

Terreno Realty Corporation

Q3 2023 Update

November 1, 2023



Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact are forward-looking statements and, in some cases, can be identified by the use of the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “result,” “should,” “will,” “seek,” “target,” “see,” “likely,” “position,” “opportunity,” “outlook,” “potential,” “enthusiastic,” “future,” “strategy,” “goal,” and similar expressions. These statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control, including risks related to our ability to meet our estimated forecasts related to stabilized cap rates. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected.

We caution investors that forward-looking statements are based on management’s beliefs and on assumptions made by, and information currently available to, management. Factors that may cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to: (i) our ability to identify and acquire industrial properties on terms favorable to us; (ii) general volatility of the capital markets and the market price of our stock; (iii) adverse economic or real estate conditions or developments in the industrial real estate sector and/or in the markets in which we own properties; (iv) our dependence on key personnel and our reliance on third-party property managers; (v) our inability to comply with the laws, rules and regulations applicable to companies, and in particular, public companies; (vi) our ability to manage our growth effectively; (vii) tenant bankruptcies and defaults on or non-renewal of leases by tenants; (viii) decreased rental rates or increased vacancy rates; (ix) increased interest rates and operating costs; (x) declining real estate valuations and impairment charges; (xi) our expected leverage, our failure to obtain necessary outside financing, and existing and future service debt obligations; (xii) our ability to make distributions to our stockholders; (xiii) our failure to successfully hedge against interest rate increases; (xiv) our failure to successfully operate acquired properties; (xv) risk relating to our real estate redevelopment, renovation and expansion strategies and activities (including rising inflation, supply chain disruptions and construction delays); (xvi) the impact of any future pandemic, epidemic or outbreak of any other highly infectious disease on the U.S., regional and global economies and on our business, financial condition and results of operations and that of our tenants; (xvii) our failure to qualify or maintain our status as a real estate investment trust (“REIT”), and possible adverse changes to tax laws; (xviii) uninsured or underinsured losses relating to our properties or that otherwise result from future litigation; (xix) environmental uncertainties and risks related to natural disasters; (xx) financial market fluctuations; and (xxi) changes in real estate and zoning laws and increases in real property tax rates. Other factors that could materially affect results can be found in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, including those set forth under the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in the Company’s preliminary prospectus supplement relating to the offering under the section titled “Risk Factors”, and in our other public filings.

We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events, or otherwise, 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.

Investment Strategy

Unique and Highly Selective Market Approach

- Acquire, own and operate industrial real estate in six major coastal U.S. markets. Exclusively.
 - Mix of core and value-add investments
 - No greenfield development
 - No complex joint ventures
 - Emphasis on discount to replacement cost provides margin of safety
- Superior market fundamentals
 - Strong demand generators (high population densities, high volume distribution points, logistics infrastructure)
 - Physical and regulatory constraints to new supply
 - Shrinking supply in certain submarkets

Functional Assets in Infill Locations

- Broad product opportunity set ⁽¹⁾
 - Warehouse / distribution (76.3%)
 - Improved land (13.2%) ⁽²⁾
 - Transshipment (6.7%)
 - Flex (including light industrial and R&D) (3.8%)
- Functional and flexible assets
 - Cater to sub-market tenant demands, including last-mile distribution
 - Generally suitable for multiple tenants
 - Opportunity for higher and better use over time

Goal: Superior same store NOI and per share NAV growth

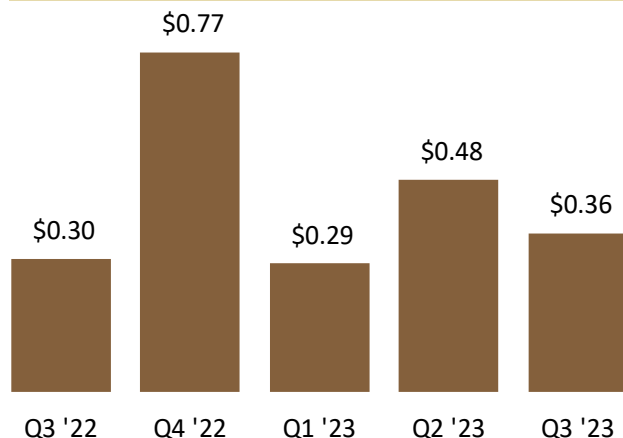
(1) Reflects Terreno portfolio composition based on annualized base rent as of September 30, 2023. Excludes eight properties under development or redevelopment that, upon completion, will consist of seven buildings aggregating approximately 1.2 million square feet and one approximately 2.8-acre improved land parcel, and approximately 62.7 acres of land entitled for future development.

(2) Includes 46 improved land parcels totaling approximately 165.8 acres that were 96.3% leased as of September 30, 2023. Such land is used for industrial outdoor storage and may be redeveloped to higher and better use.

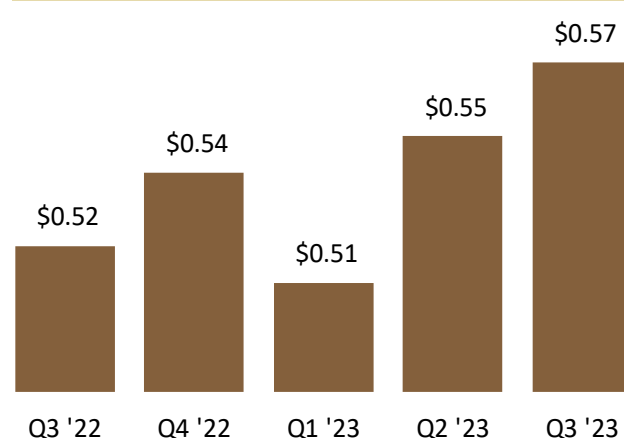


Financial Highlights

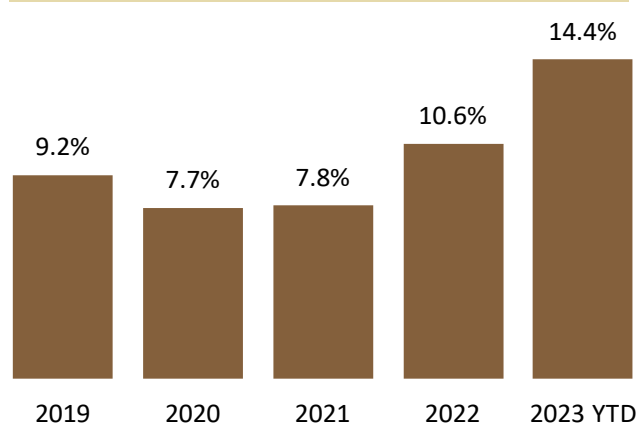
Net Income Per Share ⁽¹⁾⁽²⁾



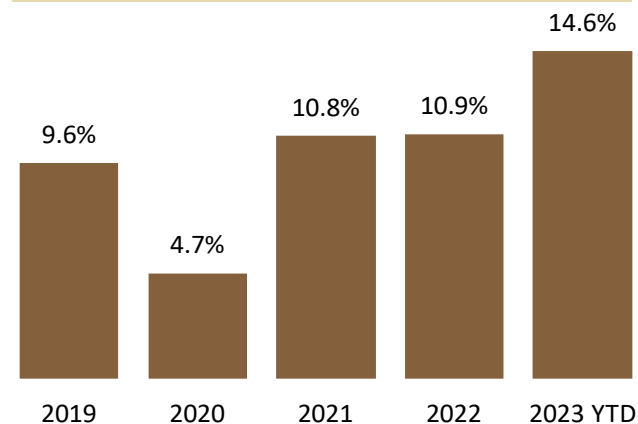
FFO Per Share ⁽¹⁾⁽²⁾⁽³⁾



Cash Same Store NOI Growth ⁽¹⁾⁽³⁾⁽⁴⁾



Cash SSNOI Excluding Termination Fees ⁽¹⁾⁽³⁾⁽⁴⁾



(1) During the quarter ended September 30, 2023, approximately \$0.4 million was recorded as bad debt expense related to DirectBuy Home Improvement.

(2) The quarter ended December 31, 2022 included approximately \$2.0 million of income for below market leases related to early lease terminations at multiple properties.

(3) This is a non-GAAP financial measure. Please see our Reporting Definitions for further explanation.

(4) Approximately \$1.7 million (140bps) of the increase in cash-basis same store NOI for the nine months ended September 30, 2023 was related to properties that were acquired vacant or with near term expirations. Same store NOI for the year ended December 31, 2020 included approximately \$3.3 million of termination fees at our Belleville property. Cash-basis same store NOI growth %'s are as reported in the Company's Form 10-K's. Previously reported cash-basis same store NOI growth has not been adjusted for properties that were subsequently disposed of or held for sale.

Recent Highlights

Investment Highlights

Q3 2023 Acquisitions	\$14.8 million
2023 YTD Acquisitions ⁽¹⁾	\$484.0 million
Acquisitions Under Contract ^{(1) (2)}	\$9.6 million
2023 YTD Dispositions ⁽¹⁾	\$43.4 million
2023 YTD Development and Redevelopment Starts ⁽¹⁾	\$282.3 million

Capital Markets Activities

- During the three and nine months ended September 30, 2023, Terreno Realty Corporation issued an aggregate of 1,575,173 and 2,542,279 shares of common stock, respectively, under the ATM at a weighted average offering price of \$60.78 and \$61.61 per share, respectively, receiving gross proceeds of approximately \$95.7 million and \$156.6 million, respectively.
- Combined with the February 2023 public offering of 5.75 million shares of common stock, Terreno Realty Corporation has issued 8,292,279 shares of common stock at a weighted average offering price of \$62.23 per share, receiving aggregate gross proceeds of approximately \$516.0 million in 2023.
- As of September 30, 2023, there were no borrowings outstanding under Terreno Realty Corporation's \$400 million revolving credit facility, and the Company has no debt maturities in 2023.

Operating Highlights

- Cash rents on new and renewed leases commencing during the three months ended September 30, 2023 increased approximately 38.9% on approximately 0.5 million square feet and 2.8 acres of improved land; tenant retention during the three months ended September 30, 2023 was 61.4% for the operating portfolio and 100.0% for the improved land portfolio. Excluding one fixed-rate lease renewal for approximately 93,000 square feet in Oakland, California, cash rents on new and renewed leases increased approximately 48.6% during the third quarter.
- Cash rents on new and renewed leases commencing during the nine months ended September 30, 2023 increased approximately 57.1% on approximately 1.8 million square feet and 11.4 acres of improved land; tenant retention during the nine months ended September 30, 2023 was 55.0% for the operating portfolio and 19.4% for the improved land portfolio.
- Total portfolio, excluding eight properties under development or redevelopment and 46 improved land parcels, was 98.3% leased as of September 30, 2023 as compared to 97.8% at June 30, 2023 and 98.4% at September 30, 2022.
- The same store portfolio of approximately 13.2 million square feet, representing approximately 83.7% of our total square feet, was 98.5% leased as of September 30, 2023 as compared to 98.4% as of June 30, 2023 and 98.1% as of September 30, 2022.

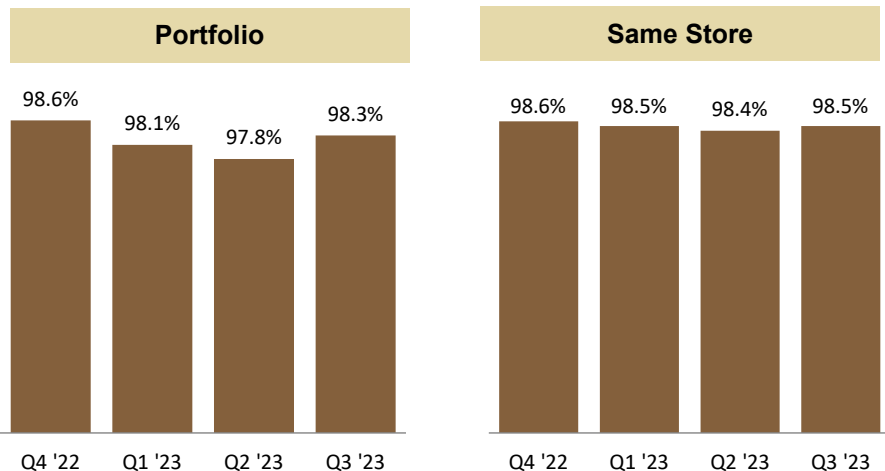
⁽¹⁾ As of October 31, 2023.

⁽²⁾ There is no assurance that we will acquire of the properties under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence and various closing conditions.

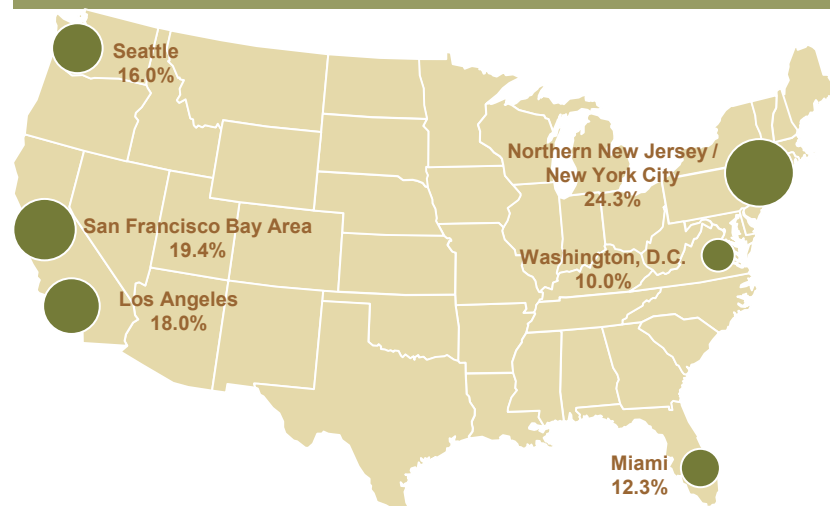


Current Portfolio Overview

Occupancy ^{(1) (2)}



Six Major Coastal U.S. Markets ^{(2) (3)}



Key Metrics ⁽⁴⁾

Square Feet ⁽²⁾	15.8 million	Average Acquisition Size	\$17.0 million
Number of Buildings ⁽²⁾	257	Weighted Average Occupancy at Acquisition	85.6%
46 Improved Land Parcels ⁽²⁾	165.8 acres; 96.3% leased	Square Feet Under Development or Redevelopment	1.2 million

(1) Portfolio and Same Store occupancy based on approximately 15.8 million and 13.2 million square feet, respectively, as of September 30, 2023, and excludes 46 improved land parcels consisting of approximately 165.8 acres.

(2) Excludes eight properties under development or redevelopment that, upon completion, will consist of seven buildings aggregating approximately 1.2 million square feet and one approximately 2.8-acre improved land parcel, and approximately 62.7 acres of land entitled for future development.

(3) Based on annualized base rent by market including approximately 15.8 million square feet and 46 improved land parcels consisting of approximately 165.8 acres as of September 30, 2023.

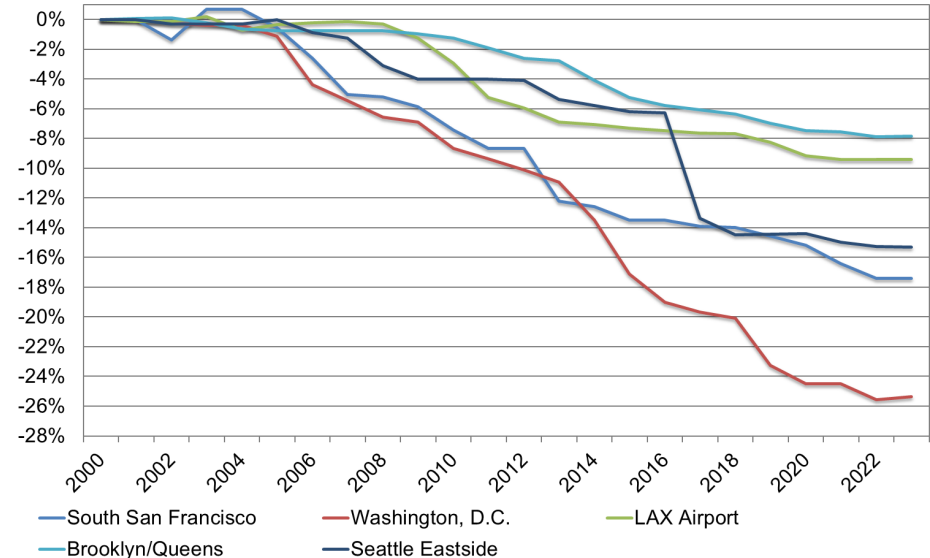
(4) Properties owned as of September 30, 2023. Average acquisition size and weighted average occupancy at acquisition exclude 31 properties sold with an aggregate 4.2 million square feet.

Terreno's Submarket Focus

Highly Focused Submarket Strategy

- 33% of portfolio located in **shrinking supply** submarkets ⁽¹⁾
 - Characterized by shrinking industrial supply. Offers opportunities to convert existing buildings into higher and better use over time. Urban infill.
- 46% of portfolio in **no net new supply** submarkets ⁽¹⁾
 - Characterized by older existing industrial product. Offers opportunities to redevelop existing buildings into new, modern industrial buildings. Infill.
- 21% of portfolio in **new supply** submarkets ⁽¹⁾
 - Characterized by industrial buildings that will remain in their current state for the foreseeable future with previously undeveloped land available for industrial development. Greenfield.

Percentage Decrease in Industrial Supply Since 2000 ⁽²⁾ In Select Submarkets



Submarket	SF Decrease (Millions of SF)	Total SF Decrease Since 2000	Annual SF Decrease
Washington, D.C.	2.6	25.4%	1.1%
South San Francisco	3.2	17.4%	0.8%
Seattle Eastside	1.8	15.3%	0.7%
LAX Airport	1.6	9.4%	0.4%
Brooklyn/Queens	14.6	7.9%	0.3%

7 ⁽¹⁾ As of October 31, 2023. Reflects Terreno portfolio composition based on geography and purchase price, includes eight properties under development or redevelopment and improved land parcels. Completed redevelopments are included at total investment. Refer to Appendix for submarket classifications.

⁽²⁾ Data provided by Costar. As a comparison, industrial supply has increased 30% nationally and 134% in the Inland Empire since 2000.



Shrinking Supply: Washington, D.C.

Approximately 27.2% Decrease in Supply and 13.7% Average Annual Increase in Rental Rate Since 1994

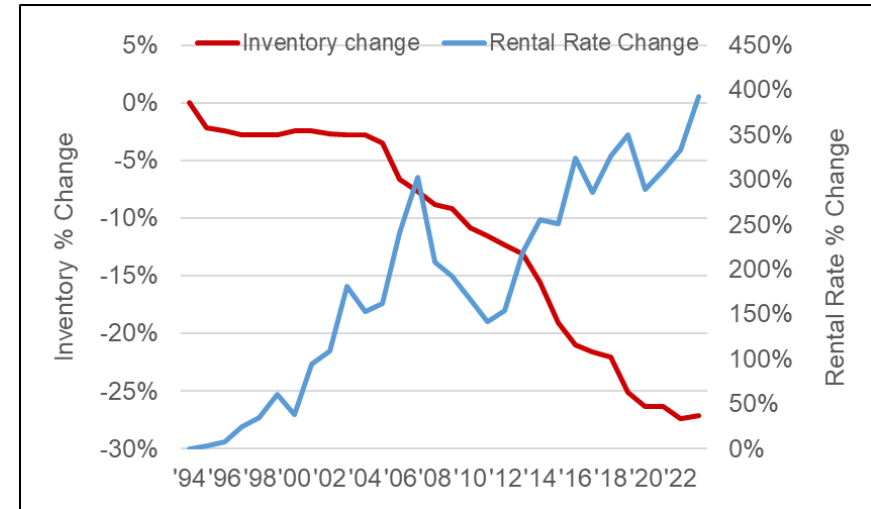
Capitol Riverfront, Washington D.C.:



Northeast Submarket, Washington D.C.:



-  Demolished or Repurposed Industrial Inventory
-  Terreno Properties (8 buildings, approximately 876,000 SF)

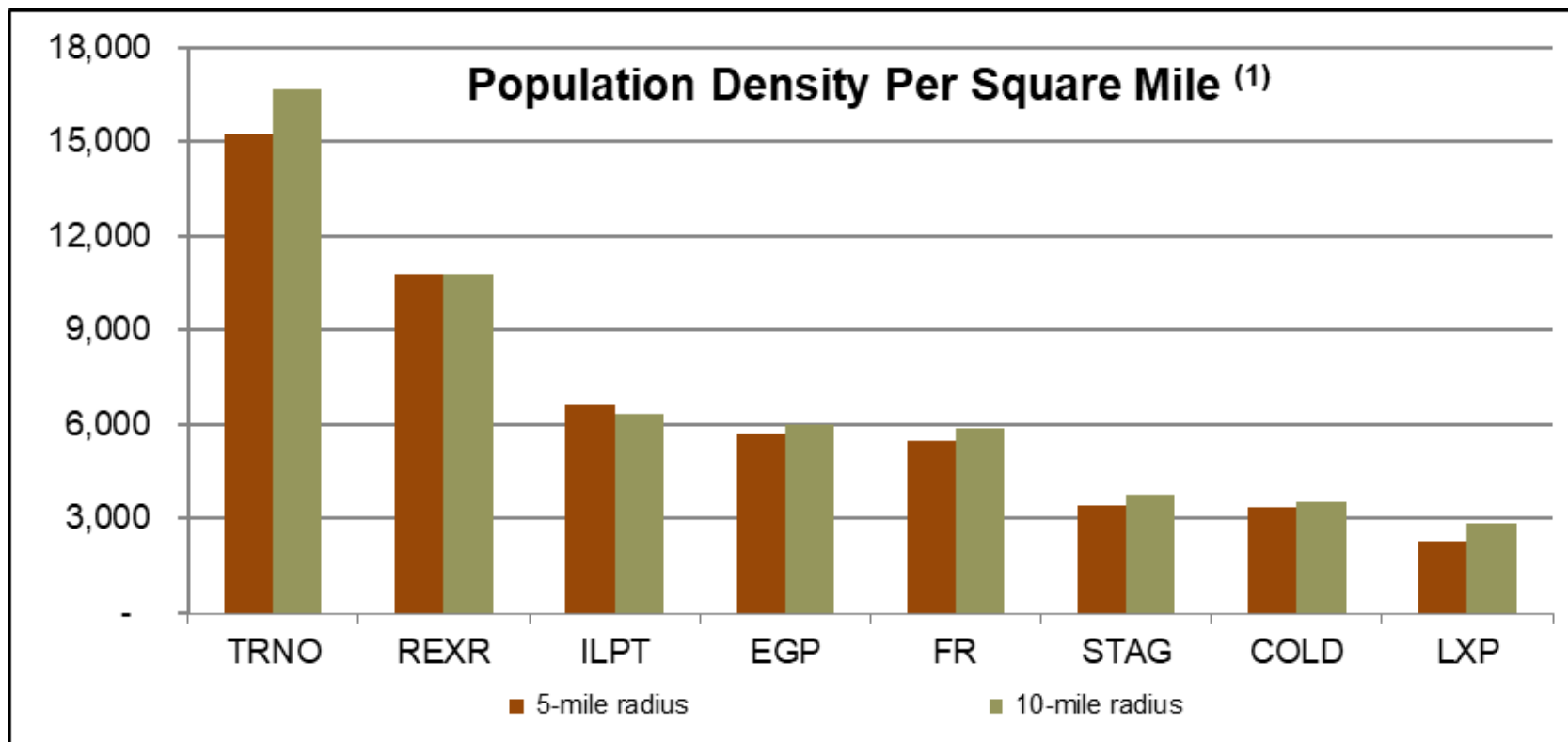


Represents inventory and rental rates for all Washington, D.C. submarkets.
Source: CoStar

- Industrial supply has been in secular decline, replaced by retail, entertainment, and multifamily.
- Former industrial pockets including Capitol Riverfront and NoMa / Union Market have been transformed by conversion to higher and better uses.

Submarket Focus: Infill

Terreno portfolio located within highest density population submarkets as compared to other industrial REITs



(1) Represents average population density weighted by square feet and ranked by 5-mile radius.

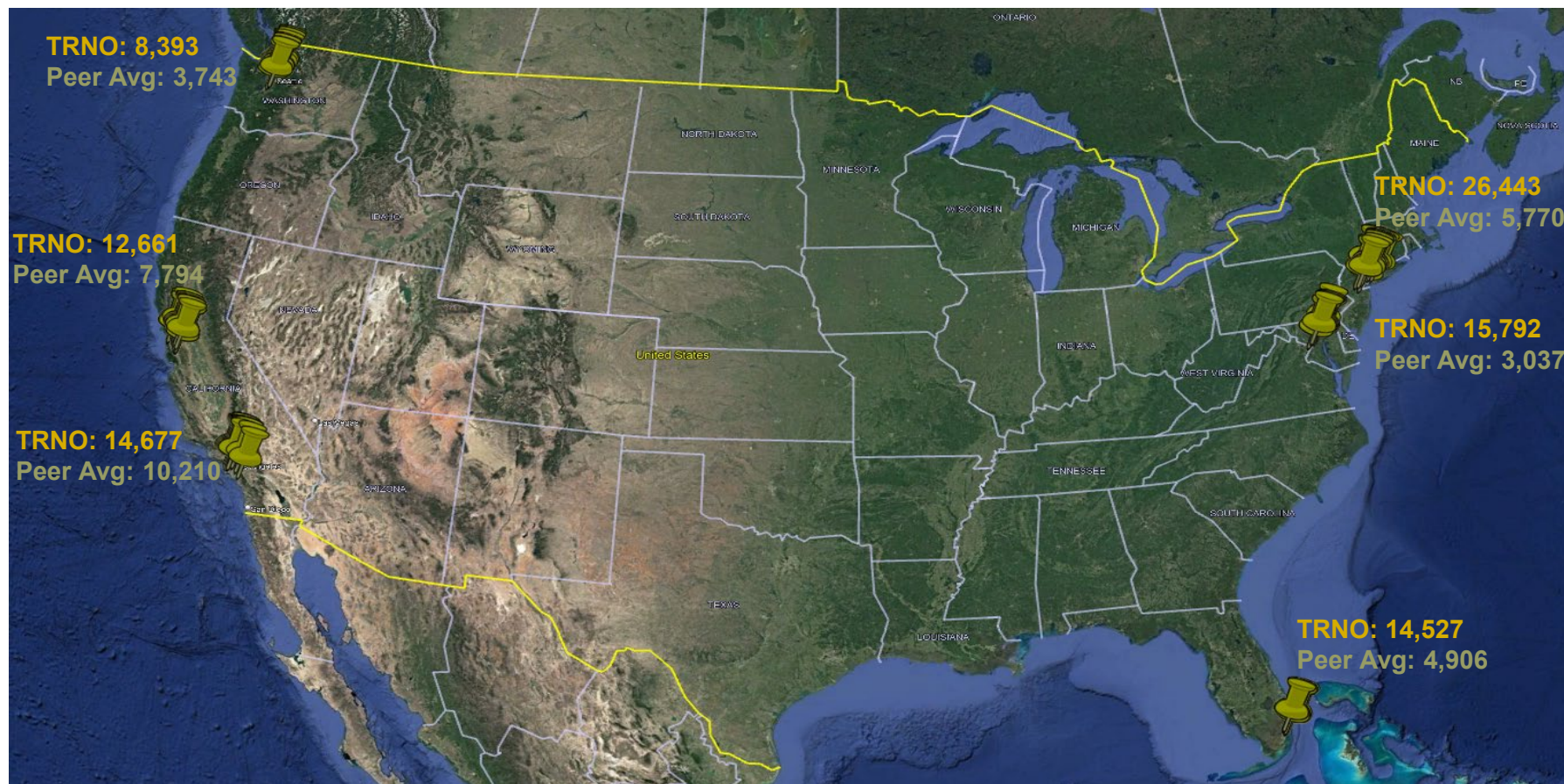
Prologis (NYSE: PLD) excluded due to lack of disclosed data.

Source: S&P Global Market Intelligence, Terreno Realty Corporation.



Submarket Focus: Infill

Terreno portfolio located within highest density population submarkets as compared to other industrial REITs



- TRNO represents average population density within 5-mile radius of owned properties, weighted by square footage.
- Peers represent average population density within 5-mile radius of owned properties for combined portfolios of COLD, EGP, FR, ILPT, LXP, REXR, and STAG, weighted by square footage, and located in states with TRNO-owned properties.
- PLD excluded due to lack of disclosed data.
- Source: S&P Global Market Intelligence, Terreno Realty Corporation.



Submarket Focus: Ownership Density

Expanding presence in infill submarkets

Meadowlands, Northern New Jersey:



South Bay, Los Angeles:



Superior Long-Term Results

11.3%

Average Cash
SSNOI Growth
Since IPO⁽¹⁾

12.9%

Unleveraged IRR on
31 Sold Properties
Since IPO⁽¹⁾

12.8%

Dividend CAGR
Since 2011 Initiation

10.6%

TSR CAGR Since
2010 IPO

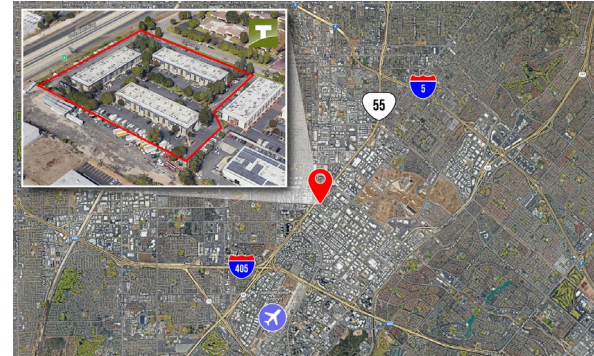
⁽¹⁾ See Appendix for details.

Selected Recent Acquisitions

1720 East Garry Avenue

Santa Ana, CA
September 6, 2023

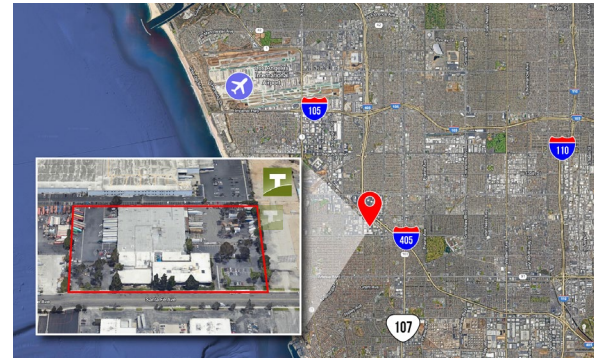
- Purchase Price: \$14.8 million
- Size: 4.9-acre property which will be redeveloped with the construction of an approximately 92,000 square foot industrial distribution building for a total expected investment of \$40.6 million. The redeveloped property is 100% pre-leased
- Estimated Stabilized Cap Rate: 5.1%
- Location: Adjacent to the Costa Mesa Freeway (CA 55) and less than two miles from the intersection of CA 55 and I-405 and the John Wayne Airport



2411 Santa Fe Avenue

Redondo Beach, CA
October 10, 2023

- Purchase Price: \$45.7 million
- Size: One industrial transshipment building containing approximately 67,000 square feet and one industrial flex building containing approximately 45,000 square feet on 6.7 acres
- Occupancy: 100% leased to two tenants
- Estimated Stabilized Cap Rate: 5.3%
- Location: West of Interstate 405 between Los Angeles International Airport and the ports of Los Angeles and Long Beach



185 Van Dyke Street

Red Hook, Brooklyn, NY
October 11, 2023

- Purchase Price: \$27.5 million
- Size: One industrial flex building containing approximately 96,000 square feet on 3.8 acres
- Estimated Stabilized Cap Rate: 6.4%
- Occupancy: 66% leased to 19 tenants
- Location: On the Upper New York Bay waterfront

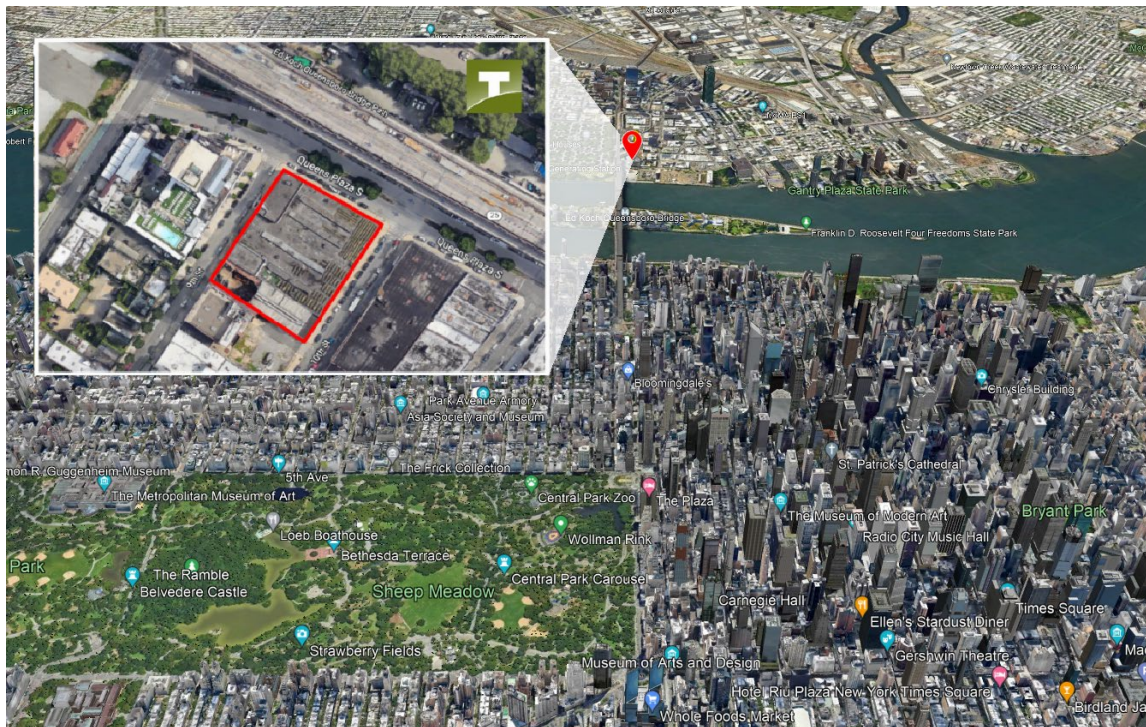


Selected Examples of Value Creation

Since Terreno's 2010 IPO, approximately 58% of our acquisitions have been value-add investments. Terreno has successfully stabilized 116 value-add investments to date. Terreno has sold approximately 9% of our properties for an unleveraged IRR of 12.9%.

Strategy	Examples
Leasing and Redevelopment	42-11 9th Street, Long Island City, Queens, NY: One industrial distribution building containing approximately 45,000 square feet on 1.1 acres. The property was acquired 100% leased on a short-term basis in March 2023 for approximately \$23.0 million. Terreno executed a lease with the leading bike share provider in New York City. The lease commenced on September 1, 2023 and will expire June 2029, resulting in an estimated stabilized cap rate of 5.2%. 3000 NW 73rd Street, Miami, FL: Completed the redevelopment of a 5.8-acre improved land parcel, constructing two 32' clear height LEED certified industrial distribution buildings containing approximately 129,000 square feet. The buildings provide 36 dock-high loading positions and parking for 104 cars approximately three miles from Miami International Airport and six miles from both PortMiami and Downtown Miami. The redevelopment, originally scheduled to be completed in the fourth quarter of 2022, was stabilized in September 2022. As of December 31, 2022, the property is 100% leased to 12 tenants with leases expiring between 2025 and 2027, resulting in an estimated stabilized cap rate of 8.1% and a total investment of approximately \$20.2 million.
Value Realized	Sold 31 properties since inception for a sales price totaling approximately \$619.5 million, realizing a 12.9% unleveraged IRR. In October 2023, sold 7479 New Ridge Road in Hanover, MD for approximately \$18.0 million, generating an unleveraged IRR of 17.5%. The property was acquired for approximately \$8.2 million in July 2016.

Value Creation – Leasing



- **Property:** 42-11 9th Street
- **Location:** Long Island City, Queens, NY, immediately adjacent to the Queensboro 59th Street Bridge connecting Manhattan and Queens
- **Size:** One industrial distribution building containing approximately 45,000 square feet on 1.1 acres
- **Acquisition Price:** \$23.0 million in March 2023
- **Occupancy at Acquisition:** 100% leased on a short-term basis

- **Leasing:** Executed a lease with the leading bike share provider in New York City. Make-ready work includes renovating the warehouse and office, roof replacement, addition of grade level doors, painting, lighting upgrades and installation of a sprinkler system. The lease commenced on September 1, 2023 and will expire June 2029

Value Creation – Estimated stabilized cap rate after releasing of 5.2%

Value Creation – Redevelopment



- **Property:** 3000 NW 73rd Street
- **Location:** Miami, FL, approximately three miles from Miami International Airport and six miles from both PortMiami and Downtown Miami
- **Size:** 5.8 acres
- **Acquisition Date:** April 2021
- **Redevelopment:** Construction of two newly developed LEED certified industrial distribution buildings with 32' clear height totaling approximately 129,000 square feet. The buildings provide 36 dock-high loading positions and parking for 104 cars

- **Stabilization:** The redevelopment, originally scheduled to be completed in the fourth quarter of 2022, was stabilized in September 2022. As of December 31, 2022, the property is 100% leased to 12 tenants with leases expiring between 2025 and 2027

**Value Creation – Estimated stabilized cap rate of 8.1%
and total investment of approximately \$20.2 million**

Value Realized



- **Property:** 7479 New Ridge Road
- **Location:** Hanover, MD, adjacent to Baltimore Washington International Airport, the Baltimore Washington Parkway (MD Highway 295) and MD Route 100
- **Size:** 13.4-acre improved land parcel which is 100% leased to one tenant
- **Acquisition Price:** \$8.2 million in July 2016
- **Value Created:** Sold in October 2023 for approximately \$18.0 million, generating an unleveraged IRR of 17.5%

Value Realized – Sold for approximately \$18.0 million (net book value of approximately \$7.3 million) generating an unleveraged internal rate of return of 17.5%

Environmental Highlights

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. We do not develop buildings in greenfield locations. When re-leasing and redeveloping, we reduce our carbon footprint by upgrading existing facilities with energy efficient lighting and heating, and water saving solutions. Many of our properties are in historical manufacturing sites and we remove hazardous materials and remediate those sites that have environmental contaminants.

Recent Highlights

Rooftop Solar

- Entered agreements to host rooftop solar projects in our Washington, D.C., Los Angeles, and Northern New Jersey/New York markets. The Company expects a portion of these projects to become operational starting in 2024 as part of Terreno Realty Corporation's sustainability goal of rooftop solar on at least 5% of total rooftop area by year-end 2024, up from 1% today.

Green Building Certifications



- Achieved LEED certification at 4241 West 108th Street in Hialeah, Florida. To date, we have achieved LEED certification on approximately 1,026,000 square feet of newly-developed buildings built on former landfill and industrial land sites and commenced LEED certification on an additional 441,000 square feet of newly-developed buildings built on former landfill and industrial land sites in Miami and Los Angeles.

Commitment to ESG Excellence

- More than 74% of our portfolio now contains energy efficient lighting and we are committed to upgrading the lighting across the portfolio as we gain access to units during vacancy periods.
- Increased the number of white or reflective surface roofs to approximately 80% of our portfolio as of December 31, 2022.
- Increased our GRESB Real Estate Assessment score from 35 in 2021 to 60 in 2023, and our MSCI ESG rating was upgraded from B to BBB during 2023.



Market Leading Corporate Structure

Management Alignment

- Executive Team's long-term incentive compensation fully aligned with stockholders
 - Performance shares tied to three-year total stockholder return exceeding the MSCI U.S. REIT Index and FTSE Nareit Equity Industrial Index
 - No annual cash bonus plan for CEO and President with their long-term compensation paid solely in stock
- No stock options, SARs, dividend equivalent units or UPREIT units
- Significant senior management and board investment in common shares (approximately 2.3% of outstanding shares valued at \$104.6 million)

Corporate Governance

- Ranked #2 among all REITs for Corporate Governance by Green Street Advisors, July 13, 2023
- Majority independent directors with diverse expertise serving annual terms; no classification of Board without shareholder approval ("MUTA opt-out")
- Adopted a majority voting standard in non-contested director elections
- Opted out of three Maryland anti-takeover provisions (no opt in without stockholder approval)
- Ownership limits designed to protect REIT status and not for the purpose of serving as an anti-takeover device
- No stockholder rights plan unless approved in advance by stockholders or if adopted, subject to termination if not ratified by stockholders within 12 months

Key Takeaways

- Focused strategy
 - Six major coastal US markets, exclusively
 - Flexible and functional assets in infill locations
- Acquisition opportunities across our target markets at discounts to replacement cost
 - Ability to convert value-add investments into stabilized assets and realize value
 - Urban infill locations provide superior rent growth and higher and better use opportunities over time
- Strong balance sheet including an investment grade credit rating
- Demonstrated value creation with 31 properties sold for an aggregate sales price of approximately \$619.5 million earning a 12.9% unleveraged IRR
- 12.8% dividend CAGR since initiating dividend in 2011
- 10.6% compounded annual total shareholder return since 2010 IPO
- Aligned management team and market leading corporate governance

Appendix

Appendix: Statements Of Operations

CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands except share and per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
REVENUES				
Rental revenues and tenant expense reimbursements	\$ 82,920	\$ 70,801	\$ 237,106	\$ 200,205
Total revenues	<u>82,920</u>	<u>70,801</u>	<u>237,106</u>	<u>200,205</u>
COSTS AND EXPENSES				
Property operating expenses	20,469	17,140	57,436	49,820
Depreciation and amortization	18,245	16,957	54,636	47,227
General and administrative	9,119	8,139	28,205	22,999
Acquisition costs and other	51	36	126	1,091
Total costs and expenses	<u>47,884</u>	<u>42,272</u>	<u>140,403</u>	<u>121,137</u>
OTHER INCOME (EXPENSE)				
Interest and other income	1,093	175	4,029	411
Interest expense, including amortization	(5,814)	(6,265)	(19,089)	(16,393)
Gain on sales of real estate investments	-	-	12,257	76,048
Total other (expense) income	<u>(4,721)</u>	<u>(6,090)</u>	<u>(2,803)</u>	<u>60,066</u>
Net income	30,315	22,439	93,900	139,134
Allocation to participating securities	(150)	(107)	(437)	(583)
Net income available to common stockholders	<u>\$ 30,165</u>	<u>\$ 22,332</u>	<u>\$ 93,463</u>	<u>\$ 138,551</u>
EARNINGS PER COMMON SHARE - BASIC AND DILUTED:				
Net income available to common stockholders - basic	<u>\$ 0.36</u>	<u>\$ 0.30</u>	<u>\$ 1.13</u>	<u>\$ 1.84</u>
Net income available to common stockholders - diluted	<u>\$ 0.36</u>	<u>\$ 0.30</u>	<u>\$ 1.13</u>	<u>\$ 1.84</u>
BASIC WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	<u>84,041,413</u>	<u>75,495,232</u>	<u>82,366,365</u>	<u>75,316,222</u>
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	<u>84,266,740</u>	<u>75,588,750</u>	<u>82,597,824</u>	<u>75,402,846</u>

Appendix: Net Income, FFO and Adjusted FFO

NET INCOME, FFO AND ADJUSTED FFO ⁽¹⁾ (in thousands except share and per share data)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Total revenues ⁽²⁾	\$ 82,920	\$ 70,801	\$ 237,106	\$ 200,205
Property operating expenses	(20,469)	(17,140)	(57,436)	(49,820)
Depreciation and amortization	(18,245)	(16,957)	(54,636)	(47,227)
General and administrative	(9,119)	(8,139)	(28,205)	(22,999)
Acquisition costs and other	(51)	(36)	(126)	(1,091)
Interest and other income	1,093	175	4,029	411
Interest expense, including amortization	(5,814)	(6,265)	(19,089)	(16,393)
Gain on sales of real estate investments	-	-	12,257	76,048
Net income	30,315	22,439	93,900	139,134
Allocation to participating securities	(150)	(107)	(437)	(583)
Net income available to common stockholders	\$ 30,165	\$ 22,332	\$ 93,463	\$ 138,551
Net income available to common stockholders per common share - basic	\$ 0.36	\$ 0.30	\$ 1.13	\$ 1.84
Net income available to common stockholders per common share - diluted	\$ 0.36	\$ 0.30	\$ 1.13	\$ 1.84
Adjustments to arrive at Funds from Operations:				
Gain on sales of real estate investments	-	-	(12,257)	(76,048)
Depreciation and amortization related to real estate	18,204	16,945	54,529	47,171
Allocation to participating securities	(237)	(182)	(633)	(464)
Funds from Operations ⁽¹⁾	\$ 48,282	\$ 39,202	\$ 135,539	\$ 109,793
Funds from operations per common share - basic	\$ 0.57	\$ 0.52	\$ 1.65	\$ 1.46
Funds from operations per common share - diluted	\$ 0.57	\$ 0.52	\$ 1.64	\$ 1.46
Adjustments to arrive at Adjusted Funds From Operations:				
Acquisition costs and other	51	36	126	1,091
Stock-based compensation	3,280	2,679	10,123	7,518
Straight-line rents	(2,295)	(2,889)	(6,510)	(7,326)
Amortization of lease intangibles	(3,495)	(4,198)	(10,681)	(10,807)
Total capital expenditures	(63,083)	(20,457)	(122,892)	(81,572)
Capital expenditures related to stabilization ⁽³⁾	55,531	12,211	102,735	54,907
Adjusted Funds from Operations	\$ 38,271	\$ 26,584	\$ 108,440	\$ 73,604
Common stock dividends paid	\$ 33,501	\$ 25,686	\$ 97,427	\$ 76,984
Weighted average basic common shares	84,041,413	75,495,232	82,366,365	75,316,222
Weighted average diluted common shares	84,266,740	75,588,750	82,597,824	75,402,846

(1) See Reporting Definitions for further explanation.

(2) During the three months ended September 30, 2023, approximately \$0.4 million was recorded as bad debt expense related to DirectBuy Home Improvement.

(3) Capital expenditures related to stabilization includes costs incurred related to leasing acquired vacancy, redevelopment construction in progress and renovation and expansion projects.



Appendix: Supplemental Components of NAV

COMPONENTS OF NET OPERATING INCOME⁽¹⁾ (in thousands except share and per share data)

	For the Three Months Ended September 30, 2023
Total revenues	\$ 82,920
Less straight-line rents	(2,295)
Less amortization of lease intangibles	(3,495)
Less property operating expenses	(20,469)
Cash net operating income	\$ 56,661

CONTRACTUAL RENT ABATEMENTS	\$ 1,809
LEASE TERMINATION INCOME	\$ 149
CASH NOI FROM DISPOSED PROPERTIES	\$ 135
CASH NOI FROM REDEVELOPMENTS	\$ (16)

BALANCE SHEET ITEMS (in thousands except share and per share data)

	As of September 30, 2023
Other assets and liabilities	
Cash and cash equivalents	\$ 96,196
Restricted cash	4,026
Construction in progress ⁽²⁾	339,380
Other assets, net	71,923
Less straight-line rents	(46,255)
Security deposits	(32,570)
Dividends payable	(38,424)
Accounts payable and other liabilities	(72,965)
Total other assets and liabilities	\$ 321,311

DEBT	
Credit facility	\$ -
Term Loan ⁽³⁾	(200,000)
Senior unsecured notes ⁽³⁾	(575,000)
Total debt	\$ (775,000)

Total shares outstanding 85,385,905

Q3 2023 Acquisitions

Property Name	Date	Purchase Price (in thousands)	Estimated Stabilized Cap Rate	Leased % at Acquisition
East Garry Avenue	September 6, 2023	\$ 14,800	5.1%	100%
Total/Weighted Average		\$ 14,800	5.1%	100%

SUMMARY MARKET INFORMATION (Investments in Real Estate) ⁽²⁾

Market	Rentable Square Feet	Occupancy % as of September 30, 2023	Annualized Base Rent (in thousands)	Base Rent Per Occupied Square Foot
Los Angeles	2,779,646	98.7%	\$ 36,316	\$ 13.24
Northern New Jersey/New York City	2,625,675	99.1%	48,192	18.51
San Francisco Bay Area	3,040,273	97.1%	45,176	15.31
Seattle	2,782,510	96.4%	33,383	12.44
Miami	2,815,678	100.0%	28,496	10.12
Washington, D.C.	1,795,020	99.1%	22,775	12.80
Total/Weighted Average	15,838,802	98.3%	\$ 214,338	\$ 13.76

SUMMARY MARKET INFORMATION (Improved Land) ⁽²⁾

Market	Number of Parcels	Acreage	Occupancy % as of September 30, 2023	Annualized Base Rent (in thousands)
Los Angeles	13	27.0	96.2%	\$ 8,098
Northern New Jersey/New York City	13	68.0	92.4%	11,767
San Francisco Bay Area	4	14.3	100.0%	2,785
Seattle	10	25.9	100.0%	6,043
Miami	3	9.9	100.0%	1,897
Washington, D.C.	3	20.7	100.0%	1,982
Total/Weighted Average	46	165.8	96.3%	\$ 32,572

(1) See Reporting Definitions for further explanation.

(2) The Company had eight properties under development or redevelopment as of September 30, 2023 that, upon completion, will consist of seven buildings aggregating approximately 1.2 million square feet and one approximately 2.8-acre improved land parcel, and approximately 62.7 acres of land entitled for future development.

(3) Excludes deferred financing costs and loan fees.

Appendix: Same Store Results

SAME STORE GROWTH ⁽¹⁾ (in thousands)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Net income	\$ 30,315	\$ 22,439	\$ 7,876	35.1%	\$ 93,900	\$ 139,134	\$ (45,234)	(32.5)%
Depreciation and amortization	18,245	16,957	1,288	7.6%	54,636	47,227	7,409	15.7%
General and administrative	9,119	8,139	980	12.0%	28,205	22,999	5,206	22.6%
Acquisition costs and other	51	36	15	41.7%	126	1,091	(965)	(88.5)%
Total other income and expenses	4,721	6,090	(1,369)	(22.5)%	2,803	(60,066)	62,869	n/a
Net operating income	62,451	53,661	8,790	16.4%	179,670	150,385	29,285	19.5%
Less non-same store NOI	(11,038)	(6,311)	(4,727)	74.9%	(29,391)	(14,115)	(15,276)	108.2%
Same store NOI	<u>\$ 51,413</u>	<u>\$ 47,350</u>	<u>\$ 4,063</u>	<u>8.6%</u>	<u>\$ 150,279</u>	<u>\$ 136,270</u>	<u>\$ 14,009</u>	<u>10.3%</u>
Less straight-line rents and amortization of lease intangibles	(2,602)	(4,206)	1,604	(38.1)%	(8,138)	(11,993)	3,855	(32.1)%
Cash-basis same store NOI	<u>\$ 48,811</u>	<u>\$ 43,144</u>	<u>\$ 5,667</u>	<u>13.1%</u>	<u>\$ 142,141</u>	<u>\$ 124,277</u>	<u>\$ 17,864</u>	<u>14.4%</u>
Less termination fee income	(118)	(96)	(22)	22.9%	(138)	(345)	207	(60.0)%
Cash-basis same store NOI excluding termination fees	<u>\$ 48,693</u>	<u>\$ 43,048</u>	<u>\$ 5,645</u>	<u>13.1%</u>	<u>\$ 142,003</u>	<u>\$ 123,932</u>	<u>\$ 18,071</u>	<u>14.6%</u>

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

	Full Year 2012	Full Year 2013	Full Year 2014	Full Year 2015	Full Year 2016	Full Year 2017	Full Year 2018	Full Year 2019	Full Year 2020	Full Year 2021	Full Year 2022	YTD 2023
Same store square feet	2,235,500	3,091,365	4,792,329	6,312,641	8,627,109	10,159,084	10,421,965	11,795,386	12,018,238	12,494,870	12,137,276	13,249,517
Occupancy %	93.0%	96.8%	97.1%	94.4%	99.0%	97.5%	99.1%	98.4%	98.0%	98.2%	99.5%	98.5%
Cash-basis same store NOI growth %	11.9%	18.1%	12.9%	3.1%	8.6%	16.5%	9.1%	9.2%	7.7%	7.8%	10.6%	14.4%
Cash-basis same store NOI growth % excluding termination fees	11.2%	18.3%	13.1%	2.8%	8.9%	16.4%	8.3%	9.6%	4.7%	10.8%	10.9%	14.6%

Average cash-basis same store growth since IPO: 11.3%

(1) Same Store NOI is computed as rental revenues, including tenant expense reimbursements, less property operating expenses on a same store basis. The same store pool includes all properties that were owned as of September 30, 2023 and since January 1, 2022 and excludes properties that were held for sale, disposed of prior to or were under development or redevelopment as of September 30, 2023. See Reporting Definitions for further explanation.

(2) Historical Same Store Results include cash-basis same store NOI growth %'s as reported in the Company's Form 10-Q and 10-K's. Previously reported cash-basis same store NOI growth has not been adjusted for properties that were subsequently disposed of or held for sale.

Appendix: Developments and Redevelopments

DEVELOPMENTS AND REDEVELOPMENTS

Property Name	Total Expected Investment (in thousands) ⁽¹⁾	Amount Spent to Date (in thousands) ⁽²⁾	Estimated Stabilized Cap Rate ⁽³⁾	Estimated Post-Development Square Feet	Estimated Post-Development Acreage	Estimated Stabilization Quarter	% Pre-leased September 30, 2023
Properties under development or redevelopment:							
Countyline Phase IV							
Countyline Building 38 ⁽⁴⁾	\$ 88,800	\$ 52,828	5.0%	506,215	-	Q2 2024	100.0%
Countyline Building 39 ⁽⁴⁾	42,632	25,395	6.0%	178,201	-	Q4 2024	- %
Countyline Building 40 ⁽⁴⁾	41,968	23,265	6.0%	186,107	-	Q4 2024	26.7%
Countyline Building 41 ⁽⁴⁾	41,400	39,419	5.1%	190,907	-	Q4 2023	100.0%
Maple III	26,980	23,493	5.5%	-	2.8	Q3 2024	- %
147th Street	18,095	8,279	6.1%	31,378	-	Q4 2024	- %
East Garry Avenue	40,553	18,144	5.1%	91,500	-	Q1 2025	100.0%
Paterson Plank III	35,672	22,193	4.2%	47,316	-	Q1 2025	- %
Total/Weighted Average	\$ 336,100	\$ 213,016	5.3%	1,231,634	2.8		68.1%
Land entitled for future development:							
Countyline Phase IV							
Countyline Phase IV Land ⁽⁴⁾	295,700	96,891	6.0%	1,137,121	-	Q1 2025-Q1 2027	n/a
Total/Weighted Average	\$ 295,700	\$ 96,891	6.0%	1,137,121	-		n/a

(1) Excludes below-market lease adjustments recorded at acquisition. Total expected investment for the properties 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) Excludes below-market lease adjustments recorded at acquisition.

(3) Estimated stabilized cap rates are calculated as estimated annualized cash basis net operating income for the property stabilized to market occupancy (generally 95%) divided by the total expected investment for the property.

26 (4) Collectively, "Countyline Phase IV", a 121-acre project entitled for 2.2 million square feet of industrial distribution buildings located in Miami's Countyline Corporate Park ("Countyline"), immediately adjacent to our seven buildings within Countyline. Countyline Phase IV, a landfill redevelopment adjacent to Florida's Turnpike and the southern terminus of I-75, is expected to contain ten LEED-certified industrial distribution buildings at completion.



Appendix: Dispositions

HISTORICAL DISPOSITIONS

Property	Market	Acquisition Date	Disposition Date	Acquisition Price (in thousands)	Disposition Price (in thousands)	Unleveraged IRR
Rialto	Los Angeles	September 2010	November 2012	\$ 12,110	\$ 16,962	20.9%
Maltese	New Jersey/New York	September 2010	December 2013	16,500	19,000	11.8%
Warm Springs	San Francisco	March 2010	June 2015	7,264	13,400	15.1%
Sweitzer	Washington, D.C.	October 2012	November 2015	6,950	11,200	21.5%
Fortune Qume	San Francisco	March 2010	February 2016	5,550	8,200	11.3%
Global Plaza	Washington, D.C.	March 2012	March 2016	6,100	8,200	13.2%
39th Street	Miami	August 2011	September 2016	4,400	6,097	12.1%
Whittier	Los Angeles	June 2012	April 2017	16,100	25,300	14.5%
Bollman	Washington, D.C.	June 2011	August 2017	7,500	12,000	12.4%
Route 100	Washington, D.C.	June 2013	August 2017	16,650	28,500	15.7%
8441 Dorsey	Washington, D.C.	March 2011	December 2017	5,800	11,500	11.9%
Hampton	Washington, D.C.	May 2014	February 2018	18,050	20,250	6.9%
10th Avenue	Miami	December 2010	June 2018	9,000	24,300	11.5%
26th Street (office)	Miami	September 2012	November 2018	3,150	4,325	14.4%
Miller Ave	Los Angeles	December 2014	November 2018	22,899	33,217	14.5%
California Ave	Los Angeles	June 2014	March 2019	7,815	12,410	12.4%
10100 NW 25th Street	Miami	January 2011	August 2019	9,875	14,000	7.2%
8215 Dorsey	Washington, D.C.	November 2009	October 2019	6,000	7,470	7.5%
9020 Junction	Washington, D.C.	November 2010	December 2019	13,800	15,000	7.6%
9070 Junction	Washington, D.C.	February 2015	June 2020	10,360	16,609	8.3%
Troy Hill	Washington, D.C.	August 2012	June 2020	6,664	9,348	9.2%
Parkway	Washington, D.C.	March 2014	June 2020	18,000	25,293	12.8%
NW 60th Avenue	Miami	December 2010	July 2020	7,750	22,150	7.4%
Hanford	Seattle	April 2017	September 2021	5,900	10,300	11.0%
Melanie Lane	New Jersey/New York	September 2013	October 2021	20,000	32,700	10.1%
Middlebrook	New Jersey/New York	September 2010	May 2022	27,000	110,350	15.2%
Riverbend	Seattle	July 2014	October 2022	2,770	8,650	15.6%
Schoolhouse	New Jersey/New York	September 2016	November 2022	9,072	25,025	20.7%
Pulaski	New Jersey/New York	March 2014	December 2022	9,200	24,250	14.1%
West Side Avenue	New Jersey/New York	April 2017	May 2023	14,000	25,450	14.4%
New Ridge Road	Washington, D.C.	July 2016	October 2023	8,200	17,964	17.5%
Total				\$ 334,429	\$ 619,470	12.9%

Appendix: Capitalization

Maturity (in thousands except share and per share data)	Credit Facility	Term Loans	Senior Unsecured Notes	Total Debt
2023 (3 months)	\$ -	\$ -	\$ -	\$ -
2024	-	-	100,000	100,000
2025	-	-	-	-
2026	-	-	50,000	50,000
2027	-	100,000	50,000	150,000
Thereafter	-	100,000	375,000	475,000
Total Debt	-	200,000	575,000	775,000
Deferred financing costs, net	-	(914)	(2,731)	(3,645)
Total Debt, net	\$ -	\$ 199,086	\$ 572,269	\$ 771,355
Weighted Average Interest Rate	n/a	6.6%	3.1%	4.0%

	As of September 30, 2023	As of September 30, 2022
Total Debt, net	\$ 771,355	\$ 780,615

Common Stock

Shares Outstanding	85,385,905	76,066,729
Market Price	\$ 56.80	\$ 52.99
Total Equity	4,849,919	4,030,776
Total Market Capitalization	\$ 5,621,274	\$ 4,811,391

Total Debt-to-Total Investments in Properties	19.6%	23.3%
Total Debt-to-Total Market Capitalization	13.7%	16.2%
Floating Rate Debt as a % of Total Debt	25.8%	26.8%
Net Income	\$ 93,900	\$ 139,134
Adjusted EBITDA ⁽¹⁾	\$ 165,617	\$ 135,315
Interest Coverage	8.7 x	8.3 x
Fixed Charge Coverage	6.7 x	7.3 x
Total Debt-to-Adjusted EBITDA ⁽¹⁾	3.3 x	4.0 x
Weighted Average Maturity of Total Debt (years)	4.6	5.5



Appendix: Submarket Focus

Market	Shrinking Supply (1)	No Net New Supply (2)	New Supply (3)
Los Angeles	LAX	South Bay	Inland Empire West
	West of 405	Commerce/Vernon	Inland Empire East
	Hawthorne	Mid-Counties	
	Downtown LA	San Fernando Valley	
New York City/Northern New Jersey		Orange County	
	Brooklyn/Queens/Bronx	Meadowlands	Exit 8A
	Secaucus	Newark/Elizabeth	Exit 10 / I 287
	Bayonne	Fairfield	
	Jersey City	Exit 12	
	Teterboro	JFK	
San Francisco Bay Area		Kearny	
	Silicon Valley	East Bay	Livermore
	San Jose		Richmond
	South SF		Fremont
	Dogpatch/Mission Bay		
Miami	Central Dade	Airport/Doral	Medley
			Airport North
			North Dade
			Hialeah
			Hialeah North
Seattle	South Seattle	Kent	Auburn
	Tukwila	SeaTac	Sumner
	Eastside	Renton	Fife
			Puyallup
Washington D.C.	D.C.	Corridor	Dulles
	Inside the D.C. Beltway	Close in PG County	
	Alexandria	Close in NOVA	
% of Terreno's Portfolio ⁽⁴⁾	33%	46%	21%

(1) Shrinking Supply: Characterized by shrinking industrial supply. Offers opportunities to convert existing buildings into higher and better use over time. Super infill.

(2) No Net New Supply: Characterized by older existing industrial product. Offers opportunities to redevelop existing buildings into new, modern industrial buildings. Infill.

(3) New Supply: Characterized by industrial buildings that will remain in their current state for the foreseeable future with previously undeveloped land available for industrial development. Greenfield.

(4) As of October 31, 2023. Reflects Terreno portfolio composition based on geography and purchase price, includes seven properties under development or redevelopment and improved land parcels. Completed redevelopments are included at total investment.

Appendix: Management and Board of Directors

Blake Baird <i>Chairman and CEO</i>	- Co-founded Terreno Realty Corporation in 2007 - Former President and Director of AMB Property Corporation (NYSE: AMB) - Director of Sunstone Hotel Investors, Inc. (NYSE: SHO)
Mike Coke <i>President</i>	- Co-founded Terreno Realty Corporation in 2007 - Former Chief Financial Officer and Executive Vice President of AMB - Director of Broadstone Net Lease, Inc. (NYSE: BNL)
Jaime Cannon <i>EVP and CFO</i>	- Joined Terreno Realty Corporation in 2010 - Former Vice President, Treasury at AMB - Former Audit Manager at PriceWaterhouseCoopers LLP
John Meyer <i>EVP</i>	- Joined Terreno Realty Corporation in 2010 - Former Senior Vice President, Director of Transactions, Southwest Region for AMB
Melinda Weston <i>CAO</i>	- Joined Terreno Realty Corporation in 2013 - Former Assistant Controller at AMB
Linda Assante <i>Nominating & Corporate Governance Chair</i>	- Chief Investment Officer of Uplifting Capital - Former Managing Partner at Jasper Ridge Partners and Former Principal with The Townsend Group - Director of James Campbell Company LLC
Gary Boston <i>Director</i>	- Former Senior Portfolio Manager of APG Asset Management - Former Director of Retail Value Inc. (NYSE: RVI)
Lee Carlson <i>Audit Chair</i>	- Principal of NNC Apartment Ventures, LLC - Former Executive Vice President, Chief Operating Officer, Chief Financial Officer and Board Member of BRE Properties
Irene Oh <i>Director</i>	- Executive Vice President and Chief Risk Officer of East West Bancorp and East West Bank - Director of United Way of Greater Los Angeles
Doug Pasquale <i>Lead Director</i>	- Former President, Chief Executive Officer and Chairman of Nationwide Health Properties (formerly NYSE: NHP) - Chairman of the Board of Sunstone Hotel Investors, Inc. (NYSE: SHO) - Director of Alexander & Baldwin (NYSE: ALEX) and Dine Brands Global (NYSE: DIN)
Dennis Polk <i>Compensation Chair</i>	- Former President and Chief Executive Officer of TD SYNEX (NYSE: SNX) - Executive Chair of the Board of Directors of SNX

Appendix: Reporting Definitions

Adjusted EBITDA: 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 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 and nine months ended September 30, 2023 and 2022 (dollars in thousands):

	For the Three Months Ended September 30,		\$ Change	% Change	For the Nine Months Ended September 30,		\$ Change	% Change
	2023	2022			2023	2022		
Net income	\$ 30,315	\$ 22,439	\$ 7,876	35.1%	\$ 93,900	\$ 139,134	\$ (45,234)	(32.5)%
Gain on sales of real estate investments	-	-	-	n/a	(12,257)	(76,048)	63,791	(83.9)%
Depreciation and amortization	18,245	16,957	1,288	7.6%	54,636	47,227	7,409	15.7%
Interest expense, including amortization	5,814	6,265	(451)	(7.2)%	19,089	16,393	2,696	16.4%
Stock-based compensation	3,280	2,679	601	22.4%	10,123	7,518	2,605	34.7%
Acquisition costs and other	51	36	15	41.7%	126	1,091	(965)	(88.5)%
Adjusted EBITDA	<u>\$ 57,705</u>	<u>\$ 48,376</u>	<u>\$ 9,329</u>	<u>19.3%</u>	<u>\$ 165,617</u>	<u>\$ 135,315</u>	<u>\$ 30,302</u>	<u>22.4%</u>

Appendix: Reporting Definitions

Adjusted Funds from Operations (AFFO): We compute AFFO by adding to or subtracting from FFO (see definition below) (i) acquisition costs (ii) stock-based compensation (iii) straight-line rents, (iii) amortization of above- and below-market lease intangibles and (iv) non-recurring capital expenditures required to stabilize acquired vacancy or renovation projects. We use AFFO as a meaningful supplemental measure of our operating performance because it captures trends in our portfolio operating results when compared year over year. We also believe that AFFO is a widely recognized supplemental measure of the performance of REITs and is used by investors as a basis to assess operating performance in comparison to other REITs. As a result, we believe that the use of AFFO, together with the required GAAP presentations, provide a more complete understanding of our operating performance.

Funds from Operations (FFO): We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts (“Nareit”), which defines FFO as net income (loss) (determined in accordance with GAAP), excluding gains (losses) from sales of property and impairment write-downs of depreciable real estate, plus depreciation and amortization on real estate assets and after adjustments for unconsolidated partnerships and joint ventures (which are calculated to reflect FFO on the same basis). We believe that presenting FFO provides useful information to investors regarding our operating performance because it is a measure of our operations without regard to specified non-cash items, such as real estate depreciation and amortization and gain or loss on sale of assets.

We believe that FFO is a meaningful supplemental measure of our operating performance because historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting alone to be insufficient. As a result, we believe that the use of FFO, together with the required GAAP presentations, provide a more complete understanding of our operating performance.

Appendix: Reporting Definitions

Net Operating Income (NOI): We compute NOI as rental revenues, including tenant expense reimbursements, less property operating expenses. We compute same store NOI as rental revenues, including tenant expense reimbursements, less property operating expenses on a same store basis. NOI excludes depreciation, amortization, general and administrative expenses, acquisition costs and interest expense. We compute cash-basis same store NOI as same store NOI excluding straight-line rents and amortization of lease intangibles. The same store pool includes all properties that were owned and in operation as of September 30, 2023 and since January 1, 2022 and excludes properties that were either disposed of prior to, held for sale to a third party or in development or redevelopment as of September 30, 2023. As of September 30, 2023, the same store pool consisted of 226 buildings aggregating approximately 13.2 million square feet representing approximately 83.7% of our total square feet owned and 36 improved land parcels consisting of approximately 113.7 acres representing approximately 68.6% of our total acreage owned. We believe that presenting NOI, same store NOI and cash-basis same store NOI provides useful information to investors regarding the operating performance of our properties because NOI excludes certain items that are not considered to be controllable in connection with the management of the property, such as depreciation, amortization, general and administrative expenses, acquisition costs and interest expense. By presenting same store NOI and cash-basis same store NOI, the operating results on a same store basis are directly comparable from period to period.

Stabilized Cap Rate: We compute estimated stabilized cap rates as annualized cash basis net operating income stabilized to market occupancy (generally 95%) divided by total acquisition cost. Total acquisition cost includes the initial purchase price, the effects of marking assumed debt to market, buyer's due diligence and closing costs, estimated near-term capital expenditures and leasing costs necessary to achieve stabilization.