitions during 2017 and 2018 and increased revenue on new and renewed leases and

lease termination income of approximately \$0.7 million. Same store rental revenues and tenant expense reimbursement revenues increased primarily due to new lease agreements at our West 140th, Airgate, Denver Avenue and S. River Drive properties. For the quarter and year ended December 31, 2018, approximately \$0.4 million and \$2.9 million, respectively, was recorded in straight-line rental revenues related to contractual rent abatements given to certain tenants.

Property operating expenses. Total property operating expenses increased approximately \$4.1 million during the year ended December 31, 2018 compared to the prior year. The increase in total property operating expenses was due primarily to an increase of approximately \$4.0 million attributable to property acquisitions during 2017 and 2018.

Depreciation and amortization. Depreciation and amortization increased approximately \$2.9 million during the year ended December 31, 2018 compared to the prior year due to property acquisitions during 2017 and 2018.

General and administrative expenses. General and administrative expenses increased approximately \$1.8 million for the year ended December 31, 2018 compared to the prior year due primarily to increased compensation expense, bonus expense, accounting service fees, and performance share award expense, which varies quarter to quarter based on our relative share price performance. Performance share award expense for the year ended December 31, 2018 was approximately \$7.1 million as compared to approximately \$6.7 million for the prior year. See “Note 11 - Stockholder’s Equity” in our notes to the consolidated financial statements for more information regarding our performance share awards.

Acquisition costs. Acquisition costs increased by approximately \$0.1 million for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Interest and other income. Interest and other income increased approximately \$3.5 million for the year ended December 31, 2018 compared to the prior year primarily due to approximately \$3.3 million in interest and fees earned on our Senior Secured Loan, which we made in May 2018.

Interest expense, including amortization. Interest expense increased approximately \$1.4 million for the year ended December 31, 2018 compared to the prior year due primarily to an increase in our average outstanding borrowings on our revolving credit facility and senior unsecured debt and higher interest rates, partially offset by an increase of \$2.5 million in capitalized interest compared to the prior year.

Gain on sales of real estate investments. Gain on sales of real estate investments decreased approximately \$2.0 million for the year ended December 31, 2018 compared to the prior year due to property sales. The aggregate sales price for property sales for the year ended December 31, 2018 was approximately \$82.1 million as compared to approximately \$77.3 million for the prior year.

Liquidity and Capital Resources

The primary objective of our financing strategy is to maintain financial flexibility with a conservative capital structure using retained cash flows, proceeds from dispositions of properties, long-term debt and the issuance of common and perpetual preferred stock to finance our growth. Over the long-term, we intend to:

- limit the sum of the outstanding principal amount of our consolidated indebtedness and the liquidation preference of any outstanding perpetual preferred stock to less than 35% of our total enterprise value;
- maintain a fixed charge coverage ratio in excess of 2.0x;
- maintain a debt-to-adjusted EBITDA ratio below 6.0x;
- limit the principal amount of our outstanding floating rate debt to less than 20% of our total consolidated indebtedness; and
- have staggered debt maturities that are aligned to our expected average lease term (5-7 years), positioning us to re-price parts of our capital structure as our rental rates change with market conditions.

We intend to preserve a flexible capital structure with a long-term goal to maintain our investment grade rating and be in a position to issue additional unsecured debt and additional perpetual preferred stock. Fitch Ratings assigned us an issuer rating of BBB with a stable outlook. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. There can be no assurance that we will be able to maintain our current credit rating. Our credit rating can affect the amount and type of capital we can access, as well as the terms of any financings we may obtain. In the event our current credit rating is downgraded, it may become difficult or expensive to obtain additional financing or refinance existing obligations and commitments. We intend to primarily utilize senior unsecured notes,

term loans, credit facilities, dispositions of properties, common stock and perpetual preferred stock. We may also assume debt in connection with property acquisitions which may have a higher loan-to-value ratio.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our revolving credit facility. We believe that our net cash provided by operations will be adequate to fund operating requirements, pay interest on any borrowings and fund distributions in accordance with the REIT requirements of the federal income tax laws. In the near-term, we intend to fund future investments in properties with cash on hand, term loans, senior unsecured notes, mortgages, borrowings under our revolving credit facility, perpetual preferred and common stock issuances and, from time to time, property dispositions. We expect to meet our long-term liquidity requirements, including with respect to other investments in industrial properties, property acquisitions, property redevelopments, renovations and expansions and scheduled debt maturities, through borrowings under our revolving credit facility, periodic issuances of common stock, perpetual preferred stock, and long-term secured and unsecured debt, and, from time to time, with proceeds from the disposition of properties. The success of our acquisition strategy may depend, in part, on our ability to obtain and borrow under our revolving credit facility and to access additional capital through issuances of equity and debt securities.

The following sets forth certain information regarding our current at-the-market common stock offering program as of December 31, 2019:

ATM Stock Offering Program	Date Implemented	Maximum Aggregate Offering Price (in thousands)	Aggregate Common Stock Available as of December 31, 2019 (in thousands)
\$300 Million ATM Program	May 17, 2019	\$ 300,000	\$ 148,857

The table below sets forth the activity under our at-the-market common stock offering programs during the years ended December 31, 2019 and 2018, respectively (in thousands, except share and price per share data):

For the Year Ended	Shares Sold	Weighted Average Price Per Share	Net Proceeds	Sales Commissions
December 31, 2019	6,064,576	\$ 45.85	\$ 274,026	\$ 4,032
December 31, 2018	5,492,707	\$ 38.04	\$ 205,919	\$ 3,030

As of December 31, 2019, we had a Senior Secured Loan outstanding with a two-year term that bears interest at a fixed annual interest rate of 8.0% and matures in May 2020. The Senior Secured Loan is secured by a portfolio of seven improved land parcels primarily located in Newark, New Jersey. One of the properties securing the Senior Secured Loan may be put to us as partial repayment of the Senior Secured Loan. This property may be called by us as partial repayment of the Senior Secured Loan at a previously agreed upon value. In addition, per the terms of the Senior Secured Loan, the borrower may repay the loan at any time with either cash or deed in lieu, with the deed subject to our approval. During the year ended December 31, 2019, we acquired two properties that were securing the Senior Secured Loan for a previously agreed upon aggregate purchase price which approximated their fair value of approximately \$39.1 million, which resulted in an approximately \$39.1 million reduction in the amount outstanding under the Senior Secured Loan. As of December 31, 2019 and 2018, there was approximately \$15.9 million and \$54.5 million, respectively, net of deferred loan fees of approximately \$0.1 million and \$0.5 million, respectively, outstanding on the Senior Secured Loan and approximately \$0.3 million and \$0.4 million, respectively, of interest receivable outstanding on the Senior Secured Loan.

On September 12, 2019, we entered into a note purchase agreement with certain institutional investors in a private placement transaction pursuant to which we issued \$100.0 million of ten-year 3.14% senior unsecured notes on December 2, 2019. The proceeds from the issuance were used to repay the previously outstanding \$50.0 million term loan that was to mature in August 2021 and the related unamortized deferred financing costs of approximately \$0.2 million were written off to loss on extinguishment of debt. As of December 31, 2019, we had \$50.0 million of senior unsecured notes that mature in September 2022, \$100.0 million of senior unsecured notes that mature in July 2024, \$50.0 million of senior unsecured notes that mature in July 2026, \$50.0 million of senior unsecured notes that mature in October 2027 and \$100.0 million of senior unsecured notes that mature in December 2029 (collectively, the "Senior Unsecured Notes"), and a credit facility (the "Facility") which consists of a \$250.0 million unsecured revolving credit facility that matures in October 2022 and a \$100.0 million term loan that matures in January 2022. As of December 31, 2019 and 2018, there was \$0 and \$19.0 million, respectively, of borrowings outstanding on our revolving credit facility and \$100.0 million and \$150.0 million, respectively, of borrowings outstanding on our term loans. We have two interest rate caps to hedge the variable cash flows associated with our existing \$100.0 million variable-rate

term loan. See “Note 9-Derivative Financial Instruments” in our notes to consolidated financial statements for more information regarding our interest rate caps.

The aggregate amount of the Facility may be increased to a total of up to \$600.0 million, subject to the approval of the administrative agent and the identification of lenders willing to make available additional amounts. Outstanding borrowings under the Facility are limited to the lesser of (i) the sum of the \$250.0 million revolving credit facility and the \$100.0 million term loan maturing in January 2022 or (ii) 60.0% of the value of the unencumbered properties. Interest on the Facility, including the term loan, is generally to be paid based upon, at our option, either (i) LIBOR plus the applicable LIBOR margin or (ii) the applicable base rate which is the greatest of the administrative agent’s prime rate, 0.50% above the federal funds effective rate, or thirty-day LIBOR plus the applicable LIBOR margin for LIBOR rate loans under the Facility plus 1.25%. The applicable LIBOR margin will range from 1.05% to 1.50% (1.05% as of December 31, 2019) for the revolving credit facility and 1.20% to 1.70% (1.20% as of December 31, 2019) for the \$100.0 million term loan that matures in January 2022, depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value. The Facility requires quarterly payments of an annual facility fee in an amount ranging from 0.15% to 0.30% depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value.

The Facility and the Senior Unsecured Notes are guaranteed by us and by substantially all of the current and to-be-formed subsidiaries of the borrower that own an unencumbered property. The Facility and the Senior Unsecured Notes are unsecured by our properties or by interests in the subsidiaries that hold such properties. The Facility and the Senior Unsecured Notes include a series of financial and other covenants with which we must comply. We were in compliance with the covenants under the Facility and the Senior Unsecured Notes as of December 31, 2019 and 2018.

As of December 31, 2019 and 2018, we had outstanding mortgage loans payable, net of deferred financing costs, of approximately \$44.3 million and \$45.8 million, respectively, and held cash and cash equivalents totaling approximately \$110.1 million and \$31.0 million, respectively. Subsequent to December 31, 2019, we used a portion of the proceeds from our \$100.0 million ten-year 3.14% senior unsecured note to repay a mortgage loan payable of \$32.7 million.

The following tables summarize our debt maturities and principal payments as of and for the year ended December 31, 2019, and market capitalization, capitalization ratios, Adjusted EBITDA, interest coverage, fixed charge coverage and debt ratios as of and for the years ended December 31, 2019 and 2018 (dollars in thousands – except per share data):

	Credit Facility	Term Loans	Senior Unsecured Notes	Mortgage Loans Payable	Total Debt
2020	\$ —	\$ —	\$ —	\$ 33,077	\$ 33,077
2021	—	—	—	11,271	11,271
2022	—	100,000	50,000	—	150,000
2023	—	—	—	—	—
2024	—	—	100,000	—	100,000
Thereafter	—	—	200,000	—	200,000
Total Debt	—	100,000	350,000	44,348	494,348
Deferred financing costs, net	—	(417)	(2,326)	(30)	(2,773)
Total Debt, net	<u>\$ —</u>	<u>\$ 99,583</u>	<u>\$ 347,674</u>	<u>\$ 44,318</u>	<u>\$ 491,575</u>
Weighted average interest rate	n/a	3.0 %	3.8 %	4.1 %	3.7 %

	As of December 31, 2019	As of December 31, 2018
Total Debt, net	\$ 491,575	\$ 462,097
Equity		
Common Stock		
Shares Outstanding ¹	67,252,787	61,013,711
Market Price ²	\$ 54.14	\$ 35.17
Market Value	3,641,066	2,145,852
Total Market Capitalization	\$ 4,132,641	\$ 2,607,949
Total Debt-to-Total Investments in Properties ³	22.8 %	25.2 %
Total Debt-to-Total Investments in Properties and Senior Secured Loan ⁴	22.7 %	24.5 %
Total Debt-to-Total Market Capitalization ⁵	11.9 %	17.8 %
Floating Rate Debt as a % of Total Debt ⁶	20.3 %	36.4 %
Unhedged Floating Rate Debt as a % of Total Debt ⁷	— %	4.1 %
Mortgage Loans Payable as a % of Total Debt ⁸	9.0 %	9.9 %
Mortgage Loans Payable as a % of Total Investments in Properties ⁹	2.1 %	2.5 %
Adjusted EBITDA ¹⁰	\$ 117,356	\$ 103,100
Interest Coverage ¹¹	7.2x	5.7x
Fixed Charge Coverage ¹²	6.0x	5.0x
Total Debt-to-Adjusted EBITDA ¹³	4.1x	4.2x
Weighted Average Maturity of Total Debt (years)	5.1	4.6

¹ Includes 426,770 and 383,930 shares of unvested restricted stock outstanding as of December 31, 2019 and 2018, respectively.

² Closing price of our shares of common stock on the New York Stock Exchange on December 31, 2019 and 2018, respectively, in dollars per share.

³ Total debt-to-total investments in properties is calculated as total debt, including premiums and net of deferred financing costs, divided by total investments in properties as of December 31, 2019 and 2018, respectively.

⁴ Total debt-to-total investments in properties and Senior Secured Loan is calculated as total debt, including premiums and net of deferred financing costs, divided by total investments in properties and total Senior Secured Loan, net of deferred loan fees of approximately \$0.1 million and \$0.5 million, as of December 31, 2019 and 2018, respectively.

⁵ Total debt-to-total market capitalization is calculated as total debt, including premiums and net of deferred financing costs, divided by total market capitalization as of December 31, 2019 and 2018, respectively.

⁶ Floating rate debt as a percentage of total debt is calculated as floating rate debt, including premiums and net of deferred financing costs, divided by total debt, including premiums and net of deferred financing costs. Floating rate debt includes our existing \$100.0 million and \$150.0 million of variable-rate term loan borrowings with interest rate caps of 4.0% plus 1.20% to 1.70%, depending on leverage as of December 31, 2019 and 2018, respectively. See “Note 9 – Derivative Financial Instruments” in our notes to consolidated financial statements for more information regarding our interest rate caps.

⁷ Unhedged floating rate debt as a percentage of total debt is calculated as unhedged floating rate debt, including premiums and net of deferred financing costs, divided by total debt, net of deferred financing costs. Hedged debt includes our existing \$100.0 million and \$150.0 million of variable-rate term loan borrowings with interest rate caps of 4.0% plus 1.20% to 1.70%, depending on leverage as of December 31, 2019 and 2018, respectively. See “Note 9 – Derivative Financial Instruments” in our notes to consolidated financial statements for more information regarding our interest rate caps.

⁸ Mortgage loans payable as a percentage of total debt is calculated as mortgage loans payable, including premiums and net of deferred financing costs, divided by total debt, net of deferred financing costs.

⁹ Mortgage loans payable as a percentage of total investments in properties is calculated as mortgage loans payable, including premiums and net of deferred financing costs, divided by total investments in properties.

¹⁰ Earnings before interest, taxes, gains (losses) from sales of property, depreciation and amortization, acquisition costs and stock-based compensation (“Adjusted EBITDA”) for the years ended December 31, 2019 and 2018, respectively. See “Non-GAAP Financial Measures” in this Annual Report on Form 10-K for a definition and reconciliation of

Adjusted EBITDA from net income and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.

- ¹¹ Interest coverage is calculated as Adjusted EBITDA divided by interest expense, including amortization. See “Non-GAAP Financial Measures” in this Annual Report on Form 10-K for a definition and reconciliation of Adjusted EBITDA from net income and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.
- ¹² Fixed charge coverage is calculated as Adjusted EBITDA divided by interest expense, including amortization, capitalized interest plus preferred stock dividends, if any. See “Non-GAAP Financial Measures” in this Annual Report on Form 10-K for a definition and reconciliation of Adjusted EBITDA from net income and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.
- ¹³ Total debt-to-Adjusted EBITDA is calculated as total debt, including premiums and net of deferred financing costs, divided by annualized Adjusted EBITDA. See “Non-GAAP Financial Measures” in this Annual Report on Form 10-K for a definition and reconciliation of Adjusted EBITDA from net income and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.

The following table sets forth the cash dividends paid or payable per share during the years ended December 31, 2019 and 2018:

For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2019	Common stock	\$ 0.24	February 5, 2019	March 29, 2019	April 12, 2019
June 30, 2019	Common stock	\$ 0.24	April 30, 2019	July 5, 2019	July 19, 2019
September 30, 2019	Common stock	\$ 0.27	July 26, 2019	October 4, 2019	October 18, 2019
December 31, 2019	Common stock	\$ 0.27	October 29, 2019	December 31, 2019	January 14, 2020

For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2018	Common stock	\$ 0.22	February 6, 2018	March 28, 2018	April 12, 2018
June 30, 2018	Common stock	\$ 0.22	May 1, 2018	July 6, 2018	July 20, 2018
September 30, 2018	Common stock	\$ 0.24	August 1, 2018	October 5, 2018	October 19, 2018
December 31, 2018	Common stock	\$ 0.24	October 31, 2018	December 18, 2018	January 11, 2019

Sources and Uses of Cash

Our principal sources of cash are cash from operations, borrowings under loans payable, draws on our Facility, common and preferred stock issuances, proceeds from property dispositions and issuances of unsecured notes. Our principal uses of cash are asset acquisitions, debt service, capital expenditures, operating costs, corporate overhead costs and common stock dividends.

Cash From Operating Activities. Net cash provided by operating activities totaled approximately \$94.7 million for the year ended December 31, 2019 compared to approximately \$77.6 million for the year ended December 31, 2018. This increase in cash provided by operating activities is primarily attributable to additional cash flows generated from the properties acquired during 2019 and 2018 and increased rents on new and renewed leases at our same store properties.

Cash From Investing Activities. Net cash used in investing activities was approximately \$251.5 million and \$235.0 million, respectively, for the years ended December 31, 2019 and 2018, which consists primarily of cash paid for property acquisitions of \$238.7 million and \$221.8 million, respectively, net cash paid for our Senior Secured Loan of approximately \$0 and \$54.1 million, respectively, and additions to capital improvements of approximately \$60.0 million and \$38.6 million, respectively, offset by net proceeds from sales of real estate investments of approximately \$47.1 million and \$79.6 million, respectively, for the years ended December 31, 2019 and 2018.

Cash From Financing Activities. Net cash provided by financing activities was approximately \$235.1 million for the year ended December 31, 2019, which consists primarily of approximately \$274.0 million in net common stock issuance proceeds and borrowings of \$100.0 million in connection with our issuance of senior unsecured notes, offset by approximately \$63.6 million in equity dividend payments, \$50.0 million in payments on our term loan that was to mature in August 2021 and approximately \$19.0 million in net payments on our revolving credit facility. Net cash provided by financing activities was

approximately \$149.0 million for the year ended December 31, 2018, which consists primarily of approximately \$205.9 million in net common stock issuance proceeds and \$19.0 million in borrowings on our revolving credit facility, offset by approximately \$51.4 million in equity dividend payments and approximately \$19.2 million in mortgage loan payments.

Critical Accounting Policies

Below is a discussion of the accounting policies that we believe are critical. We consider these policies critical because they require estimates about matters that are inherently uncertain, involve various assumptions and require significant management judgment, and because they are important for understanding and evaluating our reported financial results. These judgments will affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Applying different estimates or assumptions may result in materially different amounts reported in our financial statements.

Capitalization of Costs. We capitalize costs directly related to the redevelopment, renovation and expansion of our investment in real estate. Costs associated with such projects are capitalized as incurred. If the project is abandoned, these costs are expensed during the period in which the redevelopment or expansion project is abandoned. Costs considered for capitalization include, but are not limited to, construction costs, interest, real estate taxes and insurance, if appropriate. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress. In the event that the activities to ready the asset for its intended use are suspended, the capitalization period will cease until such activities are resumed. Costs incurred for maintaining and repairing properties, which do not extend their useful lives, are expensed as incurred.

Interest is capitalized based on actual capital expenditures from the period when redevelopment, renovation or expansion commences until the asset is ready for its intended use, at the weighted average borrowing rate during the period.

Property Acquisitions. Effective January 1, 2017, we adopted ASU 2017-01, *Business Combinations* (Topic 805): *Clarifying the Definition of a Business* which requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the integrated set of assets and activities is not considered a business. To be a business, the set of acquired activities and assets must include inputs and one or more substantive processes that together contribute to the ability to create outputs. We have determined that our real estate property acquisitions will generally be accounted for as asset acquisitions under the clarified definition. Prior to January 1, 2017, we generally accounted for property acquisitions as business combinations, in accordance with Accounting Standards Codification (“ASC”) 805, *Business Combinations*. Upon acquisition of a property we estimate the fair value of acquired tangible assets (consisting generally of land, buildings and improvements) and intangible assets and liabilities (consisting generally of the above and below-market leases and the origination value of all in-place leases). We determine fair values using Level 3 inputs such as replacement cost, estimated cash flow projections and other valuation techniques and applying appropriate discount and capitalization rates based on available market information. Mortgage loans assumed in connection with acquisitions are recorded at their fair value using current market interest rates for similar debt at the date of acquisition. Acquisition-related costs associated with asset acquisitions are capitalized to individual tangible and intangible assets and liabilities assumed on a relative fair value basis and acquisition-related costs associated with business combinations are expensed as incurred.

The fair value of the tangible assets is determined by valuing the property as if it were vacant. Land values are derived from current comparative sales values, when available, or management’s estimates of the fair value based on market conditions and the experience of our management team. Building and improvement values are calculated as replacement cost less depreciation, or management’s estimates of the fair value of these assets using discounted cash flow analyses or similar methods. The fair value of the above and below-market leases is based on the present value of the difference between the contractual amounts to be received pursuant to the acquired leases (using a discount rate that reflects the risks associated with the acquired leases) and our estimate of the market lease rates measured over a period equal to the remaining term of the leases plus the term of any below-market fixed rate renewal options. The above and below-market lease values are amortized to rental revenues over the remaining initial term plus the term of any below-market fixed rate renewal options that are considered bargain renewal options of the respective leases. The origination value of in-place leases is based on costs to execute similar leases, including commissions and other related costs. The origination value of in-place leases also includes real estate taxes, insurance and an estimate of lost rental revenue at market rates during the estimated time required to lease up the property from vacant to the occupancy level at the date of acquisition.

Impairment. Carrying values for financial reporting purposes are reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be fully recoverable. Examples of such events or changes in circumstances may include classifying an asset to be held for sale, changing the intended

hold period or when an asset remains vacant significantly longer than expected. The intended use of an asset either held for sale or held for use can significantly impact how impairment is measured. If an asset is intended to be held for the long-term, the recoverability is based on the undiscounted future cash flows. If the asset carrying value is not supported on an undiscounted future cash flow basis, then the asset carrying value is measured against the lower of cost or the present value of expected cash flows over the expected hold period. An impairment charge to earnings is recognized for the excess of the asset's carrying value over the lower of cost or the present values of expected cash flows over the expected hold period. If an asset is intended to be sold, impairment is determined using the estimated fair value less costs to sell. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions, among other things, regarding current and future economic and market conditions and the availability of capital. We determine the estimated fair values based on its assumptions regarding rental rates, lease-up and holding periods, as well as sales prices. When available, current market information is used to determine capitalization and rental growth rates. If available, current comparative sales values may also be used to establish fair value. When market information is not readily available, the inputs are based on our understanding of market conditions and the experience of our management team. Actual results could differ significantly from our estimates. The discount rates used in the fair value estimates represent a rate commensurate with the indicated holding period with a premium layered on for risk.

Revenue Recognition. We record rental revenue from operating leases on a straight-line basis over the term of the leases and maintain an allowance for estimated losses that may result from the inability of our tenants to make required payments. If tenants fail to make contractual lease payments that are greater than our allowance for doubtful accounts, security deposits and letters of credit, then we may have to recognize additional doubtful account charges in future periods. We monitor the liquidity and creditworthiness of our tenants on an on-going basis by reviewing their financial condition periodically as appropriate. Each period we review our outstanding accounts receivable, including straight-line rents, for doubtful accounts and provide allowances as needed. We also record lease termination fees when a tenant has executed a definitive termination agreement with us and the payment of the termination fee is not subject to any conditions that must be met or waived before the fee is due to us. If a tenant remains in the leased space following the execution of a definitive termination agreement, the applicable termination will be deferred and recognized over the term of such tenant's occupancy.

Tenant expense reimbursement income includes payments and amounts due from tenants pursuant to their leases for real estate taxes, insurance and other recoverable property operating expenses and is recognized as revenues during the same period the related expenses are incurred.

Effective January 1, 2018, we adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU No. 2014-09"), using the modified retrospective approach, which requires a cumulative effect adjustment as of the date of our adoption. Under the modified retrospective approach, an entity may also elect to apply this standard to either (i) all contracts as of January 1, 2018 or (ii) only to contracts that were not completed as of January 1, 2018. A completed contract is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP that was in effect before the date of initial application. We elected to apply this standard only to contracts that were not completed as of January 1, 2018. Based on our evaluation of contracts within the scope of ASU No. 2014-09, the guidance impacts revenue generated by sales of real estate, which is evaluated in conjunction with ASC 610-20, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets* (see below).

Effective January 1, 2018, we adopted the guidance of ASC 610-20, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets*, which applies to sales or transfers to noncustomers of nonfinancial assets or in substance nonfinancial assets that do not meet the definition of a business. Generally, our sales of real estate would be considered a sale of a nonfinancial asset as defined by ASC 610-20. ASC 610-20 refers to the revenue recognition principles under ASU 2014-09, *Revenue from Contracts with Customers* (see above). Under ASC 610-20, if we determine that we do not have a controlling financial interest in the entity that holds the asset and the arrangement meets the criteria to be accounted for as a contract, we will derecognize the asset and recognize a gain or loss on the sale of the real estate when control of the underlying asset transfers to the buyer.

Income Taxes. We elected to be taxed as a REIT under the Code and operate as such beginning with our taxable year ended December 31, 2010. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual REIT taxable income to our stockholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, we generally will not be subject to federal income tax to the extent we distribute qualifying dividends to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net

income and net cash available for distribution to stockholders. However, we believe we are organized and operate in such a manner as to qualify for treatment as a REIT.

Stock-Based Compensation and Other Long-Term Incentive Compensation. We follow the provisions of ASC 718, *Compensation-Stock Compensation*, to account for our stock-based compensation plan, which requires that the compensation cost relating to stock-based payment transactions be recognized in the financial statements and that the cost be measured on the fair value of the equity or liability instruments issued. Our 2019 Plan provides for the grant of restricted stock awards, performance share awards, unrestricted shares or any combination of the foregoing. Stock-based compensation is recognized as a general and administrative expense in the financial statements and measured at the fair value of the award on the date of grant. We estimate the forfeiture rate based on historical experience as well as expected behavior. The amount of the expense may be subject to adjustment in future periods depending on the specific characteristics of the stock-based award.

In addition, we have awarded long-term incentive target awards (the "Performance Share awards") under the Amended LTIP, which we amended and restated on January 8, 2019, to our executives that are payable in shares of our common stock after the conclusion of each pre-established performance measurement period, which is generally three years. The amount that may be earned is variable depending on the relative total shareholder return of our stock as compared to the total shareholder return of the MSCI U.S. REIT Index (RMS) and the FTSE Nareit Equity Industrial Index over the pre-established performance measurement period. Under the Amended LTIP, each participant's Performance Share award granted on or after January 1, 2019 will be expressed as a number of shares of common stock and settled in shares of common stock. Target awards were previously expressed as a dollar amount and settled in shares of common stock. Commencing with Performance Share awards granted on or after January 1, 2019, the grant date fair value of the Performance Share awards will be determined under current accounting treatment using a Monte Carlo simulation model on the date of grant and recognized on a straight-line basis over the performance period. For Performance Share awards granted prior to January 1, 2019, we estimate 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 granted prior to January 1, 2019 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, which varies quarter to quarter based on our relative share price performance, and are included as a component of Performance Share awards payable in the accompanying consolidated balance sheets.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations

As of February 6, 2020, we have two outstanding contracts with third-party sellers to acquire one industrial property and one improved land parcel. There is no assurance that we will acquire the property and improved land parcel under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence and various closing conditions. The following table summarizes certain information with respect to the property and improved land parcel we have under contract:

Market	Number of Buildings	Square Feet	Purchase Price (in thousands)	Assumed Debt (in thousands)
Los Angeles	1	65,670	\$ 18,000	\$ —
Northern New Jersey/New York City	—	—	—	—
San Francisco Bay Area ¹	—	—	12,000	—
Seattle	—	—	—	—
Miami	—	—	—	—
Washington, D.C.	—	—	—	—
Total	1	65,670	\$ 30,000	\$ —

¹ Represents one improved land parcel containing approximately 2.78 acres.

As of February 6, 2020, we have one non-binding letter of intent with a third party buyer to sell three industrial properties in the Washington, D.C. market totaling approximately 340,000 square feet for a sale price of approximately \$54.0 million. There is no assurance that we will sell the properties under letter of intent because the proposed disposition is subject to the completion of a contract and satisfactory due diligence and closing conditions.

The following table summarizes our contractual obligations due by period as of December 31, 2019 (dollars in thousands):

Contractual Obligations	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Debt	\$ 33,077	\$ 161,271	\$ 100,000	\$ 200,000	\$ 494,348
Debt interest payments	14,254	26,855	22,420	26,665	90,194
Operating lease commitments	270	416	—	—	686
Redevelopment obligations	1,100	—	—	—	1,100
Purchase obligations	30,000	—	—	—	30,000
Total	\$ 78,701	\$ 188,542	\$ 122,420	\$ 226,665	\$ 616,328

Non-GAAP Financial Measures

We use the following non-GAAP financial measures that we believe are useful to investors as key supplemental measures of our operating performance: funds from operations, or FFO, Adjusted EBITDA, net operating income, or NOI, same store NOI and cash-basis same store NOI. FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI should not be considered in isolation or as a substitute for measures of performance in accordance with GAAP. Further, our computation of FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI may not be comparable to FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI reported by other companies.

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.

The following table reflects the calculation of FFO reconciled from net income (loss), net of redemption of preferred stock and preferred stock dividends for the three months ended December 31, 2019, 2018 and 2017 and for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands except per share data):

	For the Three Months Ended December 31,				For the Three Months Ended December 31,			
	2019	2018	\$ Change	% Change	2018	2017	\$ Change	% Change
Net income, net of redemption of preferred stock and preferred stock dividends	\$ 14,821	\$ 22,972	\$ (8,151)	(35.5) %	\$ 22,972	\$ 10,836	\$ 12,136	112.0 %
Gain on sales of real estate investments	(3,144)	(13,624)	10,480	(76.9) %	(13,624)	(5,105)	(8,519)	166.9 %
Depreciation and amortization	11,847	10,250	1,597	15.6 %	10,250	10,015	235	2.3 %
Non-real estate depreciation	(26)	(27)	1	(3.7) %	(27)	(31)	4	(12.9) %
Allocation to participating securities ¹	(150)	(123)	(27)	22.0 %	(123)	(107)	(16)	15.0 %
Funds from operations attributable to common stockholders ^{2,3}	\$ 23,348	\$ 19,448	\$ 3,900	20.1 %	\$ 19,448	\$ 15,608	\$ 3,840	24.6 %
Basic FFO per common share	\$ 0.35	\$ 0.33	\$ 0.02	6.1 %	\$ 0.33	\$ 0.29	\$ 0.04	13.8 %
Diluted FFO per common share	\$ 0.35	\$ 0.33	\$ 0.02	6.1 %	\$ 0.33	\$ 0.29	\$ 0.04	13.8 %
Weighted average basic common shares	66,706,245	59,689,965			59,689,965	54,563,353		
Weighted average diluted common shares	67,000,815	59,689,965			59,689,965	54,563,353		
	For the Year Ended December 31,				For the Year Ended December 31,			
	2019	2018	\$ Change	% Change	2018	2017	\$ Change	% Change
Net income, net of redemption of preferred stock and preferred stock dividends	\$ 55,516	\$ 63,289	\$ (7,773)	(12.3) %	\$ 63,289	\$ 49,367	\$ 13,922	28.2 %
Gain on sales of real estate investments	(9,391)	(28,610)	19,219	(67.2) %	(28,610)	(30,654)	2,044	(6.7) %
Depreciation and amortization	44,015	40,816	3,199	7.8 %	40,816	37,870	2,946	7.8 %
Non-real estate depreciation	(108)	(113)	5	(4.4) %	(113)	(109)	(4)	3.7 %
Allocation to participating securities ¹	(565)	(478)	(87)	18.2 %	(478)	(404)	(74)	18.3 %
Funds from operations attributable to common stockholders ^{2,3}	\$ 89,467	\$ 74,904	\$ 14,563	19.4 %	\$ 74,904	\$ 56,070	\$ 18,834	33.6 %
Basic FFO per common share	\$ 1.39	\$ 1.30	\$ 0.09	6.9 %	\$ 1.30	\$ 1.09	\$ 0.21	19.3 %
Diluted FFO per common share	\$ 1.38	\$ 1.30	\$ 0.08	6.2 %	\$ 1.30	\$ 1.09	\$ 0.21	19.3 %
Weighted average basic common shares	64,428,406	57,486,399			57,486,399	51,357,719		
Weighted average diluted common shares	64,722,976	57,486,399			57,486,399	51,357,719		

¹ To be consistent with our policies of determining whether instruments granted in share-based payment transactions are participating securities and accounting for earnings per share, the FFO per common share is adjusted for FFO distributed through declared dividends (if any) and allocated to all participating securities (weighted average common shares outstanding and unvested restricted shares outstanding) under the two-class method. Under this method, allocations were made to 426,985, 383,930, and 359,910 of weighted average unvested restricted shares outstanding

for the three months ended December 31, 2019, 2018 and 2017, respectively, and 402,380, 368,912, and 375,924 for the years ended December 31, 2019, 2018 and 2017, respectively.

- ² Includes performance share award expense of approximately \$1.8 million, \$2.7 million and \$1.1 million for the three months ended December 31, 2019, 2018 and 2017, respectively, and approximately \$8.0 million, \$7.1 million and \$6.7 million for the years ended December 31, 2019, 2018 and 2017, respectively, which varies quarter to quarter based on our total shareholder return outperforming the MSCI U.S. REIT Index (RMS) and the FTSE Nareit Equity Industrial Index over the prior three year period. See “Note 11 – Stockholders’ Equity” in our notes to consolidated financial statements for more information regarding our performance share awards.
- ³ Includes redemption charges of approximately \$0, \$0, and \$1.8 million during the years ended December 31, 2019, 2018, and 2017, respectively, representing the write-off of original issuance costs related to the redemption of our Series A Preferred Stock. See “Note 11 – Stockholders’ Equity” in our notes to consolidated financial statements for more information regarding our Series A Preferred Stock redemption.

FFO increased by approximately \$3.9 million for the three months ended December 31, 2019 compared to the same period from the prior year due primarily to property acquisitions during 2018 and 2019 and same store NOI growth of approximately \$1.4 million for the three months ended December 31, 2019 compared to the same period from the prior year. The FFO increase was offset by increased weighted average common shares outstanding for the three months ended December 31, 2019 compared to the same period from the prior year. FFO increased by approximately \$14.6 million for the year ended December 31, 2019 compared to the same period from the prior year due primarily to property acquisitions during 2018 and 2019 and same store NOI growth of approximately \$9.0 million for the year ended December 31, 2019 compared to the same period from the prior year. The FFO increase was offset by an increase of approximately \$1.2 million in performance share award expense for the year ended December 31, 2019, compared to the same period from the prior year, and increased weighted average common shares outstanding for the year ended December 31, 2019 compared to the same period from the prior year.

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 and other interim periods 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 months ended December 31, 2019, 2018 and 2017 and for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

	For the Three Months Ended December 31,				For the Three Months Ended December 31,			
	2019	2018	\$ Change	% Change	2018	2017	\$ Change	% Change
Net income	\$ 14,821	\$ 22,972	\$ (8,151)	(35.5) %	\$ 22,972	\$ 10,836	\$ 12,136	112.0 %
Gain on sales of real estate investments	(3,144)	(13,624)	10,480	(76.9) %	(13,624)	(5,105)	(8,519)	166.9 %
Depreciation and amortization from continuing operations	11,847	10,250	1,597	15.6 %	10,250	10,015	235	2.3 %
Interest expense, including amortization	4,069	4,494	(425)	(9.5) %	4,494	4,691	(197)	(4.2) %
Loss on extinguishment of debt	189	—	189	n/a	—	—	—	n/a
Stock-based compensation	2,492	3,248	(756)	(23.3) %	3,248	1,471	1,777	120.8 %
Acquisition costs	(3)	(5)	2	(40.0) %	(5)	(1)	(4)	400.0 %
Adjusted EBITDA	\$ 30,271	\$ 27,335	\$ 2,936	10.7 %	\$ 27,335	\$ 21,907	\$ 5,428	24.8 %

	For the Year Ended December 31,				For the Year Ended December 31,			
	2019	2018	\$ Change	% Change	2018	2017	\$ Change	% Change
Net income	\$ 55,516	\$ 63,289	\$ (7,773)	(12.3) %	\$ 63,289	\$ 53,095	\$ 10,194	19.2 %
Gain on sales of real estate investments	(9,391)	(28,610)	19,219	(67.2) %	(28,610)	(30,654)	2,044	(6.7) %
Depreciation and amortization from continuing operations	44,015	40,816	3,199	7.8 %	40,816	37,870	2,946	7.8 %
Interest expense, including amortization	16,338	18,211	(1,873)	(10.3) %	18,211	16,777	1,434	8.5 %
Loss on extinguishment of debt	189	—	189	n/a	—	—	—	n/a
Stock-based compensation	10,644	9,270	1,374	14.8 %	9,270	8,732	538	6.2 %
Acquisition costs	45	124	(79)	(63.7) %	124	10	114	1,140.0 %
Adjusted EBITDA	\$ 117,356	\$ 103,100	\$ 14,256	13.8 %	\$ 103,100	\$ 85,830	\$ 17,270	20.1 %

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, including amortization. We compute cash-basis same store NOI as same store NOI excluding straight-line rents and amortization of lease intangibles. The same store pool for the comparison of the three months and years ended December 31, 2019 and 2018 includes all properties that were owned as of December 31, 2019 and since January 1, 2018 and excludes properties that were either disposed of prior to, held for sale to a third-party or in redevelopment as of December 31, 2019. As of December 31, 2019, the same store pool consisted of 187 buildings aggregating approximately 11.8 million square feet representing approximately 88.6% of our total square feet owned and ten improved land parcels containing approximately 47.2 acres. The same store pool for the comparison of the three months and years ended December 31, 2018 and 2017 includes all properties that were owned as of December 31, 2018 and since January 1, 2017 and excludes properties that were either disposed of prior to, held for sale to a third-party or in redevelopment as of December 31, 2018. As of December 31, 2018, the same store pool consisted of 156 buildings aggregating approximately 10.4 million square feet representing approximately 81.3% of our total square feet owned and six improved land parcels containing approximately 23.0 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 properties, 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.

The following table reflects the calculation of NOI, same store NOI and cash-basis same store NOI reconciled from net income for the three months and the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

	For the Three Months Ended December 31,				For the Three Months Ended December 31,			
	2019	2018	\$ Change	% Change	2018	2017	\$ Change	% Change
Net income ¹	\$ 14,821	\$ 22,972	\$ (8,151)	(35.5) %	\$ 22,972	\$ 10,836	\$ 12,136	112.0 %
Depreciation and amortization	11,847	10,250	1,597	15.6 %	10,250	10,015	235	2.3 %
General and administrative	6,072	6,371	(299)	(4.7) %	6,371	4,431	1,940	43.8 %
Acquisition costs	(3)	(5)	2	(40.0) %	(5)	(1)	(4)	400.0 %
Total other income and expenses	470	(10,471)	10,941	n/a	(10,471)	(508)	(9,963)	1961.2 %
Net operating income	33,207	29,117	4,090	14.0 %	29,117	24,773	4,344	17.5 %
Less non same store NOI	(5,506) ₂	(2,563) ₂	(2,943)	114.8 %	(5,983) ₃	(3,261) ₃	(2,722)	83.5 %
Same store NOI ⁴	\$ 27,701	\$ 26,554	\$ 1,147	4.3 %	\$ 23,134	\$ 21,512	\$ 1,622	7.5 %
Less straight-line rents and amortization of lease intangibles ⁵	(664)	(928)	264	(28.4) %	(233)	(847)	614	(72.5) %
Cash-basis same store NOI	\$ 27,037	\$ 25,626	\$ 1,411	5.5 %	\$ 22,901	\$ 20,665	\$ 2,236	10.8 %

¹ Includes \$0.1 million, \$0 and \$0 of lease termination income for the three months ended December 31, 2019, 2018 and 2017.

² Includes 2018 and 2019 acquisitions and dispositions, four properties under redevelopment and one completed redevelopment property with a gross book value of approximately \$10.0 as of December 31, 2019.

³ Includes 2017 and 2018 acquisitions and dispositions, five properties under redevelopment and one completed redevelopment property with a gross book value of approximately \$29.3 as of December 31, 2018.

⁴ Includes \$0.1 million, \$0 and \$0 of lease termination income for the three months ended December 31, 2019, 2018 and 2017.

⁵ Includes straight-line rents and amortization of lease intangibles for the same store pool only.

	For the Year Ended December 31,				For the Year Ended December 31,			
	2019	2018	\$ Change	% Change	2018	2017	\$ Change	% Change
Net income ¹	\$ 55,516	\$ 63,289	\$ (7,773)	(12.3) %	\$ 63,289	\$ 53,095	\$ 10,194	19.2 %
Depreciation and amortization	44,015	40,816	3,199	7.8 %	40,816	37,870	2,946	7.8 %
General and administrative	23,924	21,503	2,421	11.3 %	21,503	19,681	1,822	9.3 %
Acquisition costs	45	124	(79)	(63.7) %	124	10	114	1,140.0 %
Total other income and expenses	3,321	(14,063)	17,384	n/a	(14,063)	(14,046)	(17)	0.1 %
Net operating income	126,821	111,669	15,152	13.6 %	111,669	96,610	15,059	15.6 %
Less non same store NOI	(16,331) ₂	(8,164) ₂	(8,167)	100.0 %	(20,737) ₃	(11,576) ₃	(9,161)	79.1 %
Same store NOI ⁴	\$ 110,490	\$ 103,505	\$ 6,985	6.7 %	\$ 90,932	\$ 85,034	\$ 5,898	6.9 %
Less straight-line rents and amortization of lease intangibles ⁵	(3,851)	(5,823)	1,972	(33.9) %	(2,737)	(4,161)	1,424	(34.2) %
Cash-basis same store NOI	\$ 106,639	\$ 97,682	\$ 8,957	9.2 %	\$ 88,195	\$ 80,873	\$ 7,322	9.1 %

¹ Includes approximately \$0.3 million, \$0.7 million and \$0.1 million of lease termination income for the years ended December 31, 2019, 2018 and 2017, respectively.

² Includes 2018 and 2019 acquisitions and dispositions, four properties under redevelopment and one completed redevelopment property with a gross book value of \$10.0 million as of December 31, 2019.

- ³ Includes 2017 and 2018 acquisitions and dispositions, five properties under redevelopment and one completed redevelopment property with a gross book value of approximately \$29.3 as of December 31, 2018.
- ⁴ Includes approximately \$0.3 million, \$0.7 million and \$0.1 million million of lease termination income for the years ended December 31, 2019, 2018 and 2017, respectively.
- ⁵ Includes straight-line rents and amortization of lease intangibles for the same store pool only.

Cash-basis same store NOI increased by approximately \$1.4 million for the three months ended December 31, 2019 compared to the same period from the prior year primarily due to increased rental revenue and tenant reimbursement revenue on new and renewed leases. For the three months ended December 31, 2019 and 2018, approximately \$0.3 million and \$0.2 million, respectively, of contractual rent abatements were given to certain tenants in the same-store pool. In addition, approximately \$0.4 million of the increase in cash-basis same store NOI for the three months ended December 31, 2019 compared to the three months ended December 31, 2019 related to properties that were acquired vacant or with near term expirations in 2018.

Cash-basis same store NOI increased by approximately \$9.0 million for the year ended December 31, 2019 compared to the prior year primarily due to increased rental revenue and tenant reimbursement revenue on new and renewed leases and approximately \$0.3 million in lease termination income, offset by approximately \$0.6 million in rent abatements provided to the tenant at our Belleville property. For the years ended December 31, 2019 and 2018, approximately \$1.5 million and \$2.7 million, respectively, of contractual rent abatements were given to certain tenants in the same-store pool. Approximately \$2.0 million of the increase in cash-basis same store NOI for the year ended December 31, 2019 compared to the year ended December 31, 2018 related to properties that were acquired vacant or with near term expirations in 2018.

Item 7A. Quantitative And Qualitative Disclosures About Market Risk.

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business strategies, the primary market risk which we are exposed to is interest rate risk. We are exposed to interest rate changes primarily as a result of debt used to maintain liquidity, fund capital expenditures and expand our investment portfolio and operations. We seek to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. As described below, some of our outstanding debt bears interest at variable rates, and we expect that some of our future outstanding debt will have variable interest rates. We may use interest rate caps and/or swap agreements to manage our interest rate risks relating to our variable rate debt. We expect to replace variable rate debt on a regular basis with fixed rate, long-term debt to finance our assets and operations.

As of December 31, 2019, we had \$100.0 million of borrowings outstanding under our Facility. Of the \$100.0 million outstanding on the Facility, \$100.0 million is subject to interest rate caps. See “Note 9 – Derivative Financial Instruments” in our notes to consolidated financial statements for more information regarding our interest rate caps. Amounts borrowed under our Facility bear interest at a variable rate based on LIBOR plus an applicable LIBOR margin. The weighted average interest rate on borrowings outstanding under our Facility was 3.03% as of December 31, 2019. If the LIBOR rate were to fluctuate by 0.25%, interest expense would increase or decrease, depending on rate movement, future earnings and cash flows by approximately \$0.3 million annually on the total of the outstanding balances on our Facility as of December 31, 2019.

In the event that LIBOR is discontinued, the interest rate for our debt, including our Facility, will be based on a replacement rate or an alternate base rate as specified in the applicable documentation governing such debt or as otherwise agreed upon. Such an event would not affect our ability to borrow or maintain already outstanding borrowings, but the replacement rate or alternate base rate could be higher or more volatile than LIBOR prior to its discontinuance. We understand that LIBOR is expected to remain available through the end of 2021, but may be discontinued or otherwise become unavailable thereafter.

Item 8. Financial Statements And Supplementary Data.

See Part IV, Item 15 – “Exhibits and Financial Statement Schedules” beginning on page F-1 of this Annual Report on Form 10-K.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure.

None.

Item 9A. Controls And Procedures.

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer, President and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), and has concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to give reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer, President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control Over Financial Reporting

Terreno Realty Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting. This internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Terreno Realty Corporation's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2019. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework). Based on its assessment, management of Terreno Realty Corporation believes that, as of December 31, 2019, the company's internal control over financial reporting is effective based on those criteria. Terreno Realty Corporation's independent auditors have issued an audit report on the effectiveness of the company's internal control over financial reporting, as stated in their report included in this Annual Report on Form 10-K, (which expresses an unqualified opinion on the effectiveness of the company's internal control over financial reporting as of December 31, 2019).

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Terreno Realty Corporation

Opinion on Internal Control over Financial Reporting

We have audited Terreno Realty Corporation's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Terreno Realty Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15 of the Company and our report dated February 6, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Francisco, CA

February 6, 2020

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Part III**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by Item 10 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2019 and is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by Item 11 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2019 and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2019 and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 13 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2019 and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by Item 14 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2019 and is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules.

(a)

1. and 2. *Financial Statements and Schedules*

The following consolidated financial information is included as a separate section of this Annual Report on Form 10-K beginning on page F-1 as follows:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	1
Consolidated Balance Sheets as of December 31, 2019 and 2018	3
Consolidated Statements of Operations for the years ended December 31, 2019, 2018, and 2017	4
Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017	5
Consolidated Statements of Equity for the years ended December 31, 2019, 2018 and 2017	6
Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017	7
Notes to Consolidated Financial Statements	9
Schedule III – Real Estate Investments and Accumulated Depreciation	1

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted, or the required information is included in the consolidated financial statements and notes thereto.

3. *Exhibits*

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index at the end of this Annual Report on Form 10-K immediately preceding the signature page, which is incorporated by reference herein.

Item 16. Form 10-K Summary.

None.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Terreno Realty Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Terreno Realty Corporation (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 6, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Description of matter

Valuation of acquired properties

In the year ended December 31, 2019, the Company completed 13 real estate acquisitions for a total purchase price of \$289.6 million. The properties were acquired from unrelated third parties. As further discussed in Notes 2 and 4 of the consolidated financial statements, the transactions were accounted for as asset acquisitions. The purchase price for each acquisition was allocated to the individual acquired assets and liabilities based on their relative fair values.

Auditing the Company's real estate acquisitions is complex and required the involvement of a valuation specialist due to the judgments and estimates in determining the fair value of the components of each acquisition. The fair value of the tangible assets is determined by valuing the property as if it were vacant. Land values are derived from current comparative sales values, when available, or management's estimates of the fair value based on market conditions and the experience of the Company's management team. Building and improvement values are calculated as replacement cost less depreciation, or management's estimates of the fair value of these assets using discounted cash flow analyses or similar methods. The fair value of the above and below-market leases is based on the present value of the difference between the contractual amounts to be received pursuant to the acquired leases (using a discount rate that reflects the risks associated with the acquired leases) and the Company's estimate of the market lease rates measured over a period equal to the remaining term of the leases plus the term of any below-market fixed rate renewal options. All of these assumptions are sensitive to and affected by expected future market or economic conditions, particularly those in the markets in which the Company's acquisitions occur.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's accounting for real estate acquisitions relative to purchase accounting, including controls over the review of the valuation models and related significant assumptions underlying the valuation of the acquired assets and liabilities.

To test the purchase price allocations to the assets and liabilities acquired, our audit procedures included, among others, review of the purchase agreements, assessing the methodologies and testing the significant assumptions discussed above used to value the components of the acquired properties, assessing the sensitivity of changes in significant assumptions on the purchase price allocation and testing the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. We compared land comparative sales values, building replacement cost and depreciation estimates, market rental rates, discount rate and market rental growth rates with external market data, and the incorporation of these assumptions in the cash flow projections and overall valuation conclusions. We also tested the completeness and accuracy of the underlying data. We involved our valuation specialists to assist in the assessment of the methodology utilized by the Company and to test certain of the assumptions used in the valuation of land, building and above and below market intangibles.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

San Francisco, California

February 6, 2020

Terreno Realty Corporation
Consolidated Balance Sheets
(in thousands – except share and per share data)

	December 31, 2019	December 31, 2018
ASSETS		
Investments in real estate		
Land	\$ 1,055,146	\$ 833,995
Buildings and improvements	909,201	837,816
Construction in progress	101,253	94,695
Intangible assets	88,594	79,270
Total investments in properties	2,154,194	1,845,776
Accumulated depreciation and amortization	(208,279)	(169,772)
Net investments in real estate	1,945,915	1,676,004
Cash and cash equivalents	110,082	31,004
Restricted cash	2,657	3,475
Senior secured loan, net	15,858	54,492
Other assets, net	33,952	31,529
Total assets	\$ 2,108,464	\$ 1,796,504
LIABILITIES AND EQUITY		
Liabilities		
Credit facility	\$ —	\$ 19,000
Term loans payable, net	99,583	149,067
Senior unsecured notes, net	347,674	248,263
Mortgage loans payable, net	44,318	45,767
Security deposits	14,149	11,933
Intangible liabilities, net	28,127	23,093
Dividends payable	18,158	14,643
Performance share awards payable	11,633	12,048
Accounts payable and other liabilities	27,699	24,893
Total liabilities	591,341	548,707
Commitments and contingencies (Note 14)		
Equity		
Stockholders' equity		
Common stock: \$0.01 par value, 400,000,000 shares authorized, and 67,252,787 and 61,013,711 shares issued and outstanding, respectively	673	610
Additional paid-in capital	1,514,266	1,233,763
Retained earnings	2,621	14,185
Accumulated other comprehensive loss	(437)	(761)
Total stockholders' equity	1,517,123	1,247,797
Total liabilities and equity	\$ 2,108,464	\$ 1,796,504

The accompanying notes are an integral part of these consolidated financial statements.

Terreno Realty Corporation
Consolidated Statements of Operations
(in thousands – except share and per share data)

	For the Year Ended December 31,		
	2019	2018	2017
REVENUES			
Rental revenues and tenant expense reimbursements	\$ 171,022	\$ 151,657	\$ 132,484
Total revenues	171,022	151,657	132,484
COSTS AND EXPENSES			
Property operating expenses	44,201	39,988	35,874
Depreciation and amortization	44,015	40,816	37,870
General and administrative	23,924	21,503	19,681
Acquisition costs	45	124	10
Total costs and expenses	112,185	102,431	93,435
OTHER INCOME (EXPENSE)			
Interest and other income	3,815	3,664	169
Interest expense, including amortization	(16,338)	(18,211)	(16,777)
Loss on extinguishment of debt	(189)	—	—
Gain on sales of real estate investments	9,391	28,610	30,654
Total other income (expense)	(3,321)	14,063	14,046
Net income	55,516	63,289	53,095
Redemption of preferred stock	—	—	(1,767)
Preferred stock dividends	—	—	(1,961)
Net income, net of redemption of preferred stock and preferred stock dividends	55,516	63,289	49,367
Allocation to participating securities	(351)	(401)	(352)
Net income available to common stockholders, net of redemption of preferred stock and preferred stock dividends	\$ 55,165	\$ 62,888	\$ 49,015
EARNINGS PER COMMON SHARE – BASIC AND DILUTED:			
Net income available to common stockholders - basic, net of redemption of preferred stock and preferred stock dividends	\$ 0.86	\$ 1.09	\$ 0.95
Net income available to common stockholders - diluted, net of redemption of preferred stock and preferred stock dividends	\$ 0.85	\$ 1.09	\$ 0.95
BASIC WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	64,428,406	57,486,399	51,357,719
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	64,722,976	57,486,399	51,357,719

The accompanying notes are an integral part of these consolidated financial statements.

Terreno Realty Corporation
Consolidated Statements of Comprehensive Income
(in thousands)

	For the Year Ended December 31,		
	2019	2018	2017
Net income	\$ 55,516	\$ 63,289	\$ 53,095
Other comprehensive income (loss): cash flow hedge adjustment	324	285	(148)
Comprehensive income	<u>\$ 55,840</u>	<u>\$ 63,574</u>	<u>\$ 52,947</u>

The accompanying notes are an integral part of these consolidated financial statements.

Terreno Realty Corporation
Consolidated Statements of Equity
(in thousands – except share data)

	Preferred Stock	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
		Number of Shares	Amount				
Balance as of December 31, 2016	\$ 46,000	47,414,365	\$ 474	\$ 766,229	\$ —	\$ (898)	\$ 811,805
Net income	—	—	—	—	53,095	—	53,095
Issuance of common stock, net of issuance costs of \$4,202	—	8,066,150	79	256,645	—	—	256,724
Repurchase of common stock	—	(144,025)	—	(3,436)	—	—	(3,436)
Redemption of preferred stock	(46,000)	—	—	1,729	(1,767)	—	(46,038)
Issuance of restricted stock	—	32,247	—	—	—	—	—
Stock-based compensation	—	—	—	2,017	—	—	2,017
Common stock dividends	—	—	—	—	(44,564)	—	(44,564)
Preferred stock dividends	—	—	—	—	(1,961)	—	(1,961)
Other comprehensive loss	—	—	—	—	—	(148)	(148)
Balance as of December 31, 2017	—	55,368,737	553	1,023,184	4,803	(1,046)	1,027,494
Net income	—	—	—	—	63,289	—	63,289
Issuance of common stock, net of issuance costs of \$3,489	—	5,698,326	57	212,164	—	—	212,221
Repurchase of common stock	—	(107,267)	—	(3,870)	—	—	(3,870)
Issuance of restricted stock	—	53,915	—	—	—	—	—
Stock-based compensation	—	—	—	2,285	—	—	2,285
Common stock dividends	—	—	—	—	(53,907)	—	(53,907)
Other comprehensive income	—	—	—	—	—	285	285
Balance as of December 31, 2018	—	61,013,711	610	1,233,763	14,185	(761)	1,247,797
Net income	—	—	—	—	55,516	—	55,516
Issuance of common stock, net of issuance costs of \$4,593	—	6,271,863	63	280,436	—	—	280,499
Repurchase of common stock	—	(143,886)	—	(3,959)	—	—	(3,959)
Issuance of restricted stock	—	111,099	—	—	—	—	—
Stock-based compensation	—	—	—	4,026	—	—	4,026
Common stock dividends	—	—	—	—	(67,080)	—	(67,080)
Other comprehensive income	—	—	—	—	—	324	324
Balance as of December 31, 2019	\$ —	67,252,787	\$ 673	\$ 1,514,266	\$ 2,621	\$ (437)	\$ 1,517,123

The accompanying notes are an integral part of these consolidated financial statements.

Terreno Realty Corporation
Consolidated Statements of Cash Flows
(in thousands)

	For the Year Ended December 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 55,516	\$ 63,289	\$ 53,095
Adjustments to reconcile net income to net cash provided by operating activities			
Straight-line rents	(2,597)	(3,459)	(3,657)
Amortization of lease intangibles	(4,682)	(3,694)	(2,161)
Depreciation and amortization	44,015	40,816	37,870
Loss on extinguishment of debt	189	—	—
Gain on sales of real estate investments	(9,391)	(28,610)	(30,654)
Deferred financing cost amortization	1,562	1,442	1,193
Deferred senior secured loan fee amortization	(531)	(392)	—
Stock-based compensation	10,644	9,270	8,732
Changes in assets and liabilities			
Other assets	(1,579)	(1,531)	584
Accounts payable and other liabilities	1,542	468	4,496
Net cash provided by operating activities	94,688	77,599	69,498
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for property acquisitions	(238,661)	(221,806)	(297,109)
Proceeds from sales of real estate investments, net	47,133	79,594	75,396
Additions to construction in progress	(27,884)	(9,668)	—
Additions to buildings, improvements and leasing costs	(32,070)	(28,977)	(27,405)
Cash paid for senior secured loan	—	(55,000)	—
Origination and other fees received on senior secured loan	—	900	—
Net cash used in investing activities	(251,482)	(234,957)	(249,118)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock	278,058	208,949	255,295
Issuance costs on issuance of common stock	(4,023)	(3,030)	(3,764)
Repurchase of common stock	(3,959)	(3,870)	(3,436)
Repurchase of preferred stock	—	—	(46,000)
Borrowings on credit facility	17,000	204,000	93,000
Payments on credit facility	(36,000)	(185,000)	(144,500)
Payments on term loans payable	(50,000)	—	—
Borrowings on senior unsecured notes	100,000	—	100,000
Payments on mortgage loans payable	(1,514)	(19,201)	(1,916)
Payment of deferred financing costs	(943)	(1,366)	(872)
Dividends paid to common stockholders	(63,565)	(51,445)	(41,866)
Dividends paid to preferred stockholders	—	—	(1,999)
Net cash provided by financing activities	235,054	149,037	203,942
Net increase (decrease) in cash and cash equivalents and restricted cash	78,260	(8,321)	24,322
Cash and cash equivalents and restricted cash at beginning of year	34,479	42,800	18,478
Cash and cash equivalents and restricted cash at end of year	\$ 112,739	\$ 34,479	\$ 42,800
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			

Cash paid for interest, net of capitalized interest	\$	18,351	\$	19,787	\$	13,839
Supplemental disclosures of non-cash transactions						
Accounts payable related to capital improvements	\$	12,498	\$	10,712	\$	6,996
Redemption of preferred stock		—		—		1,729
Non-cash repayment of senior secured loan		(39,085)		—		—
Lease liability arising from recognition of right-of-use asset		647		—		—
Reconciliation of cash paid for property acquisitions						
Acquisition of properties	\$	250,506	\$	227,058	\$	319,666
Assumption of other assets and liabilities		(11,845)		(5,252)		(22,557)
Net cash paid for property acquisitions	\$	<u>238,661</u>	\$	<u>221,806</u>	\$	<u>297,109</u>

The accompanying notes are an integral part of these consolidated financial statements.

Terreno Realty Corporation
Notes to Consolidated Financial Statements

Note 1. Organization

Terreno Realty Corporation (“Terreno”, and together with its subsidiaries, the “Company”) acquires, owns and operates 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. All square feet, acres, occupancy, expected investment and related expected redevelopment costs and number of properties and improved land parcels disclosed in these notes to the consolidated financial statements are unaudited. As of December 31, 2019, the Company owned 220 buildings aggregating approximately 13.3 million square feet, 19 improved land parcels consisting of approximately 77.6 acres and four properties under redevelopment expected to contain approximately 0.5 million square feet upon completion.

The Company is an internally managed Maryland corporation and elected to be taxed as a real estate investment trust (“REIT”) under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”), commencing with its taxable year ended December 31, 2010.

Note 2. Significant Accounting Policies

Basis of Presentation. The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying consolidated financial statements include all of the Company’s accounts and its subsidiaries and all intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates. The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Capitalization of Costs. The Company capitalizes costs directly related to the redevelopment, renovation and expansion of its investment in real estate. Costs associated with such projects are capitalized as incurred. If the project is abandoned, these costs are expensed during the period in which the redevelopment, renovation or expansion project is abandoned. Costs considered for capitalization include, but are not limited to, construction costs, interest, real estate taxes and insurance, if appropriate. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress. In the event that the activities to ready the asset for its intended use are suspended, the capitalization period will cease until such activities are resumed. Costs incurred for maintaining and repairing properties, which do not extend their useful lives, are expensed as incurred.

Interest is capitalized based on actual capital expenditures from the period when redevelopment, renovation or expansion commences until the asset is ready for its intended use, at the weighted average borrowing rate during the period.

Investments in Real Estate. Investments in real estate, including tenant improvements, leasehold improvements and leasing costs, are stated at cost, less accumulated depreciation, unless circumstances indicate that the cost cannot be recovered, in which case, an adjustment to the carrying value of the property is made to reduce it to its estimated fair value. The Company also reviews the impact of above and below-market leases, in-place leases and lease origination costs for acquisitions and records an intangible asset or liability accordingly.

Impairment. Carrying values for financial reporting purposes are reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be fully recoverable. Examples of such events or changes in circumstances may include classifying an asset to be held for sale, changing the intended hold period or when an asset remains vacant significantly longer than expected. The intended use of an asset either held for sale or held for use can significantly impact how impairment is measured. If an asset is intended to be held for the long-term, the recoverability is based on the undiscounted future cash flows. If the asset carrying value is not supported on an undiscounted future cash flow basis, then the asset carrying value is measured against the lower of cost or the present value of expected cash flows over the expected hold period. An impairment charge to earnings is recognized for the excess of the asset’s carrying value over the lower of cost or the present values of expected cash flows over the expected hold period. If an asset is intended to be sold, impairment is determined using the estimated fair value less costs to sell. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions, among other things, regarding current and future economic and market conditions and the availability of capital. The Company determines the estimated fair values based on its assumptions regarding rental rates, lease-up and holding periods, as well as sales prices. When available, current market information is used to

determine capitalization and rental growth rates. If available, current comparative sales values may also be used to establish fair value. When market information is not readily available, the inputs are based on the Company's understanding of market conditions and the experience of the Company's management team. Actual results could differ significantly from the Company's estimates. The discount rates used in the fair value estimates represent a rate commensurate with the indicated holding period with a premium layered on for risk. There were no impairment charges recorded to the carrying values of the Company's properties during the years ended December 31, 2019, 2018 or 2017.

Loans Held-for-Investment. Loans that are held-for-investment are carried at cost, net of loan fees and origination costs, as applicable, unless the loans are deemed impaired. Impairment occurs when it is deemed probable that the Company will not be able to collect all amounts due according to the contractual terms of loans that are held-for-investment. The Company evaluates its senior secured loan (the "Senior Secured Loan"), which is classified as held-for-investment, for impairment quarterly. If the Senior Secured Loan is considered to be impaired, the Company records an allowance through the provision for Senior Secured Loan losses to reduce the carrying value of the Senior Secured Loan to the present value of expected future cash flows discounted at the Senior Secured Loan's contractual effective rate or the fair value of the collateral, if repayment is expected solely from the collateral. Actual losses, if any, could differ significantly from the Company's estimates. There were no impairment charges recorded to the carrying value of the Senior Secured Loan during the year ended December 31, 2019 and 2018.

Property Acquisitions. Effective January 1, 2017, the Company adopted Accounting Standards Codification ("ASC") 2017-01, *Business Combinations* (Topic 805): *Clarifying the Definition of a Business*, which requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the integrated set of assets and activities is not considered a business. To be a business, the set of acquired activities and assets must include inputs and one or more substantive processes that together contribute to the ability to create outputs. The Company has determined that its real estate property acquisitions will generally be accounted for as asset acquisitions under the clarified definition. Prior to January 1, 2017, the Company generally accounted for property acquisitions as business combinations, in accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations*. Upon acquisition of a property, the Company estimates the fair value of acquired tangible assets (consisting generally of land, buildings and improvements) and intangible assets and liabilities (consisting generally of the above and below-market leases and the origination value of all in-place leases). The Company determines fair values using Level 3 inputs such as replacement cost, estimated cash flow projections and other valuation techniques and applying appropriate discount and capitalization rates based on available market information. Mortgage loans assumed in connection with acquisitions are recorded at their fair value using current market interest rates for similar debt at the date of acquisition. Acquisition-related costs associated with asset acquisitions are capitalized to individual tangible and intangible assets and liabilities assumed on a relative fair value basis and acquisition-related costs associated with business combinations are expensed as incurred.

The fair value of the tangible assets is determined by valuing the property as if it were vacant. Land values are derived from current comparative sales values, when available, or management's estimates of the fair value based on market conditions and the experience of the Company's management team. Building and improvement values are calculated as replacement cost less depreciation, or management's estimates of the fair value of these assets using discounted cash flow analyses or similar methods. The fair value of the above and below-market leases is based on the present value of the difference between the contractual amounts to be received pursuant to the acquired leases (using a discount rate that reflects the risks associated with the acquired leases) and the Company's estimate of the market lease rates measured over a period equal to the remaining term of the leases plus the term of any below-market fixed rate renewal options. The above and below-market lease values are amortized to rental revenues over the remaining initial term plus the term of any below-market fixed rate renewal options that are considered bargain renewal options of the respective leases. The total net impact to rental revenues due to the amortization of above and below-market leases was a net increase of approximately \$4.7 million, \$3.7 million and \$2.2 million, for the years ended December 31, 2019, 2018 and 2017, respectively. The origination value of in-place leases is based on costs to execute similar leases including commissions and other related costs. The origination value of in-place leases also includes real estate taxes, insurance and an estimate of lost rental revenue at market rates during the estimated time required to lease up the property from vacant to the occupancy level at the date of acquisition. The remaining weighted average lease term related to these intangible assets and liabilities as of December 31, 2019 is 8.0 years. As of December 31, 2019 and 2018, the Company's intangible assets and liabilities, including properties held for sale (if any), consisted of the following (dollars in thousands):

	December 31, 2019			December 31, 2018		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
In-place leases	\$ 84,425	\$ (59,504)	\$ 24,921	\$ 75,101	\$ (51,239)	\$ 23,862
Above-market leases	4,169	(3,853)	316	4,169	(3,610)	559
Below-market leases	(44,099)	15,972	(28,127)	(34,485)	11,392	(23,093)
Total	\$ 44,495	\$ (47,385)	\$ (2,890)	\$ 44,785	\$ (43,457)	\$ 1,328

Projected net amortization of the intangible assets and liabilities for the next five years and thereafter as of December 31, 2019 is as follows (dollars in thousands):

2020	\$	2,887
2021		1,742
2022		949
2023		277
2024		(131)
Thereafter		(8,614)
Total	\$	(2,890)

Depreciation and Useful Lives of Real Estate and Intangible Assets. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets or liabilities. The following table reflects the standard depreciable lives typically used to compute depreciation and amortization. However, such depreciable lives may be different based on the estimated useful life of such assets or liabilities.

Description	Standard Depreciable Life
Land	Not depreciated
Building	40 years
Building Improvements	5-40 years
Tenant Improvements	Shorter of lease term or useful life
Leasing Costs	Lease term
In-place leases	Lease term
Above/Below-Market Leases	Lease term

Held for Sale Assets. The Company considers a property to be held for sale when it meets the criteria established under ASC 360, *Property, Plant, and Equipment* (See "Note 5 – Held for Sale/Disposed Assets"). Properties held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale.

Cash and Cash Equivalents. Cash and cash equivalents consists of cash held in a major banking institution and other highly liquid short-term investments with original maturities of three months or less. Cash equivalents are generally invested in U.S. government securities, government agency securities or money market accounts.

Restricted Cash. Restricted cash includes cash held in escrow in connection with property acquisitions and reserves for certain capital improvements, leasing, interest and real estate tax and insurance payments as required by certain mortgage loan obligations.

The following summarizes the reconciliation of cash and cash equivalents and restricted cash as presented in the accompanying consolidated statements of cash flows (dollars in thousands):

	For the Year Ended December 31,		
	2019	2018	2017
Beginning			
Cash and cash equivalents at beginning of year	\$ 31,004	\$ 35,710	\$ 14,208
Restricted cash	3,475	7,090	4,270
Cash and cash equivalents and restricted cash	34,479	42,800	18,478
Ending			
Cash and cash equivalents at end of year	110,082	31,004	35,710
Restricted cash	2,657	3,475	7,090
Cash and cash equivalents and restricted cash	112,739	34,479	42,800
Net increase (decrease) in cash and cash equivalents and restricted cash	\$ 78,260	\$ (8,321)	\$ 24,322

Revenue Recognition. The Company records rental revenue from operating leases on a straight-line basis over the term of the leases and maintains an allowance for estimated losses that may result from the inability of its tenants to make required payments. If tenants fail to make contractual lease payments that are greater than the Company's allowance for doubtful accounts, security deposits and letters of credit, then the Company may have to recognize additional doubtful account charges in future periods. The Company monitors the liquidity and creditworthiness of its tenants on an on-going basis by reviewing their financial condition periodically as appropriate. Each period the Company reviews its outstanding accounts receivable, including straight-line rents, for doubtful accounts and provides allowances as needed. The Company also records lease termination fees when a tenant has executed a definitive termination agreement with the Company and the payment of the termination fee is not subject to any conditions that must be met or waived before the fee is due to the Company. If a tenant remains in the leased space following the execution of a definitive termination agreement, the applicable termination will be deferred and recognized over the term of such tenant's occupancy. Tenant expense reimbursement income includes payments and amounts due from tenants pursuant to their leases for real estate taxes, insurance and other recoverable property operating expenses and is recognized as revenues during the same period the related expenses are incurred.

As of December 31, 2019 and 2018, approximately \$27.4 million and \$25.7 million, respectively, of straight-line rent and accounts receivable, net of allowances of approximately \$0.2 million for both years ended December 31, 2019 and 2018, respectively, were included as a component of other assets in the accompanying consolidated balance sheets.

Effective January 1, 2018, the Company adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU No. 2014-09"), using the modified retrospective approach, which requires a cumulative effect adjustment as of the date of the Company's adoption. Under the modified retrospective approach, an entity may also elect to apply this standard to either (i) all contracts as of January 1, 2018 or (ii) only to contracts that were not completed as of January 1, 2018. A completed contract is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP that was in effect before the date of initial application. The Company elected to apply this standard only to contracts that were not completed as of January 1, 2018. Based on the Company's evaluation of contracts within the scope of ASU No. 2014-09, the guidance impacts revenue related to the sales of real estate, which is evaluated in conjunction with ASC 610-20, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets* ("ASC 610-20") (see below).

Effective January 1, 2018, the Company adopted the guidance of ASC 610-20, which applies to sales or transfers to noncustomers of nonfinancial assets or in substance nonfinancial assets that do not meet the definition of a business. Generally, the Company's sales of real estate would be considered a sale of a nonfinancial asset as defined by ASC 610-20. ASC 610-20 refers to the revenue recognition principles under ASU 2014-09 (see above). Under ASC 610-20, if the Company determines it does not have a controlling financial interest in the entity that holds the asset and the arrangement meets the criteria to be accounted for as a contract, the Company will derecognize the asset and recognize a gain or loss on the sale of the real estate when control of the underlying asset transfers to the buyer. As a result of adoption of the standard, there was no material impact to the Company's consolidated financial statements.

Deferred Financing Costs. Costs incurred in connection with financings are capitalized and amortized to interest expense using the effective interest method over the term of the related loan. Deferred financing costs associated with the Company's revolving credit facility are classified as an asset and deferred financing costs associated with debt liabilities are reported as a direct deduction from the carrying amount of the debt liability in the accompanying consolidated balance sheets. Deferred

financing costs related to the revolving credit facility and debt liabilities are shown at cost, net of accumulated amortization in the aggregate of approximately \$8.3 million and \$6.9 million as of December 31, 2019 and 2018, respectively.

Income Taxes. The Company elected to be taxed as a REIT under the Code and operates as such beginning with its taxable year ended December 31, 2010. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its annual REIT taxable income to its stockholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Company generally will not be subject to federal income tax to the extent it distributes qualifying dividends to its stockholders. If it fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants it relief under certain statutory provisions. Such an event could materially adversely affect the Company's net income and net cash available for distribution to stockholders. However, the Company believes it is organized and operates in such a manner as to qualify for treatment as a REIT.

ASC 740-10, *Income Taxes*, ("ASC 740-10"), provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740-10 requires the evaluation of tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold are recorded as a tax expense in the current year. As of December 31, 2019 and 2018, the Company did not have any unrecognized tax benefits and does not believe that there will be any material changes in unrecognized tax positions over the next 12 months. The Company's tax returns are subject to examination by federal, state and local tax jurisdictions beginning with the 2010 calendar year.

Stock-Based Compensation and Other Long-Term Incentive Compensation. The Company follows the provisions of ASC 718, *Compensation-Stock Compensation*, to account for its stock-based compensation plan, which requires that the compensation cost relating to stock-based payment transactions be recognized in the financial statements and that the cost be measured on the fair value of the equity or liability instruments issued. The Company's 2019 Equity Incentive Plan (the "2019 Plan") provides for the grant of restricted stock awards, performance share awards, unrestricted shares or any combination of the foregoing. Stock-based compensation is recognized as a general and administrative expense in the accompanying consolidated statements of operations and measured at the fair value of the award on the date of grant. The Company estimates the forfeiture rate based on historical experience as well as expected behavior. The amount of the expense may be subject to adjustment in future periods depending on the specific characteristics of the stock-based award.

In addition, the Company has awarded long-term incentive target awards (the "Performance Share awards") under its Amended and Restated Long-Term Incentive Plan (as amended and restated the "Amended LTIP"), which the Company amended and restated on January 8, 2019, to its executives that may be payable in shares of the Company's common stock after the conclusion of each pre-established performance measurement period, which is generally three years. The amount that may be earned is variable depending on the relative total shareholder return of the Company's common stock as compared to the total shareholder return of the MSCI U.S. REIT Index (RMS) and the FTSE Nareit Equity Industrial Index over the pre-established performance measurement period. Under the Amended LTIP, each participant's Performance Share award granted on or after January 1, 2019 will be expressed as a number of shares of common stock and settled in shares of common stock. Target awards were previously expressed as a dollar amount and settled in shares of common stock. Commencing with Performance Share awards granted on or after January 1, 2019, the grant date fair value of the Performance Share awards will be determined under current accounting treatment using a Monte Carlo simulation model on the date of grant and recognized on a straight-line basis over the performance period. For Performance Share awards granted prior to January 1, 2019, 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 granted prior to January 1, 2019 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, which varies quarter to quarter based on the Company's relative share price performance, and are included as a component of Performance Share awards payable in the accompanying consolidated balance sheets.

Use of Derivative Financial Instruments. ASC 815, *Derivatives and Hedging* (See "Note 9 – Derivative Financial Instruments"), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why the Company uses derivative instruments, (b) how the Company accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect the Company's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments.

The Company records all derivatives on the accompanying consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

As of December 31, 2019, the Company had two interest rate caps to hedge the variable cash flows associated with its existing \$100.0 million variable-rate term loan. The caps have a notional value of \$100.0 million and will effectively cap the annual interest rate at 4.0% plus 1.20% to 1.70%, depending on leverage, with respect to \$50.0 million for the period from December 1, 2014 (effective date) to May 4, 2021 and \$50.0 million for the period from September 1, 2015 (effective date) to February 3, 2020. The Company records all derivative instruments on a gross basis in other assets on the accompanying consolidated balance sheets, and accordingly, there are no offsetting amounts that net assets against liabilities. As of December 31, 2019 and 2018, the fair value of the interest rate caps was approximately \$0 and \$25,000, respectively.

Fair Value of Financial Instruments. ASC 820, *Fair Value Measurements and Disclosures* (See “Note 10 – Fair Value Measurements”), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also provides guidance for using fair value to measure financial assets and liabilities. ASC 820 requires disclosure of the level within the fair value hierarchy in which the fair value measurements fall, including measurements using quoted prices in active markets for identical assets or liabilities (Level 1), quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active (Level 2), and significant valuation assumptions that are not readily observable in the market (Level 3).

New Accounting Standards. In February 2016, the Financial Accounting Standards Board (the “FASB”) issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU No. 2016-02”). The amendments in ASU No. 2016-02 change the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of ASU No. 2016-02 was permitted. ASU No. 2016-02 requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. Upon adoption of ASU No. 2016-02 on January 1, 2019, the Company adopted the package of practical expedients for all leases that commenced before the effective date of January 1, 2019. Accordingly, the Company did not 1) reassess whether any expired or existing contracts are or contain leases, 2) reassess the lease classification for any expired or existing lease, and 3) reassess initial direct costs for any existing leases. The Company did not elect the practical expedient related to using hindsight to reevaluate the lease term.

ASU No. 2016-02 requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of-use asset (“ROU asset”), which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. ASU No. 2016-02 also requires lessees to classify leases as either a finance or operating lease based on whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification is used to evaluate whether the lease expense should be recognized based on an effective interest method as a finance lease or on a straight-line basis over the term of the lease as an operating lease. The Company is the lessee of one office space, which was classified as an operating lease under Topic 840. As the Company elected the package of practical expedients as described above, the classification of existing leases was not reassessed and as such, this lease continues to be accounted for as an operating lease.

In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842), Targeted Improvements* (“ASU No. 2018-11”), which provides lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue recognition standard (Topic 606) and if certain conditions are met. Upon adoption of ASU No. 2016-02, the Company adopted this practical expedient, specifically related to its tenant reimbursements which would otherwise be accounted for under the new revenue recognition standard. The Company believes the two conditions have been met for tenant reimbursements as 1) the timing and pattern of transfer of the nonlease components

and associated lease components are the same and 2) the non-lease component is not the predominant component in the arrangement. In addition, ASU No. 2018-11 provides an additional optional transition method to allow entities to apply the new lease accounting standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings. An entity's reporting for the comparative periods presented in the financial statements in which it adopts the new lease accounting standard will continue to be reported under the current lease accounting standards of Topic 840. The Company adopted this transition method upon adoption of ASU No. 2016-02 on January 1, 2019. There was no cumulative-effect adjustment to the opening balance of retained earnings upon adoption.

In December 2018, the FASB issued ASU No. 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors* ("ASU No. 2018-20"), which permits lessors, as an accounting policy election, to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs and instead to account for these costs as if they were lessee costs. In addition, ASU No. 2018-20 requires lessors to 1) exclude lessor costs paid directly by lessees to third parties on the lessor's behalf from variable payments and 2) include lessor costs that are reimbursed by the lessee in the measurement of variable lease revenue and the associated expense. The amendments also clarify that lessors are required to allocate the variable payments to the lease and non-lease components and follow the recognition guidance in Topic 842 for the lease component and other applicable guidance, such as ASU No. 2014-09, for the non-lease component.

As a result of the adoption of ASU No. 2016-02, ASU No. 2018-11, and ASC No. 2018-20, there was no material impact to the Company's consolidated financial statements as a lessor or lessee. In accordance with the guidance, the Company has combined rental revenues and tenant expense reimbursements on the Company's consolidated statements of operations. The Company does not currently capitalize internal leasing costs. In addition, on January 1, 2019, the Company recognized a lease liability of approximately \$0.9 million and a related ROU asset of approximately \$0.8 million on its consolidated balance sheets, based on the present value of lease payments for the remaining term of the Company's corporate office lease, which was approximately 3.5 years as of the adoption date. As the rate implicit in the lease was not readily determinable, the discount rate applied to measure the lease liability and ROU asset was based on the Company's incremental borrowing rate of 2.70% as of the adoption date. The lease liability is included as a component of accounts payable and other liabilities and the ROU asset is included as a component of other assets in the accompanying consolidated balance sheets. All operating lease expense is recognized on a straight-line basis over the lease term. As of December 31, 2019, the lease liability was approximately \$0.6 million and the ROU asset was approximately \$0.6 million.

Segment Disclosure. ASC 280, *Segment Reporting*, establishes standards for reporting financial and descriptive information about an enterprise's reportable segments. The Company has determined that it has one reportable segment, with activities related to investing in real estate. The Company's investments in real estate are geographically diversified and the chief operating decision makers evaluate operating performance on an individual asset level. As each of the Company's assets has similar economic characteristics, the assets have been aggregated into one reportable segment.

Note 3. Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company may maintain deposits in federally insured financial institutions in excess of federally insured limits. However, the Company's management believes the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

As of December 31, 2019, the Company owned 62 buildings aggregating approximately 3.6 million square feet and nine improved land parcels consisting of approximately 48.7 acres located in Northern New Jersey/New York City, which accounted for a combined percentage of approximately 30.9% of its annualized base rent. Such annualized base rent percentages are based on contractual base rent from leases in effect as of December 31, 2019, excluding any partial or full rent abatements.

Other real estate companies compete with the Company in its real estate markets. This results in competition for tenants to occupy space. The existence of competing properties could have a material impact on the Company's ability to lease space and on the level of rent that can be achieved. The Company had no tenants that accounted for greater than 10% of its rental revenues for the years ended December 31, 2019, 2018 and 2017.

Note 4. Investments in Real Estate

During the year ended December 31, 2019, the Company acquired 17 industrial buildings containing approximately 0.7 million square feet and four improved land parcels containing approximately 22.6 acres. The total aggregate initial investment, including acquisition costs, was approximately \$289.6 million, of which \$224.1 million was recorded to land, \$53.9 million to

buildings and improvements, \$11.6 million to intangible assets. Additionally, the Company assumed \$10.0 million in intangible liabilities.

The following table sets forth the wholly-owned industrial properties the Company acquired during the year ended December 31, 2019:

Property Name	Location	Acquisition Date	Number of Buildings	Square Feet	Purchase Price (in thousands) ¹
49th Street	Queens, NY	February 12, 2019	1	19,000	\$ 24,017
81 N Hackensack ²	Kearny, NJ	March 8, 2019	—	—	25,000
48 3rd and 286 Central ³	Kearny, NJ	March 29, 2019	1	28,124	14,085
Minnesota and Tennessee	San Francisco, CA	May 28, 2019	2	119,089	47,775
51 Kero ⁴	Carlstadt, NJ	August 7, 2019	—	—	4,025
Anderson	Los Angeles, CA	August 19, 2019	5	53,016	18,100
Auburn 400	Auburn, WA	August 21, 2019	1	70,345	9,450
Morgan	Brooklyn, NY	August 29, 2019	2	195,598	80,500
20th Street	Oakland, CA	August 30, 2019	1	92,884	23,752
Slauson	Santa Fe Springs, CA	August 30, 2019	2	29,927	5,331
East Marginal ⁵	Seattle, WA	November 15, 2019	—	—	2,850
Whelan	East Rutherford, NJ	December 13, 2019	1	50,305	12,000
917 Valley	Puyallup, WA	December 19, 2019	1	40,816	6,725
Total			17	699,104	\$ 273,610

¹ The total aggregate investment was approximately \$289.6 million, including \$6.0 million in closing costs and acquisition costs.

² Represents an improved land parcel containing approximately 16.8 acres.

³ Also includes an improved land parcel containing approximately 2.9 acres.

⁴ Represents an improved land parcel containing approximately 2.0 acres.

⁵ Represents an improved land parcel containing approximately 0.9 acres.

The Company recorded revenues and net income for the year ended December 31, 2019 of approximately \$7.6 million and \$3.0 million, respectively, related to the 2019 acquisitions.

During the year ended December 31, 2018, the Company acquired 17 industrial buildings containing approximately 1.0 million square feet and five improved land parcels containing approximately 19.9 acres, including two buildings and one improved land parcel under redevelopment that upon completion will contain approximately 0.5 million square feet with a total expected investment of approximately \$112.9 million (unaudited), including redevelopment costs of approximately \$36.8 million. The total aggregate initial investment, including acquisition costs, was approximately \$227.1 million, of which \$154.5 million was recorded to land, \$64.0 million to buildings and improvements, \$8.6 million to intangible assets. Additionally, the Company assumed \$4.7 million in intangible liabilities.

The following table sets forth the wholly-owned industrial properties the Company acquired during the year ended December 31, 2018:

Property Name	Location	Acquisition Date	Number of Buildings	Square Feet	Purchase Price (in thousands) ¹
Vermont	Torrance, CA	January 31, 2018	1	99,629	\$ 17,500
Woodside	Queens, NY	March 6, 2018	1	83,294	25,170
1st Avenue South	Seattle, WA	March 6, 2018	1	234,720	42,000
Wicks Blvd	San Leandro, CA	April 27, 2018	1	11,300	2,600
85 Doremus ²	Newark, NJ	May 7, 2018	—	—	6,300
East Valley	Renton, WA	May 7, 2018	1	39,005	5,950
Merced ³	San Leandro, CA	August 2, 2018	4	225,344	36,000
San Clemente	Hayward, CA	September 7, 2018	1	54,000	9,000
Whitney ⁴	San Leandro, CA	September 17, 2018	3	128,073	22,790
Commerce	Carlstadt, NJ	October 17, 2018	1	24,000	3,480
Kent 192 ⁵	Seattle, WA	October 24, 2018	—	—	12,434
6th Ave	Seattle, WA	October 31, 2018	1	50,270	12,558
Walnut II	Compton, CA	November 7, 2018	1	60,040	11,108
Shoemaker ⁶	Santa Fe Springs, CA	November 14, 2018	—	—	6,400
Hotchkiss II	Fremont, CA	December 20, 2018	1	29,214	6,200
Total			17	1,038,889	\$ 219,490

¹ The total aggregate investment was approximately \$227.1 million, including \$2.9 million in closing costs and acquisition costs.

² Represents an improved land parcel containing approximately 3.5 acres.

³ Also includes an improved land parcel containing approximately 1.2 acres.

⁴ Also includes improved land parcel containing approximately 0.2 acres.

⁵ Represents an improved land parcel containing approximately 12.7 acres.

⁶ Represents an improved land parcel containing approximately 2.3 acres.

The Company recorded revenues and net income for the year ended December 31, 2018 of approximately \$4.8 million and \$1.7 million, respectively, related to the 2018 acquisitions.

The above assets and liabilities were recorded at fair value, which uses Level 3 inputs. The properties were acquired from unrelated third parties using existing cash on hand, proceeds from property sales, issuance of common stock and borrowings on the revolving credit facility.

As of December 31, 2019, the Company has four properties under redevelopment that upon completion will contain approximately 0.5 million square feet with a total expected investment of approximately \$120.4 million, including redevelopment costs of approximately \$52.4 million. During 2019, the Company completed redevelopment of its 1775 NW 70th Avenue property in Miami, Florida. The Company executed a full-building five-year lease stabilizing the approximately 65,000 square foot redevelopment property. The total investment was approximately \$10.0 million. During 2019, the Company also completed redevelopment and sold its 10100 NW 25th Street property in Miami, Florida for a sales price of approximately \$14.0 million, resulting in a gain of approximately \$1.8 million (See "Note 5 - Held for Sale/Disposed Assets"). The property was vacant. The Company capitalized interest associated with redevelopment and expansion activities of approximately \$3.2 million, \$2.5 million and \$0, respectively, during the years ended December 31, 2019, 2018 and 2017.

Note 5. Held for Sale/Disposed Assets

The Company considers a property to be held for sale when it meets the criteria established under ASC 360, *Property, Plant, and Equipment*. Properties held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale. As of December 31, 2019, the Company did not have any properties held for sale.

During the year ended December 31, 2019, the Company sold one property in the Los Angeles market for a sales price of approximately \$12.4 million, resulting in a gain of approximately \$4.5 million, one redevelopment property in the Miami market for a sales price of approximately \$14.0 million, resulting in a gain of approximately \$1.8 million, and two properties located in the Washington, D.C. market for an aggregate sales price of approximately \$22.5 million, resulting in an aggregate gain of approximately \$3.1 million. During the year ended December 31, 2018, the Company sold one property located in the

Los Angeles market for a sales price of approximately \$33.2 million, resulting in a gain of approximately \$12.2 million, two properties in the Miami market for an aggregate sales price of approximately \$28.6 million, resulting in an aggregate gain of approximately \$13.1 million and one property in the Washington, D.C. market for a sales price of approximately \$20.3 million, resulting in a gain of approximately \$3.3 million.

Note 6. Senior Secured Loan

As of December 31, 2019, the Company had a Senior Secured Loan outstanding with a two-year term that bears interest at a fixed annual interest rate of 8.0% and matures in May 2020. The Senior Secured Loan is secured by a portfolio of seven improved land parcels primarily located in Newark, New Jersey. One of the properties securing the Senior Secured Loan may be put to the Company as partial repayment of the Senior Secured Loan. This property may be called by the Company as partial repayment of the Senior Secured Loan at a previously agreed upon value. In addition, per the terms of the Senior Secured Loan, the borrower may repay the loan at any time with either cash or deed in lieu, with the deed subject to the Company's approval. During the year ended December 31, 2019, the Company acquired two properties that were securing the Senior Secured Loan for a previously agreed upon aggregate purchase price which approximated their fair value of approximately \$39.1 million, which resulted in an approximately \$39.1 million reduction in the amount outstanding under the Senior Secured Loan. As of December 31, 2019 and 2018, there was approximately \$15.9 million and \$54.5 million, respectively, net of deferred loan fees of approximately \$0.1 million and \$0.5 million, respectively, outstanding on the Senior Secured Loan and approximately \$0.3 million and \$0.4 million, respectively, of interest receivable outstanding on the Senior Secured Loan. Interest receivable is included as a component of other assets in the accompanying consolidated balance sheets.

Note 7. Debt

On September 12, 2019, the Company entered into a note purchase agreement with certain institutional investors in a private placement transaction pursuant to which it issued \$100.0 million of ten-year 3.14% senior unsecured notes on December 2, 2019. The proceeds from the issuance were used to repay the previously outstanding \$50.0 million term loan that was to mature in August 2021 and the related unamortized deferred financing costs of approximately \$0.2 million were written off to loss on extinguishment of debt. As of December 31, 2019, the Company had \$50.0 million of senior unsecured notes that mature in September 2022, \$100.0 million of senior unsecured notes that mature in July 2024, \$50.0 million of senior unsecured notes that mature in July 2026, \$50.0 million of senior unsecured notes that mature in October 2027 and \$100.0 million of senior unsecured notes that mature in December 2029 (collectively the "Senior Unsecured Notes"), and a credit facility (the "Facility"), which consists of a \$250.0 million unsecured revolving credit facility that matures in October 2022 and a \$100.0 million term loan that matures in January 2022. As of December 31, 2019 and 2018, there was \$0 and \$19.0 million, respectively, of borrowings outstanding on the revolving credit facility and \$100.0 million and \$150.0 million, respectively, of borrowings outstanding on the term loans. As of December 31, 2019, the Company had two interest rate caps to hedge the variable cash flows associated with its existing \$100.0 million variable-rate term loan. As of December 31, 2018, the Company had three interest rate caps to hedge the variable cash flows associated with its existing \$150.0 million variable-rate term loan. See "Note 9-Derivative Financial Instruments" for more information regarding the Company's interest rate caps.

The aggregate amount of the Facility may be increased to a total of up to \$600.0 million, subject to the approval of the administrative agent and the identification of lenders willing to make available additional amounts. Outstanding borrowings under the Facility are limited to the lesser of (i) the sum of the \$250.0 million revolving credit facility and the \$100.0 million term loan or (ii) 60.0% of the value of the unencumbered properties. Interest on the Facility, including the term loan, is generally to be paid based upon, at the Company's option, either (i) LIBOR plus the applicable LIBOR margin or (ii) the applicable base rate which is the greatest of the administrative agent's prime rate, 0.50% above the federal funds effective rate, or thirty-day LIBOR plus the applicable LIBOR margin for LIBOR rate loans under the Facility plus 1.25%. The applicable LIBOR margin will range from 1.05% to 1.50% (1.05% as of December 31, 2019) for the revolving credit facility and 1.20% to 1.70% (1.20% as December 31, 2019) for the \$100.0 million term loan that matures in January 2022, depending on the ratio of the Company's outstanding consolidated indebtedness to the value of the Company's consolidated gross asset value. The Facility requires quarterly payments of an annual facility fee in an amount ranging from 0.15% to 0.30% depending on the ratio of the Company's outstanding consolidated indebtedness to the value of the Company's consolidated gross asset value.

The Facility and the Senior Unsecured Notes are guaranteed by the Company and by substantially all of the current and to-be-formed subsidiaries of the Company that own an unencumbered property. The Facility and the Senior Unsecured Notes are unsecured by the Company's properties or by interests in the subsidiaries that hold such properties. The Facility and the Senior Unsecured Notes include a series of financial and other covenants with which the Company must comply. The Company was in compliance with the covenants under the Facility and the Senior Unsecured Notes as of December 31, 2019 and 2018.

The Company has mortgage loans payable which are collateralized by certain of the properties and require monthly interest and principal payments until maturity and are generally non-recourse. The mortgage loans mature between 2020 and 2021. As of December 31, 2019, the Company had two mortgage loans payable, net of deferred financing costs, totaling approximately \$44.3 million, which bear interest at a weighted average fixed annual rate of 4.1%. As of December 31, 2018, the Company had three mortgage loans payable, net of deferred financing costs, totaling approximately \$45.8 million, which bore interest at a weighted average fixed annual interest rate of 4.1%. As of December 31, 2019 and 2018, the total gross book value of the properties securing the debt was approximately \$114.9 million and \$153.7 million, respectively.

The scheduled principal payments of the Company's debt as of December 31, 2019 were as follows (dollars in thousands):

	Credit Facility	Term Loans	Senior Unsecured Notes	Mortgage Loans Payable	Total Debt
2020	\$ —	\$ —	\$ —	\$ 33,077	\$ 33,077
2021	—	—	—	11,271	11,271
2022	—	100,000	50,000	—	150,000
2023	—	—	—	—	—
2024	—	—	100,000	—	100,000
Thereafter	—	—	200,000	—	200,000
Total Debt	—	100,000	350,000	44,348	494,348
Deferred financing costs, net	—	(417)	(2,326)	(30)	(2,773)
Total Debt, net	\$ —	\$ 99,583	\$ 347,674	\$ 44,318	\$ 491,575
Weighted Average Interest Rate	n/a	3.0 %	3.8 %	4.1 %	3.7 %

Note 8. Leasing

The following is a schedule of minimum future cash rentals on tenant operating leases in effect as of December 31, 2019. The schedule does not reflect future rental revenues from the renewal or replacement of existing leases and excludes property operating expense reimbursements (dollars in thousands):

2020	\$ 130,321
2021	115,704
2022	98,104
2023	78,567
2024	60,999
Thereafter	149,665
Total	\$ 633,360

Note 9. Derivative Financial Instruments

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of its known or expected cash payments principally related to its borrowings.

Derivative Instruments

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate caps as part of its interest rate risk management strategy. Interest rate caps involve the receipt of variable amounts from a counterparty at the end of each period in which the interest rate exceeds the agreed fixed price. The Company does not use derivatives for trading or speculative purposes. The Company requires that hedging derivative instruments be highly effective in reducing the risk exposure that they are designated to hedge. As a result, there is no significant ineffectiveness from any of its derivative activities.

The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. Derivatives that are not designated as hedges must be adjusted to fair value through earnings. For a derivative that is designated and that qualifies as a cash flow hedge, the effective portion of the change in fair value of the derivative is initially recorded in accumulated other comprehensive income (loss) ("AOCI"). Amounts recorded in AOCI are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

As of December 31, 2019, the Company had two interest rate caps to hedge the variable cash flows associated with its existing \$100.0 million variable-rate term loan. The caps have a notional value of \$100.0 million and will effectively cap the annual interest rate payable at 4.0% plus 1.20% to 1.70%, depending on leverage, with respect to \$50.0 million for the period from December 1, 2014 (effective date) to May 4, 2021 and \$50.0 million for the period from September 1, 2015 (effective date) to February 3, 2020. As of December 31, 2018, the Company had three interest rate caps to hedge the variable cash flows associated with its existing \$150.0 million variable-rate term loans. The caps have a notional value of \$150.0 million and will effectively cap the annual interest rate payable at 4.0% plus 1.20% to 1.70%, depending on leverage, with respect to \$50.0 million for the period from December 1, 2014 (effective date) to May 4, 2021, \$50.0 million for the period from September 1, 2015 (effective date) to April 1, 2019 and \$50.0 million for the period from September 1, 2015 (effective date) to February 3, 2020. The Company is required to make certain monthly variable rate payments on the term loan(s), while the applicable counterparty is obligated to make certain monthly floating rate payments based on LIBOR to the Company in the event LIBOR is greater than 4.0%, referencing the same notional amount.

The Company records all derivative instruments on a gross basis in other assets on the accompanying consolidated balance sheets, and accordingly, there are no offsetting amounts that net assets against liabilities. The following table presents a summary of the Company's derivative instruments designated as hedging instruments (dollars in thousands):

Derivative Instrument	Effective Date	Maturity Date	Interest Rate Strike	Fair Value		Notional Amount	
				December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Assets:							
Interest Rate Cap	12/1/2014	5/4/2021	4.0 %	\$ —	\$ 25	\$ 50,000	\$ 50,000
Interest Rate Cap	9/1/2015	4/1/2019	4.0 %	—	—	—	50,000
Interest Rate Cap	9/1/2015	2/3/2020	4.0 %	—	1	50,000	50,000
Total				\$ —	\$ 26	\$ 100,000	\$ 150,000

The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedges is recorded in AOCI and will be reclassified to interest expense in the period that the hedged forecasted transaction affects earnings on the Company's variable rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings into interest expense.

The following table presents the effect of the Company's derivative financial instruments on its accompanying consolidated statements of operations for years ended December 31, 2019 and 2018 (dollars in thousands):

	For the Year Ended December 31,	
	2019	2018
Interest rate caps in cash flow hedging relationships:		
Amount of gain recognized in AOCI on derivatives (effective portion)	\$ (26)	\$ 289
Amount of gain reclassified from AOCI into interest expense (effective portion)	\$ 350	\$ 289

The Company estimates that approximately \$0.3 million will be reclassified from AOCI as an increase to interest expense over the next twelve months.

Note 10. Fair Value Measurements

ASC 820 requires disclosure of the level within the fair value hierarchy in which the fair value measurements fall, including measurements using quoted prices in active markets for identical assets or liabilities (Level 1), quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active (Level 2), and significant valuation assumptions that are not readily observable in the market (Level 3).

Recurring Measurements – Interest Rate Contracts

Fair Value of Interest Rate Caps

Currently, the Company uses interest rate cap agreements to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. As of December 31, 2019 and 2018, the Company applied the provisions of this standard to the valuation of its interest rate caps.

The following sets forth the Company's financial instruments that are accounted for at fair value on a recurring basis as of December 31, 2019 and 2018 (dollars in thousands):

	Fair Value Measurement Using			
	Total Fair Value	Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Interest rate caps at:				
December 31, 2019	\$ —	\$ —	\$ —	\$ —
December 31, 2018	\$ 26	\$ —	\$ 26	\$ —

Financial Instruments Disclosed at Fair Value

As of December 31, 2019 and 2018, the fair values of cash and cash equivalents, accounts receivable, and accounts payable approximated their carrying values because of the short-term nature of these investments or liabilities based on Level 1 inputs. The fair values of the Company's derivative instruments were evaluated based on Level 2 inputs. The fair values of the Company's mortgage loans payable and Senior Unsecured Notes were estimated by calculating the present value of principal and interest payments, based on borrowing rates available to the Company, which are Level 2 inputs, adjusted with a credit spread, as applicable, and assuming the loans are outstanding through maturity. The fair value of the Company's Facility approximated its carrying value because the variable interest rates approximate market borrowing rates available to the Company, which are Level 2 inputs. The fair value of the Company's Senior Secured Loan approximated its carrying value because the interest rate approximates the market lending rate available to the borrower, which is a Level 2 input.

The following table sets forth the carrying value and the estimated fair value of the Company's Senior Secured Loan and debt as of December 31, 2019 and 2018 (dollars in thousands):

	Fair Value Measurement Using				Carrying Value
	Total Fair Value	Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Senior Secured Loan at:					
December 31, 2019	\$ 15,915	\$ —	\$ 15,915	\$ —	\$ 15,858
December 31, 2018	\$ 55,000	\$ —	\$ 55,000	\$ —	\$ 54,492
Liabilities					
Debt at:					
December 31, 2019	\$ 503,028	\$ —	\$ 503,028	\$ —	\$ 491,575
December 31, 2018	\$ 455,159	\$ —	\$ 455,159	\$ —	\$ 462,097

Note 11. Stockholders' Equity

The Company's authorized capital stock consists of 400,000,000 shares of common stock, 0.01 par value per share, and 100,000,000 shares of preferred stock, 0.01 par value per share. The Company has an at-the-market equity offering program (the "\$300 Million ATM Program") pursuant to which the Company may issue and sell shares of its common stock having an aggregate offering price of up to \$300.0 million (\$148.9 million remaining as of December 31, 2019) in amounts and at times to be determined by the Company from time to time. Prior to the implementation of the \$300 Million ATM Program, the Company had a \$250.0 million ATM program (the "\$250 Million ATM Program"), which was substantially utilized as of May 2019 and is no longer active, and a \$200.0 million ATM program (the "\$200 Million ATM Program"), which was fully utilized as of June 30, 2018 and is no longer active. Actual sales under the \$300 Million ATM Program, if any, will depend on a variety of factors to be determined by the Company from time to time, including, among others, market conditions, the trading price of the Company's common stock, determinations by the Company of the appropriate sources of funding for the Company and potential uses of funding available to the Company. The Company intends to use the net proceeds from the offering of the shares under the \$300 Million ATM Program, if any, for general corporate purposes, which may include future acquisitions and repayment of indebtedness, including borrowings under the Facility. During the year ended December 31, 2019, the Company issued an aggregate of 6,064,576 shares of common stock at a weighted average offering price of \$45.85 per share under the \$300 Million ATM Program and the \$250 Million ATM Program, resulting in net proceeds of approximately \$274.0 million and paying total compensation to the applicable sales agents of approximately \$4.0 million. During the year ended December 31, 2018, the Company issued an aggregate of 5,492,707 shares of common stock at a weighted average offering price of \$38.04 per share under the \$250 Million ATM Program and the \$200 Million ATM Program, resulting in net proceeds of approximately \$205.9 million and paying total compensation to the applicable sales agents of approximately \$3.0 million. As of December 31, 2019 and 2018, the Company had shares of common stock having an aggregate offering price of up to \$148.9 million available for issuance under the \$300 Million ATM Program and \$129.9 million available for issuance under the \$250 Million ATM Program, respectively.

The Company's has a share repurchase program authorizing the Company to repurchase up to 3,000,000 shares of its outstanding common stock from time to time through December 31, 2020. Purchases made pursuant to the program will be made in either the open market or in privately negotiated transactions as permitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchases will be determined by the Company in its discretion and will be subject to economic and market conditions, stock price, applicable legal requirements and other factors. The program may be suspended or discontinued at any time. As of December 31, 2019, the Company has not repurchased any shares of stock pursuant to its share repurchase authorization.

On April 30, 2019, the Company's stockholders approved the 2019 Plan, which replaces the Amended and Restated 2010 Equity Incentive Plan (the "2010 Plan"). The 2019 Plan permits the grant of restricted stock awards, performance share awards and unrestricted stock awards. The maximum number of shares of the Company's common stock that may be issued under the 2019 Plan is 1,898,961, which consists of (i) 1,510,079 shares initially reserved and available for issuance under the 2019 Plan and (ii) 388,882 shares underlying outstanding awards under the 2010 Plan, which if forfeited, canceled or otherwise terminated under the 2010 Plan shall be added to the shares available for issuance under the 2019 Plan. No further awards will be made under the 2010 Plan.

In connection with the annual meeting of stockholders on April 30, 2019, the Company granted a total of 11,200 shares of unrestricted common stock to its independent directors under the 2019 Plan with a grant date fair value per share of \$44.65. The grant date fair value of the unrestricted common stock was determined using the closing price of the Company's common stock on the date of the grant. The Company recognized approximately \$0.5 million in compensation costs for the year ended December 31, 2019 related to this issuance.

On July 19, 2017, the Company redeemed all 1,840,000 outstanding shares of the 7.75% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock") for cash at a redemption price of \$25.00 per share, plus an amount per share of \$0.096875 representing all accrued and unpaid dividends per share from July 1, 2017 to, but excluding, July 19, 2017. The Company recognized a charge of approximately \$1.8 million during the year ended December 31, 2017 representing the write-off of original issuance costs related to the redemption of the Series A Preferred Stock.

As of December 31, 2019, there were 1,898,961 shares of common stock authorized for issuance as restricted stock grants, unrestricted stock awards or Performance Share awards under the 2019 Plan, of which 1,460,991 were remaining and available for issuance. The grant date fair value per share of restricted stock awards issued during the period from February 16, 2010 (commencement of operations) to December 31, 2019 ranged from \$14.20 to \$50.10. The fair value of the restricted stock that was granted during the year ended December 31, 2019 was approximately \$5.2 million and the vesting period for the restricted stock is five years. As of December 31, 2019, the Company had approximately \$6.1 million of total unrecognized compensation costs related to restricted stock issuances, which is expected to be recognized over a remaining weighted average period of approximately 3.8 years. The Company recognized compensation costs of approximately \$1.9 million, \$1.9 million and \$1.7 million, respectively, for the years ended December 31, 2019, 2018 and 2017 related to the restricted stock issuances.

The following is a summary of the total restricted shares granted to the Company's executive officers and employees with the related weighted average grant date fair value share prices for the years ended December 31, 2019, 2018 and 2017.

Restricted Stock Activity:

	Shares	Weighted Average Grant Date Fair Value
Non-vested shares outstanding as of December 31, 2016	395,281	\$ 20.48
Granted	32,247	26.52
Forfeited	(50,008)	21.60
Vested	(20,337)	18.06
Non-vested shares outstanding as of December 31, 2017	357,183	21.01
Granted	53,915	34.63
Forfeited	(11,830)	20.30
Vested	(15,338)	20.21
Non-vested shares outstanding as of December 31, 2018	383,930	22.98
Granted	111,099	46.99
Forfeited	(52,892)	31.02
Vested	(15,367)	23.90
Non-vested shares outstanding as of December 31, 2019	426,770	\$ 28.20

The following is a vesting schedule of the total non-vested shares of restricted stock outstanding as of December 31, 2019:

Non-vested Shares Vesting Schedule	Number of Shares
2020	295,936
2021	8,135
2022	7,101
2023	32,016
2024	83,582
Thereafter	—
Total Non-vested Shares	426,770

Long-Term Incentive Plan:

As of December 31, 2019, there are three open performance measurement periods for the Performance Share awards: January 1, 2017 to December 31, 2019, January 1, 2018 to December 31, 2020 and January 1, 2019 to December 31, 2021. During the year ended December 31, 2019, the Company issued 196,087 shares of common stock at a price of \$36.55 per share related to the Performance Share awards for the performance period from January 1, 2016 to December 31, 2018. The expense related to the open Performance Share awards granted prior to January 1, 2019 varies quarter to quarter based on the Company's relative share price performance.

The following table summarizes certain information with respect to the Performance Share awards granted prior to January 1, 2019 (dollars in thousands):

Performance Share Period	Fair Value December 31, 2019	Accrual December 31, 2019	Expense		
			For the Year Ended December 31,		
			2019	2018	2017
January 1, 2018 - December 31, 2020	\$ 6,521	\$ 4,343	\$ 3,208	\$ 1,135	\$ —
January 1, 2017 - December 31, 2019 ¹	7,290	7,290	3,217	2,540	1,532
January 1, 2016 - December 31, 2018	—	—	—	3,388	2,189
January 1, 2015 - December 31, 2017	—	—	—	—	2,994
Total	\$ 13,811	\$ 11,633	\$ 6,425	\$ 7,063	\$ 6,715

¹ Subsequent to December 31, 2019, the compensation committee determined that approximately \$7.3 million was earned under the Long-Term Incentive Plan with respect to the performance period that ended on December 31, 2019 and a total of 135,494 shares of common stock were issued to the executives.

Under the Amended LTIP, which the Company amended and restated on January 8, 2019, each participant's Performance Share target award for target awards granted on or after January 1, 2019 will be expressed as a number of shares of common stock and settled in shares of common stock. Target awards were previously expressed as a dollar amount and settled in shares of common stock. Commencing with Performance Share awards granted on or after January 1, 2019, the grant date fair value of the Performance Share awards will be determined under current accounting treatment using a Monte Carlo simulation model on the date of grant and recognized on a straight-line basis over the performance period.

The following table summarizes certain information with respect to the Performance Share awards granted on or after January 1, 2019 (dollars in thousands):

Performance Share Period	Fair Value on Date of Grant	Expense		
		For the Year Ended December 31,		
		2019	2018	2017
January 1, 2019 - December 31, 2021	\$ 4,829	\$ 1,610	\$ —	\$ —

Dividends:

The following table sets forth the cash dividends paid or payable per share during the years ended December 31, 2019 and 2018:

For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2019	Common stock	\$ 0.24	February 5, 2019	March 29, 2019	April 12, 2019
June 30, 2019	Common stock	\$ 0.24	April 30, 2019	July 5, 2019	July 19, 2019
September 30, 2019	Common stock	\$ 0.27	July 26, 2019	October 4, 2019	October 18, 2019
December 31, 2019	Common stock	\$ 0.27	October 29, 2019	December 31, 2019	January 14, 2020

For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2018	Common stock	\$ 0.22	February 6, 2018	March 28, 2018	April 12, 2018
June 30, 2018	Common stock	\$ 0.22	May 1, 2018	July 6, 2018	July 20, 2018
September 30, 2018	Common stock	\$ 0.24	August 1, 2018	October 5, 2018	October 19, 2018
December 31, 2018	Common stock	\$ 0.24	October 31, 2018	December 18, 2018	January 11, 2019

On July 19, 2017, the Company redeemed all 1,840,000 outstanding shares of the Series A Preferred Stock for cash at a redemption price of \$25.00 per share, plus an amount per share of \$0.096875 representing all accrued and unpaid dividends per share from July 1, 2017 to, but excluding, July 19, 2017.

Note 12. Net Income (Loss) Per Share

Pursuant to ASC 260-10-45, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and are included in the computation of earnings per share pursuant to the two-class method. The two-class method of computing earnings per share allocates earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings to common stockholders and undistributed earnings allocated to common stockholders by the weighted average number of common shares outstanding for the period. The Company's non-vested shares of restricted stock are considered participating securities since these share-based awards contain non-forfeitable rights to dividends irrespective of whether the awards ultimately vest or expire. The Company had no anti-dilutive securities or dilutive restricted stock awards outstanding for the years ended December 31, 2019, 2018 and 2017.

In accordance with the Company's policies of determining whether instruments granted in share-based payment transactions are participating securities and accounting for earnings per share, the net income (loss) per common share is adjusted for earnings distributed through declared dividends (if any) and allocated to all participating securities (weighted average common shares outstanding and unvested restricted shares outstanding) under the two-class method. Under this method, allocations were made to 402,380, 368,912 and 375,924 of weighted average unvested restricted shares outstanding for the years ended December 31, 2019, 2018 and 2017, respectively.

Performance Share awards which may be payable in shares of the Company's common stock after the conclusion of each pre-established performance measurement period are included as contingently issuable shares in the calculation of diluted weighted average common shares of stock outstanding assuming the reporting period is the end of the measurement period, and the effect is dilutive. Diluted shares related to the Performance Share awards were 294,570 and 0 for the years ended December 31, 2019 and 2018, respectively.

Note 13. Quarterly Results of Operations – Unaudited

The following tables summarize the Company's quarterly financial information.

	2019 Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except share and per share data)			
Total revenues	\$ 40,880	\$ 41,730	\$ 43,397	\$ 45,015
Total costs and expenses	(27,071)	(28,115)	(27,275)	(29,724)
Total other income and (expenses)	1,723	(3,236)	(1,338)	(470)
Net income	15,532	10,379	14,784	14,821
Net income available to common stockholders	\$ 15,434	\$ 10,315	\$ 14,689	\$ 14,727
Earnings per Common Share – Basic and Diluted:				
Net income available to common stockholders, basic ¹	\$ 0.25	\$ 0.16	\$ 0.22	\$ 0.22
Net income available to common stockholders, diluted ¹	\$ 0.25	\$ 0.16	\$ 0.22	\$ 0.22
Basic Weighted Average Common Shares Outstanding	61,456,965	63,780,645	65,724,426	66,706,245
Diluted Weighted Average Common Shares Outstanding	61,604,250	64,075,215	66,018,996	67,000,815

	2018 Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except share and per share data)			
Total revenues	\$ 37,107	\$ 37,238	\$ 37,899	\$ 39,413
Total costs and expenses	(25,708)	(25,099)	(24,712)	(26,912)
Total other income and (expenses)	(1,342)	7,998	(3,065)	10,471
Net income	10,057	20,137	10,122	22,972
Net income available to common stockholders	\$ 9,992	\$ 20,012	\$ 10,056	\$ 22,827
Earnings per Common Share – Basic and Diluted:				
Net income available to common stockholders, basic ¹	\$ 0.18	\$ 0.35	\$ 0.17	\$ 0.38
Net income available to common stockholders, diluted ¹	\$ 0.18	\$ 0.35	\$ 0.17	\$ 0.38
Basic Weighted Average Common Shares Outstanding	55,127,580	56,698,959	58,369,252	59,689,965
Diluted Weighted Average Common Shares Outstanding	55,127,580	56,698,959	58,369,252	59,689,965

¹ The above quarterly income per share calculations are based on the weighted average number of common shares outstanding during each quarter. The income per share calculation for the years ended December 31, 2019 and 2018 in the consolidated statements of operations is based on the weighted average number of common shares outstanding for the years ended December 31, 2019 and 2018. The sum of the quarterly financial data may vary from the years ended December 31, 2019 and 2018 data due to rounding.

Note 14. Commitments and Contingencies

Litigation. The Company is not involved in any material litigation nor, to its knowledge, is any material litigation threatened against it. In the normal course of business, from time to time, the Company may be involved in legal actions relating to the ownership and operations of its properties. Management does not expect that the liabilities, if any, that may

ultimately result from such legal actions will have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

Environmental Matters. The industrial properties that the Company owns and will acquire are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require the Company, as owner of a contaminated property, to clean up the property, even if it did not know of or was not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated, and therefore it is possible the Company could incur these costs even after the Company sells some of the properties it acquires. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow using the property as collateral or to sell the property. Under applicable environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the clean-up of that facility if it becomes contaminated and threatens human health or the environment.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos at one of the Company's properties may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities. An example would be laws that require a business using chemicals to manage them carefully and to notify local officials that the chemicals are being used.

The Company could be responsible for any of the costs discussed above. The costs to clean up a contaminated property, to defend against a claim, or to comply with environmental laws could be material and could adversely affect the funds available for distribution to its stockholders. The Company generally obtains "Phase I environmental site assessments", or ESAs, on each property prior to acquiring it. However, these ESAs may not reveal all environmental costs that might have a material adverse effect on the Company's business, assets, results of operations or liquidity and may not identify all potential environmental liabilities.

The Company utilizes local third-party property managers for day-to-day property management and will rely on these third parties to operate its industrial properties in compliance with applicable federal, state and local environmental laws in their daily operation of the respective properties and to promptly notify the Company of any environmental contaminations or similar issues.

As a result, the Company may become subject to material environmental liabilities of which it is unaware. The Company can make no assurances that (1) future laws or regulations will not impose material environmental liabilities on it, or (2) the environmental condition of the Company's industrial properties will not be affected by the condition of the properties in the vicinity of its industrial properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to the Company. The Company was not aware of any significant or material exposures as of December 31, 2019 or 2018.

General Uninsured Losses. The Company carries property and rental loss, liability and terrorism insurance. The Company believes that the policy terms, conditions, limits and deductibles are adequate and appropriate under the circumstances, given the relative risk of loss, the cost of such coverage and current industry practice. In addition, the Company's properties are located, or may in the future be located, in areas that are subject to earthquake and flood activity. As a result, the Company has obtained, as applicable, limited earthquake and flood insurance on those properties. There are, however, certain types of extraordinary losses, such as those due to acts of war that may be either uninsurable or not economically insurable. Although the Company has obtained coverage for certain acts of terrorism, with policy specifications and insured limits that it believes are commercially reasonable, there can be no assurance that the Company will be able to collect under such policies. Should an uninsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from, a property. The Company was not aware of any significant or material exposures as of December 31, 2019 or 2018.

Contractual Commitments. As of February 6, 2020, the Company had two outstanding contracts with third-party sellers to acquire one industrial property consisting of approximately 66,000 square feet and one improved land parcel containing approximately 2.78 acres. There is no assurance that the Company will acquire the property and improved land parcel under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence and various closing conditions. The following table summarizes certain information with respect to the property and improved land parcel the Company has under contract:

Market	Number of Buildings	Square Feet	Purchase Price (in thousands)	Assumed Debt (in thousands)
Los Angeles	1	65,670	\$ 18,000	\$ —
Northern New Jersey/New York City	—	—	—	—
San Francisco Bay Area ¹	—	—	12,000	—
Seattle	—	—	—	—
Miami	—	—	—	—
Washington, D.C.	—	—	—	—
Total	1	65,670	\$ 30,000	\$ —

¹ Represents one improved land parcel containing approximately 2.78 acres.

As of February 6, 2020, the Company has one non-binding letter of intent with a third party buyer to sell three industrial properties in the Washington, D.C. market totaling approximately 340,000 square feet for a sale price of approximately \$54.0 million. There is no assurance that the Company will sell the properties under letter of intent because the proposed disposition is subject to the completion of a contract and satisfactory due diligence and closing conditions.

Note 15. Subsequent Events

On January 6, 2020, the Company repaid a \$32.7 million mortgage loan payable that was to mature in March 2020 and bore interest at 3.65%.

On February 5, 2020, the Company's board of directors declared a cash dividend in the amount of \$0.27 per share of its common stock payable on April 10, 2020 to the stockholders of record as of the close of business on March 27, 2020.

Terreno Realty Corporation

Schedule III
Real Estate Investments and Accumulated Depreciation
As of December 31, 2019
(in thousands)

Property Name	No. of Bldgs.	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at December 31, 2019			Accumulated Depreciation	Year Acquired	Year Constructed
				Land	Buildings & Improvements		Land	Buildings & Improvements	Total			
Los Angeles												
104th Street	1	Los Angeles, CA	\$ —	\$ 3,701	\$ 976	\$ —	\$ 3,701	\$ 976	\$ 4,677	\$ 58	2017	1951
139th Street	2	Carson, CA	—	21,236	15,783	2	21,236	15,785	37,021	847	2017	1965/2003
630 Glasgow	1	Inglewood, CA	—	2,245	1,855	400	2,245	2,255	4,500	658	2011	1988
747 Glasgow	1	Inglewood, CA	—	1,759	1,555	297	1,759	1,852	3,611	366	2014	1981
14611 Broadway	1	Gardena, CA	—	4,757	1,243	1,020	4,757	2,263	7,020	880	2013	1962
19601 Hamilton	1	Torrance, CA	—	7,409	4,072	744	7,409	4,816	12,225	1,141	2011	1985
709 Hindry	1	Inglewood, CA	—	2,105	2,972	168	2,105	3,140	5,245	296	2016	1984
Acacia	1	Compton, CA	—	5,143	1,985	625	5,143	2,610	7,753	470	2017	1972
Anderson	5	Los Angeles, CA	—	17,095	1,271	323	17,095	1,594	18,689	14	2019	1912-1987
Dominguez	—	Los Angeles, CA	—	11,370	1,535	1,504	11,370	3,039	14,409	152	2017	—
Garfield	5	Commerce, CA	21,333	27,539	22,694	3,738	27,539	26,432	53,971	7,343	2012	2002
Hawthorne	8	Hawthorne, CA	—	17,226	10,069	1,509	17,226	11,578	28,804	782	2017	1952/1986
Las Hermanas	1	Compton, CA	—	3,330	751	673	3,330	1,424	4,754	254	2014	1970
Lynwood	3	Lynwood, CA	—	43,885	—	—	43,885	—	43,885	—	2017	1988
Manhattan Beach	1	Redondo Beach, CA	—	7,874	5,641	443	7,874	6,084	13,958	1,347	2012	1963/1970
Shoemaker	—	Santa Fe Springs, CA	—	4,759	1,099	25	4,759	1,124	5,883	43	2018	1986/1997
Slauson	2	Santa Fe Springs, CA	—	4,679	697	45	4,679	742	5,421	8	2019	1967/1973
South Main	2	Carson, CA	—	16,371	7,045	17,043	16,371	24,088	40,459	6,122	2012/2014	2016
South Main III	1	Gardena, CA	—	11,521	12,467	—	11,521	12,467	23,988	849	2017	2016
Telegraph Springs	2	Santa Fe Springs, CA	—	7,063	7,236	241	7,063	7,477	14,540	529	2017	2007
Vermont	1	Torrance, CA	—	10,173	7,105	221	10,173	7,326	17,499	365	2018	1978
1215 Walnut	1	Compton, CA	—	6,130	2,522	10	6,130	2,532	8,662	174	2017	1969/1990
Walnut II	1	Compton, CA	—	6,097	5,069	595	6,097	5,664	11,761	169	2018	1969
Northern New Jersey/ New York City												
1 Dodge Drive	1	West Caldwell, NJ	—	3,819	2,982	1,628	3,819	4,610	8,429	1,459	2013	1985
17 Madison	1	Fairfield, NJ	—	974	1,647	543	974	2,190	3,164	590	2013	1979
20 Pulaski	1	Bayonne, NJ	—	4,003	4,946	1,201	4,003	6,147	10,150	1,235	2014	1965
22 Madison	1	Fairfield, NJ	—	1,365	1,607	885	1,365	2,492	3,857	203	2015	1979
48th 3rd and 286 Central	1	Kearny, NJ	—	12,061	1,664	—	12,061	1,664	13,725	41	2019	1978/1983
49th Street	1	Queens, NY	—	21,674	2,999	1,125	21,674	4,124	25,798	104	2019	1966

Property Name	No. of Bldgs.	Location	Encumbrances	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at December 31, 2019			Accumulated Depreciation	Year Acquired	Year Constructed
				Land	Buildings & Improvements			Land	Buildings & Improvements	Total			
50 Kero	2	Carlstadt, NJ	—	10,343	3,876		3,100	10,343	6,976	17,319	455	2017	1970
51 Kero	—	Carlstadt, NJ	—	3,236	589		1	3,236	590	3,826	7	2019	1956-1966
74th North Bergen	1	North Bergen, NJ	—	2,933	1,817		353	2,933	2,170	5,103	255	2016	1973
81 N. Hackensack	—	Kearny, NJ	—	25,901	—		—	25,901	—	25,901	—	2019	
85 Doremus	—	Newark, NJ	—	5,918	513		—	5,918	513	6,431	28	2018	0
341 Michele	1	Carlstadt, NJ	—	2,372	4,798		891	2,372	5,689	8,061	993	2013	1973
422 Frelinghuysen	—	Newark, NJ	—	16,728	—		6,781	16,728	6,781	23,509	317	2017	—
465 Meadow	1	Carlstadt, NJ	—	713	1,618		229	713	1,847	2,560	378	2013	1972
550 Delancy	1	Newark, NJ	—	9,230	4,855		1,970	9,230	6,825	16,055	1,237	2013	2
620 Division	1	Elizabeth, NJ	—	6,491	3,568		3,405	6,491	6,973	13,464	2,708	2011	1980
7777 West Side	1	North Bergen, NJ	—	4,525	8,856		—	4,525	8,856	13,381	616	2017	1967
900 Hart	1	Piscataway, NJ	—	3,202	3,866		1,301	3,202	5,167	8,369	898	2014	1983
901 North	—	Elizabeth, NJ	—	8,035	913		829	8,035	1,742	9,777	352	2016	2016
Avenue A	4	Carlstadt, NJ	—	7,516	4,660		684	7,516	5,344	12,860	476	2017	1951/1957
Belleville	1	Kearny, NJ	11,728	12,845	18,041		1,332	12,845	19,373	32,218	4,250	2011	2006
Commerce	1	Carlstadt, NJ	—	1,656	1,544		128	1,656	1,672	3,328	54	2018	1969
Dell	1	Carlstadt, NJ	—	6,641	771		548	6,641	1,319	7,960	243	2011	1972
Ethel	2	Piscataway, NJ	—	2,748	3,801		1,441	2,748	5,242	7,990	1,197	2013	1981/1984
Interstate	2	South Brunswick, NJ	—	13,686	12,135		11,104	13,686	23,239	36,925	5,582	2010/2013	1999/2014
JFK Airgate	4	Queens, NY	—	18,282	32,933		4,928	18,282	37,861	56,143	7,596	2013	1986/1991
Manor	1	East Rutherford, NJ	—	4,076	5,262		1,674	4,076	6,936	11,012	878	2015	1968
Melanie Lane	3	East Hanover, NJ	—	5,931	13,178		2,932	5,931	16,110	22,041	3,344	2013	1980/1998
Middlebrook	18	Bound Brook, NJ	—	16,442	10,241		12,016	16,442	22,257	38,699	7,842	2010	1958/1976
Morgan	2	Brooklyn, NY	—	71,051	10,888		203	71,051	11,091	82,142	106	2019	1960/1980 & 1967
New Dutch	1	Fairfield, NJ	—	4,773	2,004		—	4,773	2,004	6,777	160	2017	1976
Paterson Plank	1	Carlstadt, NJ	—	4,127	455		88	4,127	543	4,670	79	2016	1998
Schoolhouse	1	Somerset, NJ	—	2,375	5,705		295	2,375	6,000	8,375	589	2016	2009
Stockton	—	Newark, NJ	—	12,327	1,282		222	12,327	1,504	13,831	255	2017	0
Terminal Way	2	Avenel, NJ	—	3,537	3,598		124	3,537	3,722	7,259	507	2014	1950/1968
Whelan	1	East Rutherford, NJ	—	6,366	5,704		—	6,366	5,704	12,070	6	2019	2005
Wilson	1	Newark, NJ	—	2,016	484		813	2,016	1,297	3,313	235	2016	1970
Woodside	1	Queens, NY	—	23,987	3,796		3,944	23,987	7,740	31,727	305	2018	2018
San Francisco Bay Area													
20th Street	1	Oakland, CA	—	18,092	6,730		1,017	18,092	7,747	25,839	70	2019	1970 & 2003
238/242 Lawrence	2	South San Francisco, CA	—	6,674	2,655		1,546	6,674	4,201	10,875	1,412	2010	1986
240 Littlefield	1	South San Francisco, CA	—	5,107	3,293		2,852	5,107	6,145	11,252	1,038	2013	2013

Property Name	No. of Bldgs.	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at December 31, 2019			Accumulated Depreciation	Year Acquired	Year Constructed
				Land	Buildings & Improvements		Land	Buildings & Improvements	Total			
299 Lawrence	1	South San Francisco, CA	—	1,352	1,198	423	1,352	1,621	2,973	620	2010	1968
631 Brennan	1	San Jose, CA	—	1,932	2,245	561	1,932	2,806	4,738	691	2012	1975
Ahern	2	Union City, CA	—	3,246	2,749	871	3,246	3,620	6,866	1,184	2010	1986
Ahern II	1	Union City, CA	—	2,467	4,527	201	2,467	4,728	7,195	710	2015	1997
Burroughs	3	San Leandro, CA	—	5,400	7,092	1,379	5,400	8,471	13,871	1,288	2014	1966
Caribbean	3	Sunnyvale, CA	—	17,483	14,493	2,658	17,483	17,151	34,634	3,709	2012	1980/1981
Carlton Court	1	South San Francisco, CA	—	2,036	1,475	162	2,036	1,637	3,673	421	2012	1981
Clawiter	1	Hayward, CA	4,045	5,964	1,159	167	5,964	1,326	7,290	247	2011	1967
Hotchkiss	1	Fremont, CA	—	4,163	3,152	865	4,163	4,017	8,180	291	2017	1997
Hotchkiss II	1	Fremont, CA	—	3,042	3,081	347	3,042	3,428	6,470	87	2018	1997
Merced	4	San Leandro, CA	—	25,621	9,318	576	25,621	9,894	35,515	484	2018	1958
221 Michele	1	South San Francisco, CA	—	2,710	2,540	659	2,710	3,199	5,909	309	2016	1979
Minnesota and Tennessee	2	San Francisco, CA	—	34,738	13,141	190	34,738	13,331	48,069	112	2019	
San Clemente	1	Hayward, CA	—	5,126	3,938	138	5,126	4,076	9,202	146	2018	1982
West 140th	2	San Leandro, CA	—	9,578	6,297	3,745	9,578	10,042	19,620	996	2016	1959
Whitney	3	San Leandro, CA	—	13,821	9,016	2,123	13,821	11,139	24,960	533	2018	1974
Wicks	1	San Leandro, CA	—	2,224	298	—	2,224	298	2,522	15	2018	1976
Central Pacific Business Park I	3	Union City, CA	—	8,468	14,165	1,061	8,468	15,226	23,694	2,381	2014	1989
Central Pacific Business Park II	4	Union City, CA	—	13,642	23,658	5,219	13,642	28,877	42,519	4,732	2015	2015
Seattle												
79 Ave South	1	Kent, WA	—	1,267	1,503	594	1,267	2,097	3,364	428	2014	2000
917 Valley	1	Puyallup, WA	—	2,203	4,551	—	2,203	4,551	6,754	5	2019	2006
3401 Lind	1	Renton, WA	—	2,999	6,707	465	2,999	7,172	10,171	1,045	2014	1984/2012
4225 2nd Avenue	1	Seattle, WA	—	4,236	4,049	2,012	4,236	6,061	10,297	790	2015	1957
4930 3rd Avenue South	1	Seattle, WA	—	3,984	2,424	783	3,984	3,207	7,191	364	2016	1964
17600 West Valley Highway	1	Tukwila, WA	—	3,361	5,260	1,193	3,361	6,453	9,814	1,630	2012	1986
Auburn 400	1	Auburn, WA	—	4,415	5,234	—	4,415	5,234	9,649	52	2019	2000
Auburn 1307	1	Auburn, WA	—	4,253	5,034	249	4,253	5,283	9,536	867	2014	2002
Dawson	1	Seattle, WA	—	3,902	278	396	3,902	674	4,576	41	2017	1964

Property Name	No. of Bldgs.	Location	Encumbrances	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at December 31, 2019			Accumulated Depreciation	Year Acquired	Year Constructed
				Land	Buildings & Improvements			Land	Buildings & Improvements	Total			
Denver	1	Seattle, WA	—	3,203	1,345	489	3,203	1,834	5,037	278	2016	1953	
East Valley	1	Renton, WA	—	2,693	2,959	40	2,693	2,999	5,692	126	2018	1991	
East Marginal	—	Renton, WA	—	2,618	380	—	2,618	380	2,998	1	2019	1991	
Hanford	1	Seattle, WA	—	3,821	2,250	471	3,821	2,721	6,542	176	2017	1952	
Kent 188	1	Kent, WA	—	3,251	4,719	1,248	3,251	5,967	9,218	1,737	2010	1979	
Kent 190	1	Kent, WA	—	4,560	5,561	355	4,560	5,916	10,476	840	2015	1992/1999	
Kent 202	1	Kent, WA	—	5,761	9,114	2,810	5,761	11,924	17,685	1,709	2015	1981	
Kent 216	1	Kent, WA	—	3,672	5,408	912	3,672	6,320	9,992	1,104	2014	1996	
Kent Corporate Park	4	Kent, WA	—	5,032	6,916	1,907	5,032	8,823	13,855	1,269	2015	1980/1981	
Lucile	1	Seattle, WA	—	4,498	3,504	1,342	4,498	4,846	9,344	586	2017	1976	
Lund	1	Auburn, WA	—	2,573	4,399	82	2,573	4,481	7,054	467	2016	1999	
Olympic	1	Tukwila, WA	—	1,499	1,431	536	1,499	1,967	3,466	432	2015	1978	
SeaTac 8th Avenue	1	Burien, WA	—	2,501	4,020	1,150	2,501	5,170	7,671	1,142	2013	1988	
SW 34th	1	Renton, WA	—	2,912	3,289	498	2,912	3,787	6,699	632	2014	1996/2010	
Valley Corporate	2	Kent, WA	7,242	5,264	9,096	1,991	5,264	11,087	16,351	2,567	2011	1987	
Miami													
26th Street	1	Miami, FL	—	3,444	4,558	1,178	3,444	5,736	9,180	956	2012	1973	
48th Avenue	2	Miami Gardens, FL	—	4,322	2,187	574	4,322	2,761	7,083	547	2011	1987	
60th Avenue	1	Miami Lakes, FL	—	6,203	1,567	7,346	6,203	8,913	15,116	3,091	2010	1971/2011	
70th Avenue	1	Miami, FL	—	1,434	2,333	198	1,434	2,531	3,965	596	2011	1999	
70th Avenue II	1	Miami, FL	—	2,152	3,418	524	2,152	3,942	6,094	400	2016	1969	
70th Avenue III	1	Miami, FL	—	2,543	3,167	690	2,543	3,857	6,400	319	2016	1974	
70th Avenue IV	1	Miami, FL	—	1,119	1,456	151	1,119	1,607	2,726	125	2017	1969	
70th Avenue V	1	Miami, FL	—	5,036	3,419	1,526	5,036	4,945	9,981	149	2017	1974	
74th Avenue	1	Miami, FL	—	2,327	3,538	614	2,327	4,152	6,479	363	2016	1986	
78th Avenue	1	Doral, FL	—	2,445	1,755	2,604	2,445	4,359	6,804	1,121	2012	1977	
81st Street	2	Medley, FL	—	2,938	5,242	1,311	2,938	6,553	9,491	1,040	2015	1996/2003	
94th Avenue	1	Doral, FL	—	3,000	3,580	336	3,000	3,916	6,916	247	2017	1989	
107th Avenue	1	Medley, FL	—	2,787	2,036	506	2,787	2,542	5,329	608	2013	2001	
101st Road	1	Medley, FL	—	2,647	3,258	468	2,647	3,726	6,373	781	2013	2012	
131st Street	1	Medley, FL	—	2,903	5,729	500	2,903	6,229	9,132	1,026	2014	1999	
12950 SW South River	1	Medley, FL	—	1,971	4,029	368	1,971	4,397	6,368	429	2016	2000	
Americas Gateway	6	Doral, FL	—	11,152	11,721	3,276	11,152	14,997	26,149	3,402	2013	1978/1982	
Miami International Trade Center	4	Medley, FL	—	5,063	10,958	1,260	5,063	12,218	17,281	1,623	2015	1996	
Washington, D.C.													
75th Ave	5	Landover, MD	—	10,658	18,615	4,226	10,658	22,829	33,487	3,457	2014	1987/1990	
2920 V Street	1	Washington, D.C.	—	2,248	1,670	1,499	2,248	3,169	5,417	223	2017	1958	
3601 Pennsy	1	Landover, MD	—	2,331	4,375	1,425	2,331	5,800	8,131	966	2013	1996	

Property Name	No. of Bldgs.	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at December 31, 2019			Accumulated Depreciation	Year Acquired	Year Constructed
				Land	Buildings & Improvements		Land	Buildings & Improvements	Total			
4230 Forbes	1	Lanham, MD	—	1,736	2,395	853	1,736	3,248	4,984	511	2013	2003
9070 Junction	1	Annapolis Junction, MD	—	3,538	6,670	2,838	3,538	9,508	13,046	2,099	2015	1997
Business Parkway	1	Lanham, MD	—	3,038	3,007	4	3,038	3,011	6,049	261	2016	2002
Hampton Overlook	3	Capitol Heights, MD	—	4,602	7,521	826	4,602	8,347	12,949	804	2016	1989/1990
New Ridge	—	Hanover, MD	—	5,689	1,567	190	5,689	1,757	7,446	178	2016	0
Parkway	1	Hanover, MD	—	4,543	12,094	372	4,543	12,466	17,009	2,062	2014	1968/2012
Troy Hill	1	Elkridge, MD	—	1,409	5,033	495	1,409	5,528	6,937	1,140	2012	2003
V Street	6	Washington, D.C.	—	67,132	41,299	13,342	67,132	54,641	121,773	8,187	2015	1955/1963
Subtotal	220		44,348	1,055,146	717,086	192,127	1,055,146	909,201	1,964,347	144,922		
Unamortized net premiums	—		—	—	—	—	—	—	—	—		
Unamortized net deferred financing costs	—		(30)	—	—	—	—	—	—	—		
Intangible assets	—		—	—	—	—	—	—	88,594	63,357		
Total	220		\$ 44,318	\$ 1,055,146	\$ 717,086	\$ 192,127	\$ 1,055,146	\$ 909,201	\$ 2,052,941	\$ 208,279		

Terreno Realty Corporation

**Schedule III
Real Estate Investments and Accumulated Depreciation – (Continued)
As of December 31, 2019
(in thousands)**

A summary of activity for real estate and accumulated depreciation for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Investment in Properties		
Balance at beginning of year	\$ 1,845,776	\$ 1,636,930
Acquisition of properties	289,591	227,058
Disposition of properties	(41,560)	(56,985)
Construction in progress	28,154	7,434
Improvements, net of write-offs	32,233	31,339
Balance at end of year	<u>\$ 2,154,194</u>	<u>\$ 1,845,776</u>
	<u>2019</u>	<u>2018</u>
Accumulated Depreciation		
Balance at beginning of year	\$ 169,772	\$ 139,814
Amortization of lease intangible assets	10,123	5,269
Depreciation expense	33,630	30,442
Disposition of properties and write-offs	(5,246)	(5,753)
Balance at end of year	<u>\$ 208,279</u>	<u>\$ 169,772</u>

Exhibit Index

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1	<u>Articles of Amendment and Restatement of Registrant, as amended (previously filed as Exhibit 3.1 to Amendment No. 2 to the Registrant's Registration Statement on Form S-11 on January 6, 2010 and incorporated herein by reference).</u>
3.2	<u>Articles Supplementary for Registrant's 7.75% Series A Cumulative Redeemable Preferred Stock (previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K on July 19, 2012 and incorporated herein by reference).</u>
3.3	<u>Articles Supplementary (previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K on February 9, 2017 and incorporated herein by reference).</u>
3.4	<u>Amended and Restated Bylaws of Registrant (previously filed as Exhibit 3.2 to Amendment No. 2 to the Registrant's Registration Statement on Form S-11 on January 6, 2010 and incorporated herein by reference).</u>
3.5	<u>First Amendment to Amended and Restated Bylaws of Registrant (previously filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K on February 9, 2017 and incorporated herein by reference).</u>
4.1	<u>Specimen Common Stock Certificate of Registrant (previously filed as Exhibit 4.1 to Amendment No. 3 to the Registrant's Registration Statement on Form S-11 on January 15, 2010 and incorporated herein by reference).</u>
4.2*	<u>Description of Securities of Registrant</u>
10.1+	<u>Amended and Restated Severance Agreement between Registrant and W. Blake Baird, dated as of February 18, 2014 (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on February 19, 2014 and incorporated herein by reference).</u>
10.2+	<u>Amended and Restated Severance Agreement between Registrant and Michael A. Coke dated as of February 18, 2014 (previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K on February 19, 2014 and incorporated herein by reference).</u>
10.3+	<u>Severance Agreement between Registrant and Jaime J. Cannon dated as of February 18, 2014 (previously filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K on February 19, 2014 and incorporated herein by reference).</u>
10.4+	<u>Amended and Restated 2010 Equity Incentive Plan of Registrant (previously filed as Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A on March 19, 2014 and incorporated herein by reference).</u>
10.5+	<u>Form of Restricted Stock Award Agreement for Executive Officers and Employees (previously filed as Exhibit 10.4 to Amendment No. 2 to the Registrant's Registration Statement on Form S-11 on January 6, 2010 and incorporated herein by reference).</u>
10.6+	<u>Form of Restricted Stock Award Agreement for Non-Employee Directors (previously filed as Exhibit 10.5 to Amendment No. 2 to the Registrant's Registration Statement on Form S-11 on January 6, 2010 and incorporated herein by reference).</u>

- 10.7+ [2019 Equity Incentive Plan of Registrant \(previously filed as Exhibit 4.7 to the Registrant's Registration Statement on Form S-8 on April 30, 2019 and incorporated herein by reference\).](#)
- 10.8+ [Form of Restricted Stock Award Agreement for Executive Officers and Employees \(previously filed as Exhibit 4.8 to the Registrant's Registration Statement on Form S-8 on April 30, 2019 and incorporated herein by reference\).](#)
- 10.9+ [Form of Indemnification Agreement between Registrant and its Directors and Executive Officers \(previously filed as Exhibit 10.6 to Amendment No. 2 to the Registrant's Registration Statement on Form S-11 on January 6, 2010 and incorporated herein by reference\).](#)
- 10.10+ [Amended and Restated Long-Term Incentive Plan of Registrant effective as of January 1, 2019 \(previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on January 14, 2019 and incorporated by reference herein\).](#)
- 10.11+ [Form of Award Notice under the Amended and Restated Long-Term Incentive Plan of Registrant \(previously filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K on February 6, 2019 and incorporated by reference herein\).](#)
- 10.12+ [Amended and Restated Long-Term Incentive Plan of Registrant, effective as of February 18, 2014 \(previously filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K on February 19, 2014 and incorporated by reference herein\).](#)
- 10.13+ [Form of Award Notice under the Long-Term Incentive Plan of Registrant \(previously filed as Exhibit 10.8 to Amendment No. 2 to the Registrant's Registration Statement on Form S-11 on January 6, 2010 and incorporated by reference herein\).](#)
- 10.14 [Fifth Amended and Restated Senior Credit Agreement, dated as of October 19, 2018, among Terreno Realty LLC, KeyBank National Association, both individually as a "Lender" and as "Administrative Agent", KeyBanc Capital Markets, as joint lead arranger, MUFG Union Bank, N.A., as co-syndication agent and joint lead arranger, PNC Bank, National Association, as co-syndication agent, PNC Capital Markets LLC, as joint lead arranger, Regions Bank, as co-syndication agent, Regions Capital Markets, as joint lead arranger and the several banks, financial institutions and other entities which may from time to time become parties as additional "Lenders" \(previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on October 25, 2018 and incorporated herein by reference\).](#)
- 10.15 [Note Purchase Agreement, dated as of June 7, 2017, among the Registrant, Terreno Realty LLC and the institutions named in Schedule B thereto as purchasers \(previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on June 12, 2017 and incorporated herein by reference\).](#)
- 10.16 [Note Purchase Agreement, dated as of June 2, 2016, among the Registrant, Terreno Realty LLC and the institutions named in Schedule B thereto as purchasers \(previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on June 7, 2016 and incorporated herein by reference\).](#)
- 10.17 [Note Purchase Agreement, dated as of September 1, 2015, among the Registrant, Terreno Realty LLC and the institutions named in Schedule B thereto as purchasers \(previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on September 8, 2015 and incorporated herein by reference\).](#)
- 10.18 [Note Purchase Agreement, dated as of September 12, 2019, among the Registrant, Terreno Realty LLC and the institutions named in Schedule B thereto as purchasers \(previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on September 18, 2019 and incorporated herein by reference\).](#)
-

10.19+	<u>Severance Agreement between the Registrant and Andrew T. Burke, dated as of February 18, 2014 (previously filed as Exhibit 10.13 to the Registrant's Annual Report on Form 10-K on February 8, 2017 and incorporated herein by reference).</u>
10.20+	<u>Severance Agreement between the Registrant and John T. Meyer, dated as of February 18, 2014 (previously filed as Exhibit 10.14 to the Registrant's Annual Report on Form 10-K on February 8, 2017 and incorporated herein by reference).</u>
10.21+	<u>Deferred Compensation Plan of Registrant (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on November 8, 2019 and incorporated herein by reference).</u>
21*	<u>Subsidiaries of Registrant.</u>
23*	<u>Consent of Independent Registered Public Accounting Firm.</u>
24.1*	<u>Power of Attorney (included on the signature page to this Annual Report on Form 10-K).</u>
31.1*	<u>Certification of Chief Executive Officer, pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Chief Financial Officer, pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.3*	<u>Certification of President, pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.3**	<u>Certification of President, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Definition Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and with applicable taxonomy extension information contained in Exhibits 101.*)

* Filed herewith.

** Furnished herewith.

+ Exhibit is a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California, on February 6, 2020.

Terreno Realty Corporation

By: /s/ W. Blake Baird
W. Blake Baird
Chairman and Chief Executive Officer

Power of Attorney

We, the undersigned directors of Terreno Realty Corporation hereby severally constitute and appoint W. Blake Baird and Michael A. Coke, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us in our names in the capacities indicated below, all amendments to this report, and generally to do all things in our names and on our behalf in such capacities to enable Terreno Realty Corporation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ W. Blake Baird W. Blake Baird	Chairman, Chief Executive Officer and Director (principal executive officer)	February 6, 2020
/s/ Michael A. Coke Michael A. Coke	President and Director	February 6, 2020
/s/ Jaime J. Cannon Jaime J. Cannon	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)	February 6, 2020
/s/ LeRoy E. Carlson LeRoy E. Carlson	Director	February 6, 2020
/s/ David M. Lee David M. Lee	Director	February 6, 2020
/s/ Gabriela F. Parcella Gabriela F. Parcella	Director	February 6, 2020
/s/ Douglas M. Pasquale Douglas M. Pasquale	Director	February 6, 2020
/s/ Dennis Polk Dennis Polk	Director	February 6, 2020

**Description of the Registrant's Securities Registered Pursuant
to Section 12 of the Securities Exchange Act of 1934, as amended**

The summary of the general terms and provisions of the registered securities of Terreno Realty Corporation ("Terreno," "us," "we," or "our") set forth below does not purport to be complete and is subject to, and qualified in its entirety by, and should be read in conjunction with, the applicable provisions of our Articles of Amendment and Restatement, as further amended (our "Articles"), and our Amended and Restated Bylaws, as amended (our "Bylaws"), each of which are incorporated herein by reference and are filed as an exhibit to our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, as well as the applicable provisions of Maryland law.

General

Our Articles provide that we may issue up to 400,000,000 shares of common stock, \$.01 par value per share ("Common Stock"), and 100,000,000 shares of preferred stock, \$.01 par value per share ("Preferred Stock").

Common Stock

Only our Common Stock is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and all shares of our Common Stock have equal rights as to earnings, assets, dividends and voting.

Dividend Rights

Dividends may be paid to the holders of our Common Stock if, as and when authorized by our board of directors and declared by us out of funds legally available therefor, subject to the restrictions on the transfer and ownership of our stock contained in our Articles and the preferential rights of holders of any other class or series of our stock.

Voting Rights

Subject to the restrictions on the transfer and ownership of our stock contained in our Articles and except as may otherwise be specified in the terms of any class or series of Common Stock, each share of our Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as may be provided with respect to any other class or series of stock, the holders of our Common Stock will possess exclusive voting power.

See "Certain Provisions of Maryland Law and our Articles and Bylaws- Board of Directors; Vacancies; Removals" below for more information.

Distributions on Liquidation

In the event of our liquidation, dissolution or winding up, each share of our Common Stock would be entitled to share ratably in all of our assets that are legally available for distribution after payment of, or adequate provision for, all of our known debts and other liabilities and subject to any preferential rights of holders of our Preferred Stock, if any Preferred Stock is outstanding at such time, and to the restrictions on the transfer and ownership of our stock contained in our Articles.

Other Rights

Shares of our Common Stock generally have no preemptive, appraisal, preferential exchange, conversion, sinking fund or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws, by contract or by the restrictions in our Articles.

Restrictions on Transfer

To assist us in complying with certain U.S. federal income tax requirements applicable to real estate investment trusts ("REITs"), among other purposes, we have adopted certain restrictions relating to the transfer and ownership of our stock. See "Restrictions on Transfer" below for more information.

Stock Exchange Listing

Our Common Stock is listed on the New York Stock Exchange under the symbol “TRNO.”

Transfer Agent and Registrar

Our transfer agent and registrar for our Common Stock is Computershare Trust Company, N.A.

Preferred Stock

Our board of directors may authorize the issuance of shares of our Preferred Stock in one or more series and may determine, with respect to any such series, the rights, preferences, privileges and restrictions of the shares of Preferred Stock of that series, including distribution rights, conversion rights, voting rights, redemption rights and terms of redemptions and liquidation preferences.

The issuance of shares of our Preferred Stock could have the effect of delaying, deferring or preventing a change in control or other transaction that might involve a premium price for shares of our Common Stock or otherwise be in the best interests of our shareholders. In addition, any shares of our Preferred Stock that we issue could rank senior to shares of our Common Stock with respect to the payment of distributions, in which case we could not pay any distributions on shares of our Common Stock until full distributions have been paid with respect to such shares of our Preferred Stock.

Restrictions on Transfer

In order for us to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”), our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (other than the first year for which an election to be a REIT has been made). Also, not more than 50% of the value of the outstanding shares of stock may be owned, directly or indirectly, by five or fewer “individuals” (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

Our Articles contain restrictions on the ownership and transfer of our stock. The relevant sections of our Articles provide that, commencing with the last day of the first half of the second taxable year for which we have elected to be classified as REIT, no individual (as defined under the Code to include certain entities) may actually or constructively own more than 9.8% in value of the aggregate of our outstanding shares of stock or more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our Common Stock. In addition, the applicable articles supplementary for any series of Preferred Stock will generally prohibit any individual (as defined in the Code to include certain entities) from actually or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of the applicable series of preferred stock. Subject to the exceptions described below, our Articles further prohibit any person or entity from beneficially or constructively owning shares in excess of these limits. We refer to these restrictions as the “ownership limits” and we sometimes refer to the restrictions on ownership by a person or entity separately as the “related party tenant limit.” We refer to a person or entity that would, but for the restrictions in our Articles, have beneficially or constructively owned shares of our stock in violation of the applicable ownership limit or the other restrictions on ownership and transfer of our stock described below and, if appropriate in the context, any person or entity that would have been the record owner of such shares as a “prohibited owner.”

The beneficial and constructive ownership rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% in value of our outstanding stock or less than 9.8% in value or number of our shares of our Common Stock or Preferred Stock (or the acquisition of an interest in an entity that owns, actually or constructively, our stock) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% in value of our outstanding stock or 9.8% in value or number of our outstanding shares of Common Stock or Preferred Stock and thereby violate the applicable ownership limit.

Our Articles provide that, subject to our directors’ duties under applicable law, upon request, our board of directors will, prospectively or retroactively, waive the related party tenant limit with respect to a particular stockholder, and establish a different ownership limitation for the stockholder, unless such stockholder’s increased ownership of our stock would result in us failing to qualify as a REIT or our board of directors determines in its sole judgment that such stockholder’s increased ownership could result in any of our rental income failing to qualify as such for REIT testing purposes as a result of the “related party tenant” rules that apply to REITs. As a condition of such waiver, our board of directors may require certain representations and undertakings from the stockholder and/or an opinion of counsel or IRS ruling satisfactory to our board of directors with respect to preserving our REIT status.

Our board of directors may from time to time increase the ownership limits for one or more persons or entities and decrease the ownership limits for all other persons and entities unless, after giving effect to such modification of the ownership limits, five or fewer individuals could beneficially own more than 49.9% in value of our outstanding stock or we would otherwise fail to qualify as a REIT. Any such decrease in the ownership limits will not apply to any person or entity whose ownership of our stock exceeds the decreased ownership limits until the person's or entity's ownership of our stock equals or falls below the decreased ownership limits, but any further acquisition of our stock by such a person or entity will violate the decreased ownership limits.

Our Articles further prohibit:

- any person from transferring shares of our stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution); and
- any person from owning shares of our stock if such ownership would result in our failing to qualify as a REIT for federal income tax purposes.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our stock that will or may violate the ownership limits or any of the other foregoing limitations on transferability and ownership will be required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT. The foregoing provisions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT or that compliance with any or all of the restrictions on ownership and transfer of our stock is no longer required in order for us to qualify as a REIT, but only to the extent thereof.

If any purported transfer of our stock or any other event would otherwise result in any person violating the ownership limit or such other limit as established by our board of directors or would result in our failing to qualify as a REIT, then that number of shares in excess of the ownership limit or causing us to fail to qualify as a REIT (rounded up to the nearest whole share) will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable organizations selected by us. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a transfer to the trust. Any dividend or other distribution paid to the prohibited owner, prior to our discovery that the shares had been automatically transferred to a trust as described above must be repaid to the trustee upon demand for distribution to the beneficiary of the trust. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable ownership limit or our failing to qualify as a REIT, then our Articles provide that the transfer of the shares resulting in such violation will be void. If any transfer would result in shares of our stock being beneficially owned by fewer than 100 persons, then any such purported transfer will be void and of no force or effect.

Shares of our stock transferred to the trustee are deemed to be offered for sale to us or our designee at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the trust (or, in the case of a devise or gift, the market price at the time of such devise or gift) and (ii) the market price on the date we accept, or our designee accepts, such offer. We may reduce the amount so payable to the trustee by the amount of any dividends or other distributions paid to the prohibited owner and owed by the prohibited owner to the trustee as described above and pay such amount to the trustee for distribution to the beneficiary of the trust. We have the right to accept such offer until the trustee has sold the shares of our stock held in the trust as discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the trustee with respect to such stock to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the ownership limits or other restrictions on ownership and transfer of our stock. After that, the trustee must distribute to the prohibited owner an amount equal to the lesser of (i) the price paid by the prohibited owner for the shares or, if the prohibited owner did not give value for the shares in connection with the event causing the shares to be held in trust (e.g., in the cause of a gift, devise or other such transaction), the market price of the shares on the day of the event causing the shares to be held in the trust, and (ii) the sales proceeds (net of commissions and other expenses of sale) received by the trustee for the shares. The trustee may reduce the amount payable to the prohibited owner by the amount of any dividends or other distributions paid to the prohibited owner and owed by the prohibited owner to the trustee as described above. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by us that shares of our stock have been transferred to a trust, such shares of stock are sold by a prohibited owner, then such shares shall be deemed to have been sold on behalf of the trust and to the extent that the prohibited owner received an amount for, or in respect of, such shares that exceeds the amount that such prohibited owner was

entitled to receive, such excess amount shall be paid to the trustee upon demand. The prohibited owner has no rights in the shares held by the trustee.

The trustee shall be designated by us and shall be unaffiliated with us and with any prohibited owner. Prior to the sale of any shares by the trust, the trustee will receive, in trust for the beneficiary, all dividends and other distributions paid by us with respect to the shares, and may also exercise all voting rights with respect to the shares.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee shall have the authority, at the trustee's sole discretion:

- to rescind as void any vote cast by a prohibited owner prior to our discovery that the shares have been transferred to the trust; and
- to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust.

However, if we have already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

In addition, if our board of directors determines in good faith that a proposed transfer or other event has occurred that would result in a violation of the restrictions on ownership and transfer of our stock set forth in our Articles, our board of directors will take such action as it deems advisable to refuse to give effect to or to prevent such transfer or other event, including, but not limited to, causing the company to redeem shares of Common Stock or Preferred Stock, refusing to give effect to the transfer on our books or instituting proceedings to enjoin the transfer.

Every owner of 5% or more (or such lower percentage as required by the Code or the regulations promulgated thereunder) of the outstanding shares of our stock, upon request following the end of each of our taxable years, must give us written notice stating the person's name and address, the number of shares of each class and series of our stock that the person beneficially owns and a description of the manner in which the shares are held. Each such owner must also provide us with any additional information that we request in order to determine the effect, if any, of such beneficial ownership on our qualification as a REIT and to ensure compliance with the ownership limits. In addition, any person or entity that is a beneficial owner or constructive owner of shares of our stock and any person or entity (including the stockholder of record) who is holding shares of our stock for a beneficial owner or constructive owner shall, on request, disclose to us in writing such information as we may request in order to determine our status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

All certificates representing shares of our Common Stock and Preferred Stock bear a legend referring to the restrictions described above.

Certain Provisions of Maryland Law and our Articles and Bylaws

The Maryland General Corporation Law (the "MGCL") and our Articles and Bylaws contain provisions that could make it more difficult for a potential acquirer to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

Power to Reclassify Shares of Our Stock

Our Articles authorize our board of directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including Preferred Stock. Prior to the issuance of shares of each class or series, the board of directors is required by Maryland law and by our Articles to set, subject to the restrictions on the transfer and ownership of our stock contained in our Articles and the terms of any outstanding class or series of our stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of Common Stock or Preferred Stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our Common Stock or that stockholders may believe is in their best interests.

Power to Increase Authorized Stock and Issue Additional Shares of Our Common Stock and Preferred Stock

Our Articles authorize our board of directors to increase the number of authorized shares of stock, issue additional authorized but unissued shares of our Common Stock or Preferred Stock and to classify or reclassify unissued shares of our Common

Stock or Preferred Stock and thereafter to cause us to issue such classified or reclassified shares of stock without further action by our stockholders, unless stockholder consent is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. We believe these provisions provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. Although our board of directors does not intend to do so, it could authorize us to issue a class or series of stock that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control that might involve a premium price for holders of our Common Stock or that stockholders may believe is in their best interest.

Board of Directors; Vacancies; Removals

Our Articles provide that the number of directors will be set only by a majority of our entire board of directors within specified limits set forth in our Bylaws. Our Bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, the number of directors may never be less than the minimum number required by the MGCL, which is one, nor, unless our Bylaws are amended, more than 11. Because our board of directors and our stockholders have the power to amend this provision of our Bylaws, either our board of directors or our stockholders, by a vote of a majority of the votes entitled to be cast by holders of outstanding shares of our Common Stock, could modify this provision of our Bylaws to change that range.

Our Bylaws also provide that, in an uncontested election, a director is elected if he or she receives more “for” votes than “against” or “withheld” votes to serve until our next annual meeting of stockholders and until his or her successor is duly elected and qualifies. Under our corporate governance guidelines, any director who fails to be elected by a majority vote is required to tender his or her resignation to our board of directors, subject to acceptance. Our nominating and corporate governance committee will make a recommendation to our board of directors on whether to accept or reject the resignation, or whether other action should be taken. Our board of directors will then act on our nominating and corporate governance committee’s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of election results. If the resignation is not accepted, the director will continue to serve until the next annual meeting and until the director’s successor is duly elected and qualifies. The director who tenders his or her resignation will not participate in our board’s decision.

Our Articles provide that, subject to the rights, if any, of holders of any class or series of our Preferred Stock to elect or remove one or more directors, a director may be removed only for cause, as defined in our Articles, and then only by the affirmative vote of at least a majority of the votes entitled to be cast generally in the election of directors. This provision precludes stockholders from removing incumbent directors without cause and filling the vacancies created by such removal with their own nominees.

Our Bylaws empower our stockholders to fill vacancies on our board of directors that are caused by the removal of a director. Our board of directors may also fill vacancies that are caused by an increase in the number of directors, the death, resignation or removal of a director. Any director appointed by our board of directors to fill a vacancy on the board will hold office until the next annual meeting of our stockholders and until his or her successor is duly elected and qualifies. However, our corporate governance guidelines will require an individual elected by our board of directors to fill a vacancy created by the removal of a director by our stockholders to tender his or her resignation if a special meeting to approve such election is requested by our stockholders and held in accordance with the provisions of our Bylaws prior to the next annual meeting of stockholders and the director’s election is not approved by our stockholders at the special meeting.

Action by Stockholders

Under the MGCL, stockholder action can be taken only at an annual or special meeting of stockholders or by unanimous written consent in lieu of a meeting unless the charter provides for a lesser percentage (which our Articles currently do not). These provisions, combined with the requirements in our Bylaws regarding advance notice of nominations and other business to be considered at a meeting of stockholders and the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our Bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by stockholders may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of the board of directors or (iii) by a stockholder who was a stockholder of record both at the time of giving of notice by such stockholder as provided for in our Bylaws and at the time of the annual meeting and who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who has

complied with the advance notice procedures and provided the information required by our Bylaws. With respect to special meetings of stockholders, only the business specified in the notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may be made only (i) by or at the direction of the board of directors, (ii) by the stockholder that has requested that the special meeting be called for the purpose of electing directors and has complied with the procedures and provided the information required by our Bylaws in connection with such request or (iii) provided that the special meeting has been called for the purpose of electing directors, by a stockholder who was a stockholder of record both at the time of giving of notice by such stockholder as provided for in our Bylaws and at the time of the special meeting, and who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions and provided the information required by our Bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our Bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Calling of Special Meetings of Stockholders

Our Bylaws provide that special meetings of stockholders may be called by our board of directors and certain of our officers. Additionally, our Bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders to act on any matter that may properly be considered at a meeting of stockholders shall be called by the secretary of the corporation upon the written request of stockholders entitled to cast a majority of all the votes entitled to be cast on such matter at such meeting.

Approval of Extraordinary Corporate Action; Amendment of our Articles and Bylaws

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, consolidate, sell all or substantially all of its assets or engage in a share exchange, unless recommended by the board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our Articles provide, as permitted by Maryland law, that any of these actions may be approved by the affirmative vote of the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter.

Our Bylaws may be amended by our board of directors or by the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our Common Stock, except the following bylaw provisions, each of which may be amended only with the affirmative vote of a majority of the votes cast on such an amendment by holders of outstanding shares of our Common Stock:

- provisions relating to the amendment of our Bylaws;
- provisions opting out of the control share acquisition statute; and
- provisions prohibiting our board of directors without the approval of a majority of the votes entitled to be cast by holders of outstanding shares of our Common Stock, from revoking, altering or amending any resolution, or adopting any resolution inconsistent with any previously-adopted resolution of our board of directors, that exempts any business combination between us and any other person or entity from the business combination provisions of the MGCL.

No Stockholder Rights Plan

We have no stockholder rights plan. In the future, we do not intend to adopt a stockholder rights plan unless our stockholders approve in advance the adoption of a plan or, if adopted by our board of directors, we submit the stockholder rights plan to our stockholders for a ratification vote within 12 months of adoption or the plan will terminate.

No Appraisal Rights

As permitted by the MGCL, our Articles provide that stockholders will not be entitled to exercise appraisal rights unless a majority of our board of directors determines that appraisal rights will apply, with respect to all or any classes and series of stock, to one or more transactions occurring after the date of such determination in connection with which holders of such shares would otherwise be entitled to exercise appraisal rights. This is in addition to Maryland law provisions that generally eliminate appraisal rights for exchange-listed securities.

Business Combinations

Under the MGCL, certain “business combinations” (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (defined as any person who beneficially owns 10% or more of the voting power of the corporation’s shares or an affiliate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation), or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. Our board of directors may provide that its approval is subject to compliance with any terms and conditions determined by it.

Any such business combination entered into after the five-year prohibition must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (i) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (ii) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected, unless, among other conditions, the corporation’s common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution exempting any business combination between us and any other person or entity from the business combination provisions of the MGCL. Our Bylaws provide that this resolution or any other resolution of our board of directors exempting any business combination from the business combination provisions of the MGCL may only be revoked, altered or amended, and our board of directors may only adopt any resolution inconsistent with any such resolution, with the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our Common Stock.

Control Share Acquisitions

The MGCL provides that “control shares” of a Maryland corporation acquired in a “control share acquisition” have no voting rights except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock of a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors: (i) a person who makes or proposes to make a control share acquisition, (ii) an officer of the corporation or (iii) an employee of the corporation who is also a director of the corporation. “Control shares” are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A “control share acquisition” means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel our board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control

shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (i) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (ii) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our Bylaws exempt any and all acquisitions of shares of our stock from the control share acquisition statute, and this provision of our Bylaws may not be amended without the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our Common Stock.

Certain Elective Provisions of Maryland Law

Title 3, Subtitle 8 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any of (i) a classified board, (ii) a two-thirds vote requirement for removing a director, (iii) a requirement that the number of directors be fixed only by vote of the directors, (iv) a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred, or (v) a majority requirement for the calling of a special meeting of stockholders.

We have not elected to be governed by the specific provisions set forth above but, subject to certain conditions and the exception described below, we could elect to provide for any of the foregoing provisions in the future. Our board of directors adopted a resolution prohibiting us from electing to be subject to the provisions of Title 3, Subtitle 8 of the MGCL that would permit us to classify our board of directors without stockholder approval. By adopting this resolution, we will be prohibited from classifying our board of directors without first obtaining stockholder approval.

Indemnification and Limitation of Directors' and Officers' Liability

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our Articles contains a provision that eliminates such liability to the maximum extent permitted by Maryland law.

Our Articles authorize us, to the maximum extent that Maryland law in effect from time to time permits, to indemnify any present or former director or officer or any individual who, while a director or officer of Terreno and at our request, serves or has served another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner, member, manager or trustee, from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her service in any such capacity and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our Bylaws obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity; or
- any individual who, while a director or officer of Terreno and at our request, serves or has served another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner, member, manager or trustee of such corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Our Articles and Bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of Terreno or a predecessor of Terreno.

The MGCL requires a corporation (unless its charter provides otherwise, which our Articles do not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable

expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding; and
 - was committed in bad faith; or
 - was the result of active and deliberate dishonesty; or
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct, was adjudged liable to the corporation or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by or in the right of the corporation, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director's or officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act of 1933, as amended (the "Securities Act"), we have been informed that in the opinion of the Securities and Exchange Commission, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

We have entered into an indemnification agreement with each of our executive officers and directors whereby we indemnify such executive officers and directors to the fullest extent permitted by Maryland law against all expenses and liabilities, subject to limited exceptions. These indemnification agreements also provide that upon an application for indemnity by an executive officer or director to a court of appropriate jurisdiction, such court may order us to indemnify such executive officer or director.

List of Subsidiaries of Terreno Realty Corporation:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization or Incorporation</u>
Terreno Realty LLC	Delaware
Terreno 238 Lawrence LLC	Delaware
Terreno Middlebrook LLC	Delaware
Terreno Interstate LLC	Delaware
Terreno 299 Lawrence LLC	Delaware
Terreno Kent 188 LLC	Delaware
Terreno Ahern LLC	Delaware
Terreno 60th Avenue LLC	Delaware
Terreno Dorsey Run LLC	Delaware
Terreno Belleville LLC	Delaware
Terreno 630 Glasgow LLC	Delaware
Terreno Dell LLC	Delaware
Terreno 70th Avenue LLC	Delaware
Terreno 19601 Hamilton LLC	Delaware
Terreno 620 Division LLC	Delaware
Terreno 48th Avenue LLC	Delaware
Terreno Clawiter LLC	Delaware
Terreno Valley Corporate LLC	Delaware
Terreno Garfield LLC	Delaware
Terreno Caribbean LLC	Delaware
Terreno 78th Avenue LLC	Delaware
Terreno Manhattan Beach LLC	Delaware
Terreno Carlton Court LLC	Delaware
Terreno Troy Hill LLC	Delaware
Terreno 17600 WVH LLC	Delaware
Terreno 631 Brennan LLC	Delaware
Terreno South Main LLC	Delaware
Terreno 1 Dodge Drive LLC	Delaware
Terreno 101st Road LLC	Delaware
Terreno 107th Ave LLC	Delaware
Terreno 14611 Broadway LLC	Delaware
Terreno 17 Madison LLC	Delaware
Terreno 240 Littlefield LLC	Delaware
Terreno 341 Michele LLC	Delaware
Terreno 3601 Pennsy LLC	Delaware
Terreno 4230 Forbes LLC	Delaware
Terreno 465 Meadow LLC	Delaware
Terreno 550 Delaney LLC	Delaware
Terreno 60 Ethel LLC	Delaware
Terreno Airgate LLC	Delaware
Terreno America's Gateway LLC	Delaware
Terreno Melanie I LLC and Terreno Melanie II LLC	Delaware
Terreno SeaTac 8th Avenue LLC	Delaware
Terreno 20 Pulaski LLC	Delaware
Terreno 3401 Lind LLC	Delaware

Terreno 747 Glasgow LLC	Delaware
Terreno 75th Ave LLC	Delaware
Terreno 79th Ave South LLC	Delaware
Terreno 900 Hart LLC	Delaware
Terreno Auburn 1307 LLC	Delaware
Terreno Burroughs LLC	Delaware
Terreno Kent 216th LLC	Delaware
Terreno Las Hermanas LLC	Delaware
Terreno NW 131st Street LLC	Delaware
Terreno Park Union City LLC	Delaware
Terreno Parkway LLC	Delaware
Terreno SW 34th LLC	Delaware
Terreno Terminal Way LLC	Delaware
Terreno 180 Manor LLC	Delaware
Terreno 22 Madison LLC	Delaware
Terreno 4225 2nd Avenue South LLC	Delaware
Terreno 9070 Junction LLC	Delaware
Terreno Ahern II LLC	Delaware
Terreno Kent 190th LLC	Delaware
Terreno Kent Corporate Park LLC	Delaware
Terreno MITC LLC	Delaware
Terreno NW 81st LLC	Delaware
Terreno Olympic LLC	Delaware
Terreno V Street LLC	Delaware
Terreno 12950 River LLC	Delaware
Terreno 221 Michele LLC	Delaware
Terreno 445 Wilson LLC	Delaware
Terreno 4930 3rd Avenue South LLC	Delaware
Terreno 709 Hindry LLC	Delaware
Terreno 7120 NW 74th Ave LLC	Delaware
Terreno 74th North Bergen LLC	Delaware
Terreno Business Parkway LLC	Delaware
Terreno Denver Ave LLC	Delaware
Terreno Hampton Overlook, LLC	Delaware
Terreno Lund LLC	Delaware
Terreno New Ridge LLC	Delaware
Terreno NW 70th Ave III LLC	Delaware
Terreno NW 70th Avenue II LLC	Delaware
Terreno Paterson Plank LLC	Delaware
Terreno Schoolhouse LLC	Delaware
Terreno West 140th LLC	Delaware
Terreno 50 Kero LLC	Delaware
Terreno 139th LLC	Delaware
Terreno 422 Frelinghuysen LLC	Delaware
Terreno 1215 Walnut LLC	Delaware
Terreno 2920 V Street LLC	Delaware
Terreno 7777 West Side LLC	Delaware
Terreno Acacia LLC	Delaware
Terreno Avenue A LLC	Delaware

Terreno Dawson LLC	Delaware
Terreno Dominguez LLC	Delaware
Terreno Hanford LLC	Delaware
Terreno Hawthorne LLC	Delaware
Terreno Lucile LLC	Delaware
Terreno Lynwood LLC	Delaware
Terreno New Dutch LLC	Delaware
Terreno NW 70th IV LLC	Delaware
Terreno Stockton LLC	Delaware
Terreno Telegraph Springs LLC	Delaware
Terreno 1st Avenue South, LLC	Delaware
Terreno 1100 Walnut LLC	Delaware
Terremo 130 Commerce LLC	Delaware
Terreno 6th Ave LLC	Delaware
Terreno 85 Doremus LLC	Delaware
Terreno East Valley LLC	Delaware
Terreno Kent 192 LLC	Delaware
Terreno Merced LLC	Delaware
Terreno Newark Loan LLC	Delaware
Terreno San Clemente LLC	Delaware
Terreno Shoemaker LLC	Delaware
Terreno Wicks LLC	Delaware
Terreno Woodside LLC	Delaware
Terreno North Hackensack LLC	Delaware
Terreno Auburn 400 LLC	Delaware
Terreno Puyallup 917 LLC	Delaware
Terreno 20th Street LLC	Delaware
Terreno Tennessee Street LLC	Delaware
Terreno Minnesota Street LLC	Delaware
Terreno 14605 Miller Ave LLC	Delaware
Terreno 48th 3rd Street LLC	Delaware
Terreno Morgan Ave LLC	Delaware
Terreno Whelan LLC	Delaware
Terreno Anderson LLC	Delaware
Terreno Slauson LLC	Delaware
Terreno 51 Kero LLC	Delaware
Terreno East Marginal LLC	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-164895) pertaining to Terreno Realty Corporation's 2010 Equity Incentive Plan, as amended,
- (2) Registration Statement (Form S-8 No. 333-202059) pertaining to Terreno Realty Corporation's Amended and Restated 2010 Equity Incentive Plan, as amended,
- (3) Registration Statement (Form S-8 No. 333-231123) pertaining to Terreno Realty Corporation's 2019 Equity Incentive Plan, and
- (4) Registration Statement (Form S-3ASR No. 333-222960) and related Prospectus of Terreno Realty Corporation;

of our reports dated February 6, 2020, with respect to the consolidated financial statements and schedule of Terreno Realty Corporation and the effectiveness of internal control over financial reporting of Terreno Realty Corporation included in this Annual Report (Form 10-K) of Terreno Realty Corporation for the year ended December 31, 2019.

/s/ Ernst & Young LLP

San Francisco, California

February 6, 2020

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, W. Blake Baird, certify that:

1. I have reviewed this Annual Report on Form 10-K of Terreno Realty Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 6, 2020

/s/ W. Blake Baird

Chairman and Chief Executive Officer
(Principal Executive Officer)

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jaime J. Cannon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Terreno Realty Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 6, 2020

/s/ Jaime J. Cannon

Chief Financial Officer
(Principal Financial Officer)

Certification of President Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael A. Coke, certify that:

1. I have reviewed this Annual Report on Form 10-K of Terreno Realty Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 6, 2020

/s/ Michael A. Coke

President

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Terreno Realty Corporation (the “Company”), hereby certifies, to his knowledge, that:

- (i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 6, 2020

/s/ W. Blake Baird

Chairman and Chief Executive Officer

(Principal Executive Officer)

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Terreno Realty Corporation (the “Company”), hereby certifies, to his knowledge, that:

- (i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 6, 2020

/s/ Jaime J. Cannon

Chief Financial Officer

(Principal Financial Officer)

Certification of President

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Terreno Realty Corporation (the “Company”), hereby certifies, to his knowledge, that:

- (i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 6, 2020

/s/ Michael A. Coke

President