Terreno Realty Corp
Form 424B5
May 21, 2014
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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated May 21, 2014.

Prospectus Supplement

to Prospectus dated July 3, 2013

6,500,000 Shares

Terreno Realty Corporation

Common Stock

We are offering 6,500,000 shares of our common stock, par value $.01 per share.

Our common stock is listed on the New York Stock Exchange, or the NYSE, under the symbol TRNO. The last reported sale price of our common stock on the NYSE on May 20, 2014 was $18.39 per share.

We are organized and conduct our operations to qualify as a real estate investment trust, or REIT, for federal income tax purposes. To assist us in qualifying as a REIT, ownership of our outstanding common stock by any individual and, subject to certain exceptions, any other person is generally limited to 9.8%. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock. 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.

Investing in our common stock involves risks. You should read carefully and consider Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2013 and beginning on page S-9 of this prospectus supplement before investing in our common stock.

None of the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts	$	$
Proceeds, before expenses, to us	$	$

To the extent the underwriters sell more than 6,500,000 shares of common stock, the underwriters have the option to purchase up to an additional 975,000 shares of common stock from us at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on May , 2014.

Goldman, Sachs & Co. **KeyBanc Capital Markets**

Prospectus Supplement dated May , 2014.

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We have not authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the accompanying prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement and the accompanying prospectus are an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement, the accompanying prospectus and the incorporated documents is current only as of its respective date.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information in the accompanying prospectus and the documents incorporated by reference. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. You should read this entire document, including the prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference. In the event that the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement. To the extent the information included or incorporated by reference in this prospectus supplement differs or varies from the information included or incorporated by reference in the accompanying prospectus, the information included or incorporated by reference in this prospectus supplement updates and supersedes such information.

This prospectus supplement and the accompanying prospectus contain, or incorporate by reference, forward-looking statements. Such forward-looking statements should be considered together with the cautionary statements and important factors included or referred to in this prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference. Please see Forward-Looking Statements in this prospectus supplement and Forward-Looking Statements in the accompanying prospectus.

Unless otherwise indicated or the context requires otherwise, in this prospectus supplement and the accompanying prospectus, references to our company, we, us and our mean Terreno Realty Corporation and its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference contain 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, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or 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 , seek , 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 our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on February 19, 2014, including those set forth under the headings

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Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations, the factors included in our other public filings and the factors beginning on page S-9 of this prospectus supplement under the heading Risk Factors ;

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 certain third parties to property manage the majority of our industrial properties;

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;

declining real estate valuations and impairment charges;

our expected leverage, our failure to obtain necessary outside financing, 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;

our failure to qualify or maintain our status as a REIT and possible adverse changes to tax laws;

uninsured or underinsured losses relating to our properties;

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.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information from this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. It does not contain all of the information that may be important to you. We encourage you to carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference, especially the Risk Factors section beginning on page S-9 of this prospectus supplement and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the SEC on February 19, 2014, and in our other public filings before making an investment decision regarding our common stock.

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./Baltimore. We invest in several types of industrial real estate, including warehouse/distribution (approximately 88.5% of our total portfolio square footage as of March 31, 2014), flex (including light industrial and research and development, or R&D) (approximately 9.1% of our total portfolio square footage as of March 31, 2014), and trans-shipment (approximately 2.4% of our total portfolio square footage as of March 31, 2014). 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. We completed our initial public offering in February 2010 and as of March 31, 2014, we owned a total of 99 buildings aggregating approximately 7.1 million square feet, which we purchased for an aggregate purchase price of approximately $649.6 million, including the assumption of mortgage loans payable of approximately $57.9 million, which includes mortgage premiums of approximately $1.6 million. As of March 31, 2014, our properties were approximately 93.5% leased to 220 tenants, the largest of which accounted for approximately 6.9% of our total annualized base rent. We were formed in November 2009 as a Maryland corporation, are internally managed and have elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2010.

Our headquarters are located at 101 Montgomery Street, Suite 200, San Francisco, California 94104. Our telephone number is (415) 655-4580. We maintain an Internet site, www.terreno.com, which contains additional information concerning Terreno Realty Corporation. Information on our Internet site is neither part of nor incorporated into this prospectus supplement or the accompanying prospectus.

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Recent Developments

Recently Completed and Pending Acquisitions

From January 1, 2014 through May 20, 2014, we acquired eight industrial buildings containing 606,207 square feet for a total purchase price of approximately $68.6 million, including the assumption of a mortgage loan with a total principal amount of approximately $2.8 million with a fixed interest rate of 5.09% that matures in August 2015. The properties were acquired from unrelated third parties using existing cash on hand and borrowings under our credit facility, which consists of a $100.0 million revolving credit facility that we sometimes refer to as our revolving credit facility, a five-year $50.0 million term loan, and a seven-year $50.0 million term loan. The following table sets forth additional information related to these properties:

Property Name	Location	Acquisition Date	Number of Buildings	Square Feet	Purchase Price (in thousands)
SW 34th Street	Renton, WA	February 11, 2014	1	62,004	$ 6,600
Parkway	Hanover, MD	March 26, 2014	1	158,769	18,000
Pulaski	Bayonne, NJ	March 31, 2014	1	98,049	9,200
747 Glasgow	Inglewood, CA	April 22, 2014	1	19,326	3,450
1000 Hampton Park	Capitol Heights, MD	May 13, 2014	1	138,780	18,050
Burroughs	San Leandro, CA	May 14, 2014	3	129,279	13,328
Total			8	606,207	$ 68,628

As of May 20, 2014, we had four outstanding contracts with third-party sellers to acquire four industrial buildings consisting of approximately 310,667 square feet. The aggregate purchase price for these industrial buildings is approximately $29.2 million. We intend to finance the purchase price in connection with these acquisitions with either draws under our credit facility or the net proceeds of this offering or a combination of the two. There is no assurance that we will acquire the buildings under contract on the terms we expect or at all because the proposed acquisitions are subject to the completion of satisfactory due diligence, the satisfaction or waiver of various closing conditions and with respect to one of the buildings, the consent of the existing mortgage lender. The following table summarizes certain information with respect to the properties we have under contract:

Market	Number of Buildings	Square Feet	Purchase Price (in thousands)	Assumed Debt (in thousands)
Los Angeles	2	113,497	$ 11,835	$
Northern New Jersey/New York City	1	84,000	7,295	
San Francisco Bay Area				
Seattle	1	113,170	10,025	5,813
Miami				
Washington D.C./Baltimore				
Total	4	310,667	$ 29,155	$ 5,813

As of May 20, 2014, we have executed three non-binding letters of intent with third-party sellers to acquire three industrial properties consisting of approximately 171,070 square feet. The total purchase price for these industrial properties is approximately $20.5 million. In the normal course of our business, we enter into non-binding letters of intent to purchase properties from third parties that may obligate us to make payments or perform other obligations upon the occurrence of certain events, including the execution of a purchase and sale agreement and satisfactory completion of various due diligence matters. There can be no assurance that we will enter into purchase and sale agreements with respect to these properties or otherwise complete any such prospective purchases on the terms described or at all.

Amendment to Credit Facility and New Term Loan

On May 8, 2014, our wholly-owned subsidiary entered into a Third Amended and Restated Senior Credit Agreement with KeyBank National Association, as administrative agent and as a lender, KeyBanc Capital Markets, as a lead arranger, and PNC Bank, National Association, Union Bank, N.A. and Regions Bank as lenders in order to, among other matters, add a seven-year $50.0 million term loan to our existing credit facility.

The seven-year $50.0 million term loan matures under the amended credit facility in May 2021 and we will have up to six months to borrow the full $50.0 million. Our five-year $50.0 million term loan maturity date under the amended credit facility was extended from January 2018 to May 2019 and the maturity date of our revolving credit facility was extended to from January 2016 to May 2018 with one 12-month extension option exercisable by us, subject, among other things, to there being an absence of an event of default under the amended credit facility and to our payment of an extension fee.

Outstanding borrowings under the amended credit facility are limited to the lesser of (i) the sum of our revolving credit facility, our $50.0 million five-year term loan and our $50.0 million seven-year term loan or (ii) 60.0% of the value of unencumbered properties. The aggregate amount of the amended credit facility may be increased to a total of up to $500.0 million, subject to the approval of the administrative agent and the identification of lenders willing to make available additional amounts. Interest on the amended credit facility, including the five-year and seven-year term loans, 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 amended credit facility plus 1.25%. The applicable LIBOR margin will range from 1.50% to 2.05% for our revolving credit facility and our five-year term loan (previously 1.65% to 2.65%) and 1.75% to 2.30% for our seven-year term loan, depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value. The amended credit facility requires quarterly payments of an unused facility fee in an amount equal to 0.20% per annum or 0.25% per annum depending on the unused portion of the amended credit facility.

The amended credit facility is guaranteed by us and by substantially all of the current and to-be-formed subsidiaries of the borrower (our wholly-owned subsidiary) that own an unencumbered property. As amended on May 8, 2014, the obligations under the credit facility are unsecured.

Establishment of ATM Program

On February 28, 2014, we established an at-the market equity offering program (the ATM Program) pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to $100,000,000 in amounts and at times as we determine from time to time. Actual sales, if any, will depend on a variety of factors to be determined by our company from time to time, including, among others, market conditions, the trading price of our common stock, our determinations of the appropriate sources of funding for our company and potential uses of funding available to us. We intend to use the net proceeds from the offering of the shares under the ATM Program, if any, for general corporate purposes, which may include future acquisitions and repayment of indebtedness, including borrowings under our Facility. We have not issued any shares of common stock under the ATM Program.

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Distribution Activity

On May 9, 2014, our board of directors declared a cash dividend in the amount of $0.14 per share of our common stock payable on July 21, 2014 to the stockholders of record as of the close of business on July 7, 2014.

On May 9, 2014, our board of directors declared a cash dividend in the amount of $0.484375 per share of our 7.75% Series A Cumulative Redeemable Preferred Stock, or our Series A Preferred Stock, payable on June 30, 2014 to the preferred stockholders of record as of the close of business on June 11, 2014.

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The Offering

Common stock offered by us	6,500,000 shares or 7,475,000 if the underwriters option to purchase additional shares is exercised in full.
Common stock to be outstanding after this offering(1)	31,544,789 shares or 32,519,789 if the underwriters option to purchase additional shares is exercised in full.
Use of proceeds	We intend to use the net proceeds of this offering for future acquisitions, repayment of amounts outstanding under our revolving credit facility, which were approximately $100.0 million as of May 20, 2014, general corporate purposes, which may include the repayment of other indebtedness, or a combination of the foregoing. To the extent we use the net proceeds of this offering to repay amounts outstanding under our revolving credit facility, we plan to use the additional borrowing capacity under our revolving credit facility primarily to fund future acquisitions. Pending the use of the net proceeds, we intend to invest these net proceeds in interest-bearing short-term U.S. government and government agency securities, which are consistent with our intention to maintain our qualification as a REIT. These initial investments are expected to provide a lower net return than we will seek to achieve from investments in our target industrial properties. See Use of Proceeds.
New York Stock Exchange Symbol	TRNO
Restrictions on ownership	To assist us in maintaining our qualification as a REIT, our charter generally prohibits any individual (as defined in the Internal Revenue Code of 1986, as amended, or the Code, to include certain entities) from actually or constructively owning 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. For more information, see Description of Capital Stock Restrictions on Transfer beginning on page 14 of the accompanying prospectus. 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.

Underwriting (Conflicts of Interest)	An affiliate of KeyBanc Capital Markets Inc. is a lender under our revolving credit facility and our term loans. As of May 20, 2014, borrowings of approximately $100.0 million were outstanding under our revolving credit facility. In connection with its participation in our revolving credit facility and our term loans, KeyBanc Capital Markets Inc. receives customary fees. In addition, to the extent that we use any of the net proceeds of this offering to repay borrowings outstanding under our revolving credit facility, an affiliate of KeyBanc Capital Markets Inc. will receive its proportionate share of such repayment.
Risk Factors	See Risk Factors beginning on page S-9 of this prospectus supplement and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the SEC on February 19, 2014 and our other public filings incorporated by reference into this prospectus supplement for information you should consider before buying our common stock.

(1) The number of shares of common stock to be outstanding after this offering is based on 25,044,789 shares of common stock outstanding as of May 20, 2014, including 157,357 unvested restricted shares of common stock issued to our executive officers and other employees under our 2010 Equity Incentive Plan, and does not include 1,304,840 shares of common stock reserved for future awards under our 2010 Equity Incentive Plan. Unless otherwise indicated, information presented in this prospectus supplement assumes no exercise of the underwriters option to purchase additional shares of common stock.

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RISK FACTORS

Investing in our common stock involves risks. Before purchasing the common stock offered by this prospectus supplement, you should carefully consider the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including, without limitation, the risk factors incorporated by reference in this prospectus supplement and the accompanying prospectus from our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on February 19, 2014, as well as the risks, uncertainties and additional information set forth in our Form 10-K generally and in our SEC reports on Forms 10-Q, 8-K and in the other documents that we file with the SEC, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. For a description of these reports and documents, and information about where you can find them, see Where You Can Find More Information in this prospectus supplement and Incorporation of Certain Documents By Reference in the accompanying prospectus. The risks and uncertainties we discuss in this prospectus supplement, the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement are those that we currently believe may materially affect our company. Additional risks not presently known or that are currently deemed immaterial could also materially and adversely affect our financial condition, results of operations, business and prospects. The trading price of our common stock could decline due to any of these risks and you may lose all or a part of your investment.

Future issuances or sales of our common stock may depress the market price of our common stock and have a dilutive effect to our existing shareholders, including purchasers in this offering.

We cannot predict whether future issuances of our common stock or the availability of shares for resale in the open market may depress the market price of our common stock. Future issuances or sales of a substantial number of shares of our common stock in the public market, or the issuance of our common stock in connection with property, portfolio or business acquisitions, or the perception that such issuances or sales might occur, may cause the market price of our shares to decline. In addition, future issuances of our common stock may be dilutive to existing shareholders.

The market price of our common stock could be substantially affected by various factors.

The market price of our common stock may be subject to wide fluctuations. As with other publicly traded securities, the market price of our common stock depends on many factors, which may change from time to time, including:

- our financial condition, performance, liquidity and prospects;
- the market for similar securities issued by REITs;
- changes in earnings estimates by analysts;
- our ability to meet analysts earnings estimates;
- our compliance with generally accepted accounting principles;

- our compliance with applicable laws and regulations and the listing requirements of the NYSE;
- prevailing interest rates; and
- general economic, capital markets and real estate market conditions.

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

As of May 20, 2014, we had four outstanding contracts with third-party sellers to acquire four industrial buildings consisting of approximately 310,667 square feet as more fully described in

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Prospectus Supplement Summary Recent Developments Recently Completed and Pending Acquisitions in this prospectus supplement. There is no assurance that we will acquire the buildings under contract on the terms we expect or at all because the proposed acquisitions are subject to the completion of satisfactory due diligence, the satisfaction or waiver of various closing conditions and with respect to one of the buildings, the consent of the existing mortgage lender, and there is no assurance that such proposed acquisitions, if completed, will be completed on the timeframe we expect. In addition, as of May 20, 2014, we have executed three non-binding letters of intent with third-party sellers to acquire three industrial properties consisting of approximately 171,070 square feet as more fully described in Prospectus Supplement Summary Recent Developments Recently Completed and Pending Acquisitions in this prospectus supplement. There is no assurance that we will acquire the properties for which we have signed non-binding letters of intent because the proposed acquisitions are subject to our entering into purchase and sale agreements, our satisfactory completion of due diligence and the satisfaction or waiver of various closing conditions, each of which may not occur on the terms we expect or at all or on the timeframe we expect. If we do not complete the acquisitions 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. In addition, if we do not complete the proposed acquisitions, we may not achieve the returns that we seek from the proceeds of this offering to the extent, if any, that we intend to use any net proceeds to invest in such properties.

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

The capital and credit markets have experienced extreme volatility and disruption in recent years, which has 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 in recent years have also led 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. The volatility in capital and credit markets may also have a material adverse effect on the market price of our common stock.

Our shares of common stock rank junior to our Series A Preferred Stock.

Our shares of common stock rank junior to our Series A Preferred Stock with respect to dividends and upon liquidation, dissolution or winding up, which could limit or restrict our ability to make distributions on our common stock. In certain circumstances, following a change of control of our company, holders of our Series A Preferred Stock will be entitled to convert their shares of Series A Preferred Stock into a specified number of shares of common stock, subject to our option to redeem the Series A Preferred Stock for cash at $25.00 per share plus accrued and unpaid dividends. Holders of our shares of common stock are not entitled to preemptive rights or other protections against dilution. In addition to this offering, we may in the future attempt to increase our capital resources by making additional offerings of equity securities, including additional classes or series of preferred stock, which would likely have preferences with respect to dividends or upon dissolution that are senior to our shares of common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors, many of which are beyond our control, we cannot predict or estimate the amount, timing or nature of any future offerings. Thus, our common stockholders bear the risk of our future offerings reducing the market price of our shares of common stock and diluting their interest in us.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discount and estimated offering costs, will be approximately $ million. If the underwriters option to purchase additional shares of common stock is exercised in full, we estimate that our net proceeds from this offering will be approximately $ million.

We intend to use the net proceeds of this offering for future acquisitions, repayment of amounts outstanding under our revolving credit facility, which were approximately $100.0 million as of May 20, 2014, general corporate purposes, which may include the repayment of other indebtedness, or a combination of the foregoing. To the extent we use the net proceeds of this offering to repay amounts outstanding under our revolving credit facility, we plan to use the additional borrowing capacity under our revolving credit facility primarily to fund future acquisitions. Pending the use of the net proceeds, we intend to invest these net proceeds in interest bearing short-term U.S. government and government agency securities which are consistent with our intention to maintain our qualification as a REIT. These initial investments are expected to provide a lower net return than we will seek to achieve from investments in our target industrial properties.

Our revolving credit facility matures in May 2018, with one 12-month extension option exercisable by us, subject to, among other things, there being an absence of an event of default under our credit facility and to our payment of an extension fee. Our five-year term loan matures in May 2019 and our seven-year term loan matures in May 2021. Interest on the amended credit facility, including the five-year and seven-year term loans, 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 amended credit facility plus 1.25%. The applicable LIBOR margin will range from 1.50% to 2.05% for our revolving credit facility and our five-year term loan and 1.75% to 2.30% for our seven-year term loan, depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value. The interest rate under our revolving credit facility was approximately 1.80% as of March 31, 2014. The approximately $100.0 million outstanding under our revolving credit facility as of May 20, 2014, the approximately $50.0 million outstanding under our five-year term loan and the approximately $8.0 million outstanding under our seven-year term loan were used primarily to acquire industrial properties and for general corporate purposes.

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SUPPLEMENTAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

This summary supplements and should be read together with the general discussion of the material United States federal income tax considerations associated with an investment in our capital stock described in the accompanying prospectus under the title Material U.S. Federal Income Tax Considerations. To the extent any information set forth under the title Material U.S. Federal Income Tax Considerations in the accompanying prospectus is inconsistent with this supplemental information, this supplemental information will apply and supersede the information in the accompanying prospectus. This supplemental information is provided on the same basis and subject to the same qualifications as are set forth in the paragraphs under the title Material U.S. Federal Income Tax Considerations General in the accompanying prospectus as if those paragraphs were set forth in this supplement.

Tax Disclosure Update

Capital Gain Tax Rates

A U.S. person that is an individual will generally be subject to tax on long term capital gain (which generally includes any capital gain dividends he or she receives, his or her proportionate share of our undistributed capital gain, and capital gain realized from the disposition of our capital stock, in each case, if the applicable holding periods are satisfied) at a maximum rate of (i) 15% or (ii) 20% if such individual s modified adjusted gross income exceeds certain threshold amounts.

Additional U.S. Federal Income Tax Withholding Rules

Under current guidance promulgated by the Treasury Department and Internal Revenue Service with respect to the Foreign Account Tax Compliance Act, withholding on certain U.S. source income (including dividends paid in respect of our capital stock) will not be applied to payments made on or before June 30, 2014 and withholding on withholdable payments other than U.S. source income (including gross proceeds from a disposition of our capital stock) will not be applied to payments made on or before December 31, 2016.

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UNDERWRITING (CONFLICTS OF INTEREST)

The company and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co. and KeyBanc Capital Markets Inc. are the representatives of the several underwriters.

Underwriters	**Number of Shares**
Goldman, Sachs & Co.	
KeyBanc Capital Markets Inc.	
Total	6,500,000

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional 975,000 shares from the company to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by the company. Such amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares.

Paid by the Company	**No Exercise**	**Full Exercise**
Per Share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters right to reject any order in whole or in part.

The company and its directors and executive officers have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus supplement continuing through the date 60 days after the date of this prospectus supplement, except with the prior written consent of Goldman, Sachs & Co. and KeyBanc Capital Markets Inc. This agreement does not apply to any existing employee benefit plans.

The 60-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 60-day restricted period the company issues an earnings release or announces material news or a material event; or (2) prior to the expiration of the 60-day restricted period, the company announces that it will release earnings results during the 15-day period following the last day of the 60-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release of the announcement of the material news or material event.

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In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A covered short position is a short position that is not greater than the amount of additional shares for which the underwriters option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. Naked short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the company s stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

The company may enter into derivative transactions with third parties, or sell securities not covered by this prospectus supplement to third parties in privately negotiated transactions. In connection with those derivatives, the third parties may sell securities covered by this prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by the company or borrowed from the company or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from the company in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions will be an underwriter or will be identified in a post-effective amendment.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) an offer of the shares may not be made to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified

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investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives of the several underwriters; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of the shares to the public in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

The sellers of shares have not authorized and do not authorize the making of any offer of the shares through any financial intermediary, other than offers made by the underwriters with a view to underwriting the shares as contemplated in this prospectus supplement and the accompanying prospectus. Accordingly, no purchaser of shares, other than the underwriters, is authorized to make any further offer of shares on behalf of the sellers or the underwriters.

United Kingdom

Each underwriter has represented and agreed that, in connection with the distribution of the shares,

(a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (FSMA) with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom; and

(b) it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue and sale of such shares in circumstances in which Section 21(1) of the FSMA does not apply to us.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest in that trust will not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The company estimates that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $0.3 million.

The company has agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the company, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the company. The underwriters and their respective affiliates may also

make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

An affiliate of KeyBanc Capital Markets Inc. is a lender under our revolving credit facility and our term loans. As of May 20, 2014, borrowings of approximately $100.0 million were outstanding under our revolving credit facility. In connection with its participation in our revolving credit facility and our term loans, KeyBanc Capital Markets Inc. receives customary fees. In addition, to the extent that we use any of the net proceeds of this offering to repay borrowings outstanding under our revolving credit facility, an affiliate of KeyBanc Capital Markets Inc. will receive its proportionate share of such repayment.

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LEGAL MATTERS

Certain legal matters will be passed upon for us by Goodwin Procter LLP and the validity of the common stock offered hereby will be passed upon for the underwriters by Sullivan & Cromwell LLP, Los Angeles, California. Sullivan & Cromwell LLP will rely as to matters of Maryland law upon the opinion of Goodwin Procter LLP.

EXPERTS

The consolidated financial statements of Terreno Realty Corporation appearing in Terreno Realty Corporation s Annual Report (Form 10-K) for the year ended December 31, 2013 (including the schedule appearing therein) and the effectiveness of Terreno Realty Corporation s internal control over financial reporting as of December 31, 2013 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. The statement of revenues and certain expenses of JFK Airgate appearing in Terreno Realty Corporation s Current Report on Form 8-K/A dated February 18, 2014 for the year ended Decembe