ENPRO INDUSTRIES, INC
Form 10-Q
November 08, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

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

Commission File Number 001-31225

ENPRO INDUSTRIES, INC.

(Exact name of registrant, as specified in its charter)

North Carolina **(State or other jurisdiction** **of incorporation)**	**01-0573945** **(I.R.S. Employer** **Identification No.)**
5605 Carnegie Boulevard, Suite 500, Charlotte, **North Carolina** **(Address of principal executive offices)**	**28209** **(Zip Code)**

(704) 731-1500

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

As of November 4, 2011, there were 20,779,252 shares of common stock of the registrant outstanding. There is only one class of common stock.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

ENPRO INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Quarters and Nine Months Ended September 30, 2011 and 2010

(in millions, except per share amounts)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net sales	$ 300.8	$ 194.5	$ 834.1	$ 673.5
Cost of sales	204.0	121.3	544.0	420.0
Gross profit	96.8	73.2	290.1	253.5
Operating expenses:				
Selling, general and administrative expenses	66.8	55.8	200.3	179.5
Asbestos-related expenses				23.3
Other operating expense	0.4	0.9	0.9	2.4
	67.2	56.7	201.2	205.2
Operating income	29.6	16.5	88.9	48.3
Interest expense	(10.2)	(9.6)	(30.1)	(17.8)
Interest income	0.3	0.4	1.1	1.2
Gain on deconsolidation of GST				54.1
Other income	2.9		2.9	
Income from continuing operations before income taxes	22.6	7.3	62.8	85.8
Income tax expense	(8.4)	(2.4)	(21.2)	(30.8)
Income from continuing operations	14.2	4.9	41.6	55.0
Income from discontinued operations, net of taxes				94.1
Net income	$ 14.2	$ 4.9	$ 41.6	$ 149.1
Basic earnings per share:				
Continuing operations	$ 0.70	$ 0.24	$ 2.03	$ 2.71
Discontinued operations				4.63
Net income per share	$ 0.70	$ 0.24	$ 2.03	$ 7.34
Diluted earnings per share:				
Continuing operations	$ 0.66	$ 0.24	$ 1.92	$ 2.68
Discontinued operations				4.57
Net income per share	$ 0.66	$ 0.24	$ 1.92	$ 7.25

See notes to consolidated financial statements (unaudited).

ENPRO INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Nine Months Ended September 30, 2011 and 2010

(in millions)

	2011	2010
OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net income	$ 41.6	$ 149.1
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Income from discontinued operations, net of taxes		(94.1)
Taxes related to sale of discontinued operations		(50.9)
Gain on deconsolidation of GST, net of taxes		(33.8)
Depreciation	18.1	17.9
Amortization	16.3	12.2
Accretion of debt discount	4.7	4.2
Deferred income taxes	(11.5)	9.9
Stock-based compensation	3.8	5.0
Changes in assets and liabilities, net of effects of acquisitions and divestitures of businesses:		
Asbestos liabilities, net of insurance receivables		26.0
Accounts and notes receivable	(33.2)	(35.2)
Inventories	(21.0)	(0.2)
Accounts payable	(2.1)	(1.7)
Other current assets and liabilities	20.4	11.5
Other non-current assets and liabilities	(4.5)	(0.8)
Net cash provided by operating activities of continuing operations	32.6	19.1
INVESTING ACTIVITIES OF CONTINUING OPERATIONS		
Purchases of property, plant and equipment	(17.0)	(14.3)
Divestiture of business		189.4
Deconsolidation of GST		(29.5)
Acquisitions, net of cash acquired	(228.2)	(25.5)
Other	1.6	
Net cash provided by (used in) investing activities of continuing operations	(243.6)	120.1
FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Net repayments of short-term borrowings	(12.5)	(6.1)
Proceeds from debt	48.5	
Repayments of debt	(20.9)	(0.1)
Debt issuance costs	(1.4)	
Proceeds from issuance of common stock	0.5	0.4
Net cash provided by (used in) financing activities of continuing operations	14.2	(5.8)
CASH FLOWS OF DISCONTINUED OPERATIONS		
Operating cash flows		1.9
Investing cash flows		(0.1)
Net cash provided by discontinued operations		1.8
Effect of exchange rate changes on cash and cash equivalents	0.5	

Net increase (decrease) in cash and cash equivalents	(196.3)	135.2
Cash and cash equivalents at beginning of year	219.2	76.8
Cash and cash equivalents at end of period	$ 22.9	$ 212.0
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 18.8	$ 3.6
Income taxes	$ 32.6	$ 51.6

See notes to consolidated financial statements (unaudited).

ENPRO INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share amounts)

September 30,
2011

o-day management constitutes an event of default under our credit facility. We have 120 days under our credit facility to hire a successo
nably satisfactory to the administrative agent in the event that both our chief executive officer and our president or any successors cease
r management. If we violate covenants or if there is an event of default under our credit facility, our senior unsecured notes, our existing
payable or in our future agreements, we could be required to repay all or a portion of our indebtedness before maturity at a time when v
e to arrange financing for such repayment on attractive terms, if at all which may have a material adverse effect on our cash flows, fina
esults of operations.

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dition, the note purchase agreement with respect to our existing senior unsecured notes contains, and any unsecured debt agreements we
ture may contain, specific cross-default provisions with respect to specified other indebtedness, giving the unsecured lenders the right t
lt if we are in default under other loans in some circumstances. Defaults under our debt agreements could materially and adversely affe
tion and results of operations.

ay acquire outstanding debt secured by an industrial property, which may expose us to risks.

ay acquire outstanding debt secured by an industrial property from lenders and investors if we believe we can acquire ownership of the
rty in the near-term through foreclosure, deed-in-lieu of foreclosure or other means. However, if we do acquire such debt, borrowers m
various defenses to our foreclosure or other actions and we may not be successful in acquiring the underlying property on a timely bas
n event we could incur significant costs and experience significant delays in acquiring such properties, all of which could adversely affe
cial performance and reduce our expected returns from such investments. In addition, we may not earn a current return on such investm
ularly if the loan that we acquire is in default.

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

ay on a limited basis provide debtor-in-possession financing to a property owner that has filed for bankruptcy, or make a loan secured b
ve might otherwise purchase directly. We expect that any such loans would be secured by one or more properties that we intend to acqu
d have the option to acquire such property in lieu of the repayment of such loan. Any default by the borrower under any such loan could
t our cash flows and our ability to make cash distributions to our stockholders and result in litigation and related expenses. Although w
t to acquire the secured property upon a borrower s default, there is no assurance that we will successfully foreclose on a property, and
losure could result in significant expenses.

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

Ratings assigned us an issuer rating of BBB- with a stable outlook. A security rating is not a recommendation to buy, sell or hold secur
bject to revision or withdrawal at any time by the assigning rating agency. Our credit rating can affect the amount of capital we can acce
rms and pricing of any debt we may incur. There can be no assurance that we will be able to maintain our current credit rating, and in th
rating is downgraded, we would likely incur higher borrowing costs and may encounter difficulty in obtaining additional financing. Al
grade in our credit rating may trigger additional payments or other negative consequences under our existing and future credit facilities
ments. For example, if our credit rating is downgraded to below investment grade levels, we may not be able to obtain or maintain exte
n of our existing debt. Adverse changes in our credit rating could negatively impact our refinancing activities, our ability to manage ou
rities, our future growth, our financial condition, the market price of our stock and our acquisition activities.

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

ay seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as cap contracts and swap a
xample, we have executed interest rate caps to hedge the variable cash flows associated with our $150.0 million of variable-rate term lo
ments have costs and involve the risks that these arrangements may not be effective in reducing our exposure to interest rate changes ar
rule that such agreements are not legally enforceable. Hedging may reduce overall returns on our investments. Failure to hedge effectiv
st rate changes may materially adversely affect our results of operations.

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

if we qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The re on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Theref nt of property taxes we pay in the future may increase substantially. If the property taxes we pay increase, our cash flows will be impac y to pay expected distributions to our stockholders could be adversely affected.

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

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

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

me joint ventures or other investments we may make, if the entity in which we invest is a limited partnership, we may acquire all or a po est in such partnership as a general partner. As a general partner, we could be liable for all the liabilities of such partnership. Additionall red to take our interests in other investments as a non-managing general partner. Consequently, we would be potentially liable for all su out having the same rights of management or control over the operation of the partnership as the managing general partner or partners m efore, we may be held responsible for all of the liabilities of an entity in which we do not have full management rights or control, and ou xceed the amount or value of the investment we initially made or then had in the partnership.

conflict of interest policies we have adopted may not adequately address all of the conflicts of interest that may arise with respect to o

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

business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal controls over fina ting.

design and effectiveness of our disclosure controls and procedures and internal controls over financial reporting may not prevent all erro atements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures ols over financial reporting, there can be no guarantee that our internal controls over financial reporting will be effective in accomplishi tives all of the time. Deficiencies, including any material weakness, in our internal controls over financial reporting which may occur in result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise r sely affect our business, reputation, results of operations, financial condition or liquidity.

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

capital and credit markets have experienced extreme volatility and disruption in the past, which has at times made it more difficult to bo equity capital. Market volatility and disruption could hinder our ability to obtain new debt financing or refinance our maturing debt on f or at all. In addition, our future access to the equity markets could be limited. Any such financing or refinancing issues could materiall rsely affect us. Market turmoil and tightening of credit, which have occurred in the past, can lead to an increased lack of consumer confi spread reduction of business activity generally, which also could materially and adversely impact us, including our ability to acquire and s on favorable terms or at all. Volatility in capital and credit markets may also have a material adverse effect on the market price of our .

ay not acquire the industrial properties that we have entered into agreements to acquire.

ave entered into agreements with third-party sellers to acquire three properties as more fully described under the heading Contractual Annual Report on Form 10-K. There is no assurance that we will acquire the properties under contract because the proposed acquisitions ompletion of satisfactory due diligence and various closing conditions. There is no assurance that such proposed acquisitions, if complet leted on the timeframe we expect. If we do not complete the acquisition of the properties under contract, we will have incurred expense holders realizing any benefit from the acquisition of such properties.

ace risks associated with security breaches through cyber-attacks, cyber intrusions or otherwise, as well as other significant disruptio mation technology (IT) networks and related systems.

ace risks associated with security breaches, whether through cyber-attacks or cyber intrusions over the Internet, malware, computer viru hments to e-mails, people with access or who gain access to our systems and other significant disruptions of our IT networks and related f a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governme rists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have T networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations and, in so tical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of our IT networks and ms, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our s and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most mation, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches rally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detect rdingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures.

urity breach or other significant disruption involving our IT networks and related systems could significantly disrupt the proper functio orks and systems and significantly disrupt our operations, which could ultimately have a material adverse effect on our financial conditi tions, cash flows and ability to pay distributions on, and the market price of, our common stock.

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s Related to the Real Estate Industry

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

nvestment returns available from investments in real estate depend on the amount of income earned and capital appreciation generated b
erties, as well as the expenses incurred in connection with the properties. If our properties do not generate income sufficient to meet ope
nses, including debt service and capital expenditures, then our ability to pay distributions to our stockholders could be adversely affecte
are significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance
ally do not decline when circumstances reduce the income from the property. Income from and the value of our properties may be adve

- downturns in national, regional and local economic conditions (particularly increases in unemployment);
- the attractiveness of our properties to potential tenants and competition from other industrial properties;
- changes in supply of or demand for similar or competing properties in an area;
- bankruptcies, financial difficulties or lease defaults by the tenants of our properties;
- adverse capital and credit market conditions, which may restrict our operating activities;
- changes in interest rates, availability and terms of debt financing;
- changes in operating costs and expenses and our ability to control rents;
- changes in, or increased costs of compliance with, governmental rules, regulations and fiscal policies, including changes in tax, environmental and zoning laws, and our potential liability thereunder;
- our ability to provide adequate maintenance and insurance;
- changes in the cost or availability of insurance, including coverage for mold or asbestos;
- unanticipated changes in costs associated with known adverse environmental conditions or retained liabilities for such condition

periods of high interest rates;

tenant turnover;

re-leasing that may require concessions or reduced rental rates under the new leases due to reduced demand;

general overbuilding or excess supply in the market area;

disruptions in the global supply chain caused by political, regulatory or other factors including terrorism; and

the effects of deflation, including credit market dislocation, weakened consumer demand and a decline in general price levels.

dition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or public perception that an s may occur, would result in a general decrease in rents or an increased occurrence of defaults under existing leases, which would adver cial condition and results of operations. Future terrorist attacks may result in declining economic activity, which could reduce the demar of, our properties. To the extent that future attacks impact the tenants of our properties, their businesses similarly could be adversely af ding their ability to continue to honor their existing leases. For these and other reasons, we cannot assure our stockholders that we will b ve will realize growth in the value of our real estate properties.

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

ompete with other developers, owners and operators of real estate, some of which own properties similar to our properties in the same n arkets in which the properties we own are located. If our competitors offer space at rental rates below current market rates or below the harge the tenants of our properties, we may lose existing or potential tenants, and we may be pressured to reduce our rental rates or offe essions or favorable lease terms in order to retain tenants when such tenants leases expire or attract new tenants. In addition, if our com s similar to assets we intend to divest in the same markets and/or at valuations below our valuations for comparable assets, we may be u ssets at all or at favorable pricing or on favorable terms. As a result of these actions by our competitors, our financial condition, cash flo able for distribution, trading price of our common stock and ability to satisfy our debt service obligations could be materially adversely

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

estate investments are not as liquid as other types of investments, and this lack of liquidity may limit our ability to react promptly to cha omic, financial, investment or other conditions. In addition, significant expenditures associated with real estate investments, such as mor ents, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the inves on, we intend to comply with the safe harbor rules relating to the number of properties that can be disposed of in a year, the tax bases a ovements made to these properties, and meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, our to sell assets or contribute assets to property funds or other entities in which we have an ownership interest may be restricted. This lack imit our ability to vary our portfolio promptly in response to changes in economic, financial, investment or other conditions and, as a re sely affect our financial condition, results of operations, cash flows and our ability to pay distributions on, and the market price of, our .

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

vill attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, there are certain losses, includi s, hurricanes, fires, earthquakes and other natural disasters, acts of war, acts of terrorism or riots, that are not generally insured against c ally fully insured against because it is not deemed economically feasible or prudent to do so. In addition, changes in the cost or availabi ance could expose us to uninsured casualty losses. In the event that any of our properties incurs a casualty loss that is not fully covered l alue of our assets will be reduced by the amount of any such uninsured loss, and we could experience a significant loss of capital investe tial revenues in these properties and could potentially remain obligated under any recourse debt associated with the property. Inflation, ing codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace c erty after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restor omic position on the damaged or destroyed property. Any such losses could adversely affect our financial condition, results of operation bility to pay distributions on, and the market price of, our common stock. In addition, we may have no source of funding to repair or rec ged property, and we cannot assure that any such sources of funding will be available to us for such purposes in the future.

wn properties in Los Angeles, the San Francisco Bay Area and Seattle, which are located in areas that are known to be subject to earthq ough we carry replacement-cost earthquake insurance on all of our properties located in areas historically subject to seismic activity, sub age limitations and deductibles that we believe are commercially reasonable, we may not be able to obtain coverage to cover all

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s with respect to such properties on economically favorable terms, which could expose us to uninsured casualty losses. We intend to eva
quake insurance coverage annually in light of current industry practice.

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

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

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

ingent or unknown liabilities could adversely affect our financial condition.

nay own or acquire properties that are subject to liabilities and without any recourse, or with only limited recourse, with respect to unkn
result, if a liability were asserted against us based upon ownership of any of these entities or properties, then we might have to pay subs
it, which could adversely affect our cash flows. Unknown liabilities with respect to entities or properties acquired might include:

- liabilities for clean-up or remediation of adverse environmental conditions;
- accrued but unpaid liabilities incurred in the ordinary course of business;
- tax liabilities; and
- claims for indemnification by the general partners, officers and directors and others indemnified by the former owners of the pro

***nay from time to time be subject to litigation that may negatively impact our cash flow, financial condition, results of operations and
r common stock.***

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

ronmentally hazardous conditions may adversely affect our operating results.

r various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost
mediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew o
nsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contam

n covered by applicable environmental laws may be held responsible for all of the

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-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resou
ge or other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of hazardou
ances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the gov
it may incur to address the contamination, or otherwise adversely affect our ability to sell or lease the property or borrow using the prop
eral. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A
r who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circums
es. In connection with the acquisition and ownership of our properties, we may be exposed to such costs. The cost of defending against e
s, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely a
ess, assets or results of operations and, consequently, amounts available for distribution to our stockholders.

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

nvest in properties historically used for industrial, manufacturing and commercial purposes. Some of these properties contain, or may ha
rground storage tanks for the storage of petroleum products and other hazardous or toxic substances. All of these operations create a pot
se of petroleum products or other hazardous or toxic substances. Some of our properties may be adjacent to or near other properties that
ined or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. In additio
roperties may be on or are adjacent to or near other properties upon which others, including former owners or tenants of such properties
ged, or may in the future engage, in activities that may release petroleum products or other hazardous or toxic substances. As needed, w
onmental insurance policies on commercially reasonable terms that provide coverage for potential environmental liabilities, subject to th
rage conditions and limitations. From time to time, we may acquire properties, or interests in properties, with known adverse environme
e we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a supe
djusted return. In such an instance, we underwrite the costs of environmental investigation, clean-up and monitoring into the cost. Furt
ection with property dispositions, we may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain env
tions on the properties.

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

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of complying with governmental laws and regulations with respect to our properties may adversely affect our income and the cash a
istributions.

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

e of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. C
new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future
ances or regulations may impose material environmental liability. Additionally, the operations of the tenants of our properties, the exist
e land, operations in the vicinity of such properties, such as the presence of underground storage tanks, or activities of unrelated third pa
t such properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may
mply and which may subject us to liability in the form of fines or damages for noncompliance. Any material expenditures, fines or dama
vill reduce our ability to make distributions and may reduce the value of our common stock. In addition, changes in these laws and gove
ations, or their interpretation by agencies or the courts, could occur.

mpacts of climate-related initiatives at the U.S. federal and state levels remain uncertain at this time but could result in increased op

rnment authorities and various interest groups are promoting laws and regulations that could limit greenhouse gas, or GHG, emissions d
erns over contributions to climate change. The United States Environmental Protection Agency, or EPA, has moved to regulate GHG em
stationary sources, including electricity producers, and mobile sources, through fuel efficiency and other requirements, using its existin
r the Clean Air Act. Moreover, certain state and regional programs are being implemented to require reductions in GHG emissions. Any
on or regulation of energy use, including as a result of (i) the regulations that EPA has proposed or may propose in the future, (ii) state
ations, or (iii) renewed GHG legislative efforts by future Congresses, could result in increased operating costs that we may not be able t
on to our tenants. In addition, any increased regulation of GHG emissions could impose substantial costs on our tenants. These costs inc
ple, an increase in the cost of the fuel and other energy purchased by our tenants and capital costs associated with updating or replacing
r than planned. Any such increased costs could impact the financial condition of our tenants and their ability to meet their lease obligati
or re-lease our properties.

re exposed to the potential impacts of future climate change and climate-change related risks.

nay be exposed to potential physical risks from possible future changes in climate. Our properties may be exposed to rare catastrophic w
as severe storms or floods. If the frequency of extreme weather events increases due to climate change, our exposure to these events cou
e of our properties may be subject to risks from rising sea levels if such rising were to occur.

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

r the Americans with Disabilities Act and other similar regulations, places of public accommodation must meet certain requirements rel
se by disabled persons. Noncompliance could result in the imposition of fines or the award of damages to private litigants. If we are req
icipated expenditures to comply with the Americans with Disabilities Act and other similar regulations, including removing access barr
flows and the amounts available for distributions to our stockholders may be adversely affected. If we are required to make substantial r
r properties, whether to comply with the Americans with Disabilities Act and other similar regulations, or other changes in governmenta
ations, our financial condition, cash flows, results of operations, the market price of our shares of common stock and our ability to make
r stockholders could be adversely affected.

***ay be unable to sell a property if or when we decide to do so, including as a result of uncertain market conditions, which could adve
eturn on an investment in our common stock.***

xpect to hold the various real properties in which we invest until such time as we decide that a sale or other disposition is appropriate gi
tment objectives. Our ability to dispose of properties on advantageous terms or at all depends on factors beyond our control, including c
other sellers and the availability of attractive financing for potential buyers of our properties. We cannot predict the various market con
ting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may
e disposition of our properties, we cannot assure our stockholders that we will be able to sell such properties at a profit or at all in the fu
rdingly, the extent to which our stockholders will receive cash distributions and realize potential appreciation on our real estate investm
ndent upon fluctuating market conditions.

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

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

decide to sell any of our properties, we presently intend to sell them for cash. However, if we provide financing to purchasers, we will
he purchaser may default, which could negatively impact our cash distributions to stockholders and result in litigation and related exper
bsence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be d
romissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

s Related to Our Organizational Structure

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

nvestment, financing, borrowing and distribution policies and our policies with respect to all other activities, including growth, debt, ca
perations, are determined by our board of directors. These policies may be amended or revised at any time and from time to time at the
oard of directors without a vote of our stockholders. In addition, the board of directors may change our policies with respect to conflicts
ded that such changes are consistent with applicable legal and regulatory requirements, including the listing standards of the NYSE. A c
es could have an adverse effect on our financial condition, results of operations, cash flows, per share trading price of our common stoc
isfy our debt service obligations and to pay distributions to our stockholders.

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

ct to applicable legal and regulatory requirements, our charter authorizes our board of directors, without stockholder approval, to increa gate number of authorized shares of stock or the number of authorized shares of stock of any class or series, to issue authorized but unis ommon stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock and to set the p s and other terms of such classified or unclassified shares. Our board of directors could establish a series of preferred stock that could, de rms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stoc the best interest of our stockholders.

in provisions of Maryland law could inhibit changes in control.

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

Business Combination provisions that, subject to limitations, prohibit certain business combinations between us and an inter stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affili of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of ou outstanding voting shares) or an affiliate of an interested stockholder for five years after the most recent date on which the stockh becomes an interested stockholder, and thereafter may impose special appraisal rights and special stockholder voting requiremen combinations; and

Control Share provisions that provide that control shares of our company (defined as shares which, when aggregated with controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing direct in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of control shares) have n except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast excluding all interested shares.

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

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

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

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

- actual receipt of an improper benefit or profit in money, property or services; or

- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause
adjudicated.

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

s Related to Our Status as a REIT

***re to qualify as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for d
holders.***

elieve that our organization and method of operation has enabled and will continue to enable us to meet the requirements for qualificatio
on as a REIT. However, we cannot assure you that we will qualify as such. This is because qualification as a REIT involves the applica
ical and complex provisions of the Code as to which there are only limited judicial and administrative interpretations and involves the d
cts and circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decision
ficantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or
he tax consequences of such qualification.

fail to qualify as a REIT in any taxable year we will face serious tax consequences that will substantially reduce the funds available for
r stockholders because:

- we would not be allowed a deduction for distributions paid to stockholders in computing our taxable income and would be subje
and state income tax at regular corporate rates; and

- unless we are entitled to relief under statutory provisions, we could not elect to be taxed as a REIT for four taxable years followi
during which we were disqualified.

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

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

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

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

der to maintain our REIT status and to meet the REIT distribution requirements, we may need to borrow funds on a short-term basis or s if the then-prevailing market conditions are not favorable for these borrowings or sales. To qualify as a REIT, we generally must distrib holders at least 90% of our net taxable income each year, excluding capital gains. In addition, we will be subject to corporate income ta stribute less than 100% of our net taxable income including any net capital gain. We intend to make distributions to our stockholders to quirements of the Code for REITs and to minimize or eliminate our corporate income tax obligation to the extent consistent with our bu tives. Our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the come and the recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of red debt service or amortization payments. The insufficiency of our cash flows to cover our distribution requirements could have an adv r ability to raise short- and long-term debt or sell equity securities in order to fund distributions required to maintain our REIT status. In e subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than th r ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

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

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

nay in the future choose to pay dividends in our stock instead of cash, in which case stockholders may be required to pay income tax ash dividends they receive.

nay, in the future, distribute taxable dividends that are payable in cash and common stock at the election of each stockholder or distribut table stock dividends. Taxable stockholders receiving such dividends or other forms of taxable stock dividends will be required to inclu nt of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purp , stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. st ock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respec end, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we r red to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is pa . In addition, if a significant number of our stockholders determine to sell common stock in order to pay taxes owed on dividends, it ma ward pressure on the trading price of our common stock.

plying with REIT requirements may cause us to forego otherwise attractive opportunities or to liquidate otherwise attractive investm

ualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our in e and diversification of our assets, the amounts we distribute to

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tockholders and the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might oth
compliance with the REIT requirements may hinder our performance.

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

***relationship with any TRS will be limited, and a failure to comply with the limits would jeopardize our REIT qualification and may r
cation of a 100% excise tax.***

IT may own up to 100% of the stock of one or more TRSs. While we currently do not own any interest in a TRS, we may own any such
ture. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Overall, no more than 20% o
s assets may consist of stock or securities of one or more TRSs. A domestic TRS will pay federal, state and local income tax at regula
y income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure
ject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and it
re not conducted on an arm s-length basis.

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

***bility of our board of directors to revoke our REIT qualification without stockholder approval may subject us to federal income tax
butions to our stockholders.***

harter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholde
mines that it is no longer in our best interest to continue to be qualified as a REIT. If we cease to be a REIT, we would become subject t
ne tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may
equences on our total return to our stockholders and on the market price of our common stock.

***holders and prospective investors are urged to consult with their tax advisors regarding the effects of recently enacted tax legislation
ative, regulatory and administrative developments.***

ecember 22, 2017, President Trump signed into law H.R. 1, informally titled the Tax Cuts and Jobs Act (the TCJA). The TCJA make
Code, including a number of provisions of the Code

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ffect the taxation of REITs and their stockholders. Among the changes made by the TCJA are permanently reducing the generally appli
rate tax rate, generally reducing the tax rate applicable to individuals and other non-corporate taxpayers for tax years beginning after D
and before January 1, 2026, eliminating or modifying certain previously allowed deductions (including substantially limiting interest d
or individuals, the deduction for non-business state and local taxes), and, for taxable years beginning after December 31, 2017 and befo
providing for preferential rates of taxation through a deduction of up to 20% (subject to certain limitations) on most ordinary REIT div
n trade or business income of non-corporate taxpayers. The TCJA also imposes new limitations on the deduction of net operating losse
in us having to make additional taxable distributions to our stockholders in order to comply with REIT distribution requirements or avo
ed income and gains. The effect of the significant changes made by the TCJA is highly uncertain, and administrative guidance will be r
to fully evaluate the effect of many provisions. The effect of any technical corrections with respect to the TCJA could have an adverse
ockholders. Stockholders and prospective investors should consult their tax advisors regarding the implications of the TCJA on their in
mmon stock.

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

y time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot pr
new federal income tax law, regulation, or administrative interpretation, or any amendment to any existing federal income tax law, reg
nistrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effe
ctively. We and our stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or
retation.

s Related to Our Common Stock

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

arket value of the equity securities of a REIT is based upon the market s perception of the REIT s growth potential and its current an
distributions, whether from operations, sales or refinancings, and upon the real estate market value of the underlying assets. Our commo
at prices that are higher or lower than our net asset value per share. To the extent we retain operating cash flows for investment purpose
l reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increas
of our common stock. Our failure to meet the market s expectations with regard to future earnings and cash distributions likely would
arket price of our common stock. In addition, the price of our common stock will be influenced by the dividend yield on the common st
t interest rates and the dividend yields of other REITs. An increase in market interest rates, which are currently at low levels relative to
could cause the market price of our common stock to go down. The trading price of the shares of common stock will also depend on m
s, which may change from time to time, including:

- the market for similar securities;
- the attractiveness of REIT securities in comparison to the securities of other companies, taking into account, among other things rates imposed on dividends paid by REITs;
- government legislation, action or regulation;

our issuance of debt or preferred equity securities;

changes in earnings estimates by analysts and our ability to meet analysts   earnings estimates;

general economic conditions; and

our financial condition, performance and prospects.

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number of shares of our common stock available for future sale could adversely affect the market price of our common stock and ha to our existing stockholders.

of substantial amounts of shares of our common stock in the public market or the perception that such sales might occur could adversel et price of the shares of our common stock. The issuance and vesting of any restricted stock granted to certain directors, executive offic oyees under our Amended and Restated 2010 Equity Incentive Plan, the issuance of our common stock upon the vesting of awards unde nded and Restated Long-Term Incentive Plan, the issuance of our common stock in connection with property, portfolio or business acqu issuances of our common stock could have an adverse effect on the market price of our common stock. Future sales of shares of our co be dilutive to existing stockholders.

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

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

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

our financial condition, performance, liquidity and prospects;

actual or anticipated variations in our quarterly operating results or distributions;

changes in our funds from operations (as defined by NAREIT and discussed in Management s Discussion and Analysis of Fin and Results of Operations elsewhere in this Annual Report on Form 10-K) or earnings;

publication of research reports about us or the real estate industry;

changes in earnings estimates by analysts;

our ability to meet analysts earnings estimates;

increases in market interest rates that lead purchasers of our shares to demand a higher yield;

changes in market valuations of similar companies;

adverse market reaction to any additional debt we incur in the future;

additions or departures of key management personnel;

the market for similar securities issued by REITs;

actions by institutional stockholders;

speculation in the press or investment community;

our compliance with generally accepted accounting principles;

our compliance with applicable laws and regulations and the listing requirements of the New York Stock Exchange;

the realization of any of the other risk factors presented in this Annual Report on Form 10-K; and

general market, including capital market and real estate market and economic conditions.

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re offerings of debt securities and the incurrence of other future indebtedness, which would be senior to our common stock upon liq or preferred stock which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adverse et price of our common stock.

liquidation, holders of our debt securities and any shares of preferred stock, and lenders with respect to other borrowings, including ou t facility and mortgage loans payable, will receive distributions of our available assets prior to the holders of our common stock. In the f pt to increase our capital resources by making additional offerings of debt and equity securities. Additional equity offerings may dilute r existing stockholders and/or reduce the market price of our common stock. In addition, future offerings of debt securities or the incurr onal other indebtedness may reduce the market price of our common stock. Holders of our common stock are not entitled to preemptive protections against dilution. Our preferred stock, if issued in the future, could have a preference on liquidating distributions and a prefe end payments that could limit our ability to pay a dividend or make another distribution to the holders of our common stock. Because ou securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate th g or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common ng their stock holdings in us.

ay be unable to generate sufficient cash flows from our operations to make distributions to our stockholders at any time in the futur

bility to make distributions to our stockholders may be adversely affected by the risk factors described in this Annual Report on Form 1 enerate sufficient income to make distributions to our stockholders. Our board of directors has the sole discretion to determine the timin nt of any distributions to our stockholders. Our board of directors will make determinations regarding distributions based upon, among nancial performance, any debt service obligations, any debt covenants, and capital expenditure requirements. Among the factors that co y to make distributions to our stockholders are:

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

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

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

bility to pay dividends on our stock is limited by the laws of the State of Maryland. Under applicable Maryland law, a Maryland corpor ally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts usual course of business, or the corporation s total assets would be less than the sum of its total liabilities plus, unless the corporation des otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferent lution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not mak

r stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of busine
s would be less than the sum of our total liabilities plus, unless the

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of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the hold
y class or series of preferred stock then outstanding, if any, with preferences senior to those of our outstanding stock.

1B. **Unresolved Staff Comments.**
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2. **Properties.**
December 31, 2017, we owned 196 buildings aggregating approximately 13.0 million square feet and ten improved land parcels consis
. The properties are located in Los Angeles, Northern New Jersey/New York City, San Francisco Bay Area, Seattle, Miami, and Washin
cember 31, 2017, our properties were approximately 97.3% leased to 426 customers, the largest of which accounted for approximately
annualized base rent. We own several types of industrial real estate, including warehouse/distribution (approximately 93.5% of our total
e footage as of December 31, 2017), flex (including light industrial and R&D) (approximately 5.1%) and transshipment (approximately
n 1 Our Investment Strategy Industrial Facility General Characteristics in this Annual Report on Form 10-K for a general descripti
trial real estate. We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer dema
us submarkets in which we operate. See our Consolidated Financial Statements, Schedule III-Real Estate Investments and Accumulate
s Annual Report on Form 10-K, for a detailed listing of our properties.

ollowing table summarizes by market our investments in real estate as of December 31, 2017:

ket	Number of Buildings	Rentable Square Feet	% of Total	Occupancy % as of December 31, 2017	Annualized Base Rent (000 s)[1]	% of Total	Annualized Base Rent Per Occupied Square Foot	Weighted Average Remaining Lease Term (Years)[2]
Angeles	35	2,637,597	20.3%	100.0%	$ 19,726	18.6%	$ 7.48	7.4
hern New Jersey/New York	55	3,145,507	24.3%	98.6%	26,369	24.9%	8.51	4.3
Francisco Bay Area	27	1,368,607	10.6%	96.9%	14,688	13.8%	11.08	4.9
e	24	1,626,620	12.5%	99.4%	12,275	11.6%	7.59	3.5
ni	31	1,991,992	15.4%	97.9%	14,665	13.8%	7.52	3.6
ington, D.C.	24	2,197,961	16.9%	90.7%	18,337	17.3%	9.19	4.3
/Weighted Average	196	12,968,284	100.0%	97.3%	$ 106,060	100.0%	$ 8.40	4.8

Annualized base rent is calculated as contractual monthly base rent per the leases, excluding any partial or full rent abatements, as of D
2017, multiplied by 12.

Weighted average remaining lease term is calculated by summing the remaining lease term of each lease as of December 31, 2017, we
respective square footage.

Includes 47.9 acres of improved land as discussed below.

lso own ten improved land parcels totaling approximately 47.9 acres that are approximately 78.0% leased to ten tenants. Such land is us
r and container storage and/or car parking. In the future, we may consider redeveloping such land.

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ollowing table summarizes by market our investments in improved land as of December 31, 2017:

ket	Number of Parcels	Acres	% of Total	Occupancy % as of December 31, 2017	Annualized Base Rent (000 s)[1]	% of Total	Annualized Base Rent Per Occupied Square Foot
Angeles	3	8.0	16.7%	100.0%	$ 466	15.5%	$ 1.33
hern New Jersey/New York							
	4	23.3	48.6%	54.8%	1,596	53.1%	2.86
Francisco Bay Area			0.0%			0.0%	
e			0.0%			0.0%	
ni	2	3.2	6.7%	100.0%	209	7.0%	1.51
ington, D.C.	1	13.4	28.0%	100.0%	734	24.4%	1.26
/Weighted Average	10	47.9	100.0%	78.0%	$ 3,005	100.0%	$ 1.85

Annualized base rent is calculated as contractual monthly base rent per the leases, excluding any partial or full rent abatements, as of D 2017, multiplied by 12.

Weighted average remaining lease term is calculated by summing the remaining lease term of each lease as of December 31, 2017, we respective square footage.

ollowing table summarizes our capital expenditures incurred during the three months and years ended December 31, 2017 and 2016 (do ands):

	For the Three Months Ended December 31,		For the Dec
	2017	2016	2017
ing improvements	$ 2,742	$ 2,862	$ 11,626
nt improvements	2,147	3,121	7,083
ng commissions	2,790	2,638	7,537
velopment and expansion			
capital expenditures [1]	$ 7,679	$ 8,621	$ 26,246

Includes approximately $3.7 million and $5.2 million for the three months ended December 31, 2017 and 2016, respectively, and appro
$13.3 million and $35.2 million for the years ended December 31, 2017 and 2016, respectively, related to leasing acquired vacancy, re
construction in progress and renovation and expansion projects (stabilization capital) at 12 and 14 properties for the three months ende
December 31, 2017 and 2016, respectively, and 18 and 25 properties for the years ended December 31, 2017 and 2016, respectively.

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ollowing table summarizes the anticipated lease expirations for leases in place at December 31, 2017, without giving effect to renewal c
nation rights, if any, at or prior to the scheduled expirations:

	Rentable Square Feet	% of Total Rentable Square Feet	Annualized Base Rent (000 s)[2]
[1]	1,216,419	9.4%	$ 9,911
	2,064,797	15.9%	16,240
	1,696,971	13.1%	15,695
	2,131,434	16.4%	18,099
	1,580,411	12.2%	15,575
eafter	3,934,552	30.3%	43,012
	12,624,584	97.3%	$ 118,532

Includes leases that expire on or after December 31, 2017 and month-to-month leases totaling approximately 26,963 square feet.
Annualized base rent is calculated as monthly base rent per the leases at expiration, excluding any partial or full rent abatements, as of
2017 multiplied by 12.

bility to re-lease or renew expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations.
mber 31, 2017, leases representing approximately 9.4% of the total rentable square footage of our portfolio are scheduled to expire duri
g December 31, 2018. We currently expect that on average, the rental rates we are likely to achieve on any new (re-leased) or renewed
expirations will be above the rates currently being paid for the same space. The tenant at our Belleville property will receive approxima
million in rent abatements during 2018 under the terms of a previously negotiated ten-year lease extension. Our past performance may r
ative of future results, and we cannot assure you that leases will be renewed or that our properties will be re-leased at all or at rental rate
nt average rental rates. Further, re-leased/renewed rental rates in a particular market may not be consistent with rental rates across our p
e and re-leased/renewed rental rates for particular properties within a market may not be consistent with rental rates across our portfolio
cular market, in each case due to a number of factors, including local real estate conditions, local supply and demand for industrial space
e property, the impact of leasing incentives, including free rent and tenant improvements and whether the property, or space within the p
redeveloped.

ndustrial properties are typically subject to leases on a triple net basis, in which tenants pay their proportionate share of real estate ta
perating costs, or are subject to leases on a modified gross basis, in which tenants pay expenses over certain threshold levels. In addi
ximately 91.8% of our leased space includes fixed rental increases or Consumer Price Index-based rental increases. Lease terms typical
to ten years. We monitor the liquidity and creditworthiness of our tenants on an on-going basis by reviewing outstanding accounts rece
ces, and as provided under the respective lease agreements, review the tenant s financial condition periodically as appropriate. As need
ssions with the tenant s management about their business and we conduct site visits of the tenant s operations.

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op 20 customers based on annualized base rent as of December 31, 2017 are as follows:

Customer	Leases	Rentable Square Feet	% of Total Rentable Square Feet	Annualized Base Rent (000 s)[1]
FedEx Corporation	8	542,865	4.2%	$ 5,606
United States Government	9	381,431	2.9%	4,696
Danaher	3	171,707	1.3%	2,961
H.D. Smith Wholesale Drug Company	1	211,418	1.6%	2,260
Northrop Grumman Systems	2	199,866	1.5%	2,197
District of Columbia	3	149,203	1.2%	1,600
XPO Logistics	2	180,717	1.4%	1,497
Synergy Custom Fixtures	1	301,983	2.3%	1,478
West Coast Warehouse	1	265,500	2.0%	1,468
YRC	2	61,252	0.5%	1,337
O Neill Logistics	2	237,692	1.8%	1,323
Miami International Freight Systems	1	192,454	1.5%	1,245
Bar Logistics	2	203,263	1.6%	1,220
Avborne Accessory Group	1	137,594	1.1%	1,113
Space Systems/Loral LLC	2	107,060	0.8%	1,107
Amazon.com	1	158,168	1.2%	1,044
Exquisite Apparel Corporation	1	114,061	0.9%	985
JAM N Logistics	1	110,336	0.9%	936
Home Depot	1	192,000	1.5%	930
Service West Inc.	1	129,279	1.0%	820
Total	45	4,047,849	31.2%	$ 35,823

Annualized base rent is calculated as contractual monthly base rent per the leases, excluding any partial or full rent abatements, as of D 2017, multiplied by 12.

December 31, 2017, nine of our properties with a gross investment book value of approximately $153.7 million were encumbered by m ble, including premiums and net of deferred financing costs, totaling approximately $64.8 million, which bear interest at a weighted ave al rate of 4.0%.

3. Legal Proceedings.

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

4. Mine Safety Disclosures.

Applicable.

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PART II

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

ket Information

ommon stock is listed on the New York Stock Exchange (the NYSE) under the symbol TRNO . The following table sets forth, for ds, the high and low sale prices for our common stock, as reported on the NYSE and the per share dividends declared:

	High	Low	c
Quarter	$ 29.04	$ 26.52	$
nd Quarter	33.81	28.01	
Quarter	36.99	32.74	
h Quarter	38.32	34.78	
Quarter	$ 23.81	$ 20.67	$
nd Quarter	25.59	21.98	
Quarter	28.12	25.35	
h Quarter	28.83	24.91	

January 25, 2018, there were approximately 18,425 holders of record of shares of our common stock. This number does not include sto h shares are held in nominee or street name.

ibution Policy

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

(i) 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gain); plus

(ii) 90% of the excess of our after-tax net income, if any, from foreclosure property over the tax imposed on such income by the Coo

(iii) the sum of certain items of non-cash income.

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

iming and frequency of distributions will be authorized by our board of directors and declared by us based upon a variety of factors, inc

actual results of operations;

our level of retained cash flows;

any debt service requirements;

capital expenditure requirements for our properties;

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our property dispositions;

our taxable income;

the annual distribution requirement under the REIT provisions of the Code;

our operating expenses;

restrictions on the availability of funds under Maryland law; and

other factors that our board of directors may deem relevant.

dition, our credit facility has a covenant limiting our maximum REIT distribution paid to a percentage of our funds from operations (see
nagement s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures) before acqu
ch fiscal year (subject to distribution payments necessary to preserve our REIT status). To the extent that, in respect of any calendar ye
able for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions
on of the required distribution in the form of a taxable share distribution or distribution of debt securities. Income as computed for purpo
described above will not necessarily correspond to our income as determined for financial reporting purposes.

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

ollowing table sets forth the cash dividends paid or payable during the years ended December 31, 2017 and 2016:

he Three ths Ended	Security		Dividend per Share	Declaration Date	Record Date	Date Paid
h 31, 2017	Common stock	$	0.200000	February 7, 2017	March 28, 2017	April 12, 2017
h 31, 2017	Preferred stock	$	0.484375	February 7, 2017	March 10, 2017	March 31, 2017
30, 2017	Common stock	$	0.200000	May 2, 2017	July 7, 2017	July 21, 2017
30, 2017	Preferred stock	$	0.484375	May 2, 2017	June 9, 2017	June 30, 2017
mber 30, 2017	Common stock	$	0.220000	August 1, 2017	October 6, 2017	October 21, 2017
mber 31, 2017	Common stock	$	0.220000	October 31, 2017	December 29, 2017	January 12, 2018

he Three ths Ended	Security		Dividend per Share	Declaration Date	Record Date	Date Paid
h 31, 2016	Common stock	$	0.180000	February 9, 2016	March 28, 2016	April 12, 2016
h 31, 2016	Preferred stock	$	0.484375	February 9, 2016	March 10, 2016	March 31, 2016

30, 2016	Common stock	$	0.180000	May 3, 2016	July 7, 2016	July 21, 2016
30, 2016	Preferred stock	$	0.484375	May 3, 2016	June 10, 2016	June 30, 2016
mber 30, 2016	Common stock	$	0.200000	July 26, 2016	October 7, 2016	October 21, 2016
mber 30, 2016	Preferred stock	$	0.484375	July 26, 2016	September 9, 2016	September 30, 2016
mber 31, 2016	Common stock	$	0.200000	November 1, 2016	December 30, 2016	January 13, 2017
mber 31, 2016	Preferred stock	$	0.484375	November 1, 2016	December 9, 2016	December 30, 2016

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ormance Graph

ollowing graph compares the change in the cumulative total stockholder return on our common stock during the period from December
mber 31, 2017 with the cumulative total return of the Standard and Poor s 500 Stock Index, the MSCI U.S. REIT Index (RMS) and the
y Industrial Index. The return shown on the graph is not necessarily indicative of future performance. The comparison assumes that $10
ted on December 31, 2012 in our common stock and in each of the foregoing indices and assumes reinvestment of dividends, if any.

erformance graph and related information shall not be deemed soliciting material or be deemed to be filed with the SEC, nor shal
corporated by reference into any future filing, except to the extent that the company specifically incorporates it by reference into such fi

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6. **Selected Financial Data.**

ollowing table sets forth selected financial data derived from our audited consolidated financial statements as of and for the years ended mber 31, 2017, 2016, 2015, 2014, and 2013, should be read in conjunction with the consolidated financial statements and notes thereto Annual Report on Form 10-K beginning on page F-1 and with Part II, Item 7 Management s Discussion and Analysis of Financial Co ts of Operations (dollars in thousands, except share and per share amounts):

	For the Year Ended December 31,			
	2017	2016	2015	2014
ating Data				
revenues	$ 132,484	$ 108,418	$ 95,895	$ 68,875
costs and expenses	93,435	87,172	82,240	51,567
on sales of real estate investments	30,654	7,140	10,567	
ne from continuing operations	53,095	15,118	14,601	10,718
ne from discontinued operations				
on sales of real estate investments				
ncome available to common stockholders, net of nption of preferred stock and preferred stock ends	49,015	11,458	10,958	7,126
ings per Common Share - Basic and Diluted:				
ne (loss) from continuing operations available to non stockholders, net of redemption of preferred and preferred stock dividends	$ 0.95	$ 0.26	$ 0.26	$ 0.23
ne from discontinued operations				
ncome available to common stockholders, net of nption of preferred stock and preferred stock ends	$ 0.95	$ 0.26	$ 0.26	$ 0.23
lends declared per common share	$ 0.84	$ 0.76	$ 0.66	$ 0.57
lends declared per preferred share	0.97	1.94	1.94	1.94
and Diluted Weighted Average Common Shares anding	51,357,719	44,725,936	42,861,276	30,433,017
r Data				
s from operations [1]	$ 56,070	$ 38,391	$ 36,172	$ 26,097
and diluted FFO per common share [1]	1.09	0.86	0.84	0.86
flows provided by (used in):				
ating activities	$ 69,498	$ 49,241	$ 42,068	$ 29,321
ting activities	(249,118)	(149,629)	(259,664)	(245,526)
cing activities	203,942	93,758	45,140	404,207
nce Sheet Data				
tments in real estate at cost [2]	$ 1,636,930	$ 1,343,038	$ 1,179,920	$ 901,273
assets	1,567,871	1,278,981	1,152,138	1,074,735
debt	461,683	415,327	381,475	302,470
stockholders equity	1,027,494	811,805	733,082	747,036

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See Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financia
Annual Report on Form 10-K for a reconciliation to net income, net of redemption of preferred stock and preferred stock dividends an
of why we believe funds from operations, or FFO, is a useful supplemental measure of operating performance, ways in which investor
FFO when assessing our financial performance, and FFO s limitations as a measurement tool.
Excludes one property held for sale with a gross book value of approximately $6.3 million as of December 31, 2015 and one property
with a gross book value of approximately $6.9 million as of December 31, 2014.

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

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

view

cquire, own and operate industrial real estate in six major coastal U.S. markets: Los Angeles, Northern New Jersey/New York City, San
Area, Seattle, Miami, and Washington, D.C. We invest in several types of industrial real estate, including warehouse/distribution (appro
% of our total portfolio square footage as of December 31, 2017), flex (including light industrial and R&D) (approximately 5.1%) and tr
oximately 1.4%). We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer de
arious submarkets in which we operate. As of December 31, 2017, we owned 196 buildings aggregating approximately 13.0 million squ
nproved land parcels consisting of 47.9 acres, which we purchased for an aggregate purchase price of approximately $1.5 billion. As of
our properties were approximately 97.3% leased to 426 customers, the largest of which accounted for approximately 5.1% of our total
rent. We are an internally managed Maryland corporation and elected to be taxed as a REIT under Sections 856 through 860 of the Cod
nencing with our taxable year ended December 31, 2010.

Investment Strategy

cquire, own and operate industrial properties in six major coastal U.S. markets: Los Angeles, Northern New Jersey/New York City, San
Area, Seattle, Miami, and Washington, D.C. We invest in several types of industrial real estate, including warehouse/distribution, flex (i
trial and R&D) and transshipment. We target functional buildings in infill locations that may be shared by multiple tenants and that cate
nd within the various submarkets in which we operate.

elected our target markets by drawing upon the experience of our executive management investing and operating in over 50 global indu
ed in North America, Europe and Asia, the fundamentals of supply and demand, and in anticipation of trends in logistics patterns resulti
ation changes, regulatory and physical constraints, changes in technology, e-commerce, potential long term increases in carbon prices a
rs. We believe that our target markets have attractive long term investment attributes. We target assets with characteristics that include,
ed to, the following:

Located in high population coastal markets;

Close proximity to transportation infrastructure (such as sea ports, airports, highways and railways);

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Situated in supply-constrained submarkets with barriers to new industrial development, as a result of physical and/or regulatory

Functional and flexible layout that can be modified to accommodate single and multiple tenants;

Acquisition price at a discount to the replacement cost of the property;

Potential for enhanced return through re-tenanting or operational and physical improvements; and

Opportunity for higher and better use of the property over time.

neral, we prefer to utilize local third-party property managers for day-to-day property management and as a source of acquisition opport
ve outsourcing property management is cost effective and provides us with operational flexibility. We may directly manage properties i
etermine such direct property management is in our best interest.

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

xpect that we will continue to acquire the significant majority of our investments as equity interests in individual properties, portfolios o
oved industrial land parcels which may be rented without a building in place. We may also acquire industrial properties through the acqu
corporations or entities that own industrial real estate. We will opportunistically target investments in debt secured by industrial real es
wise meet our investment criteria with the intention of ultimately acquiring the underlying real estate. We currently do not intend to targ
ntages of holdings of particular types of industrial properties. This expectation is based upon prevailing market conditions and may cha
ponse to different prevailing market conditions.

properties we acquire may be stabilized (fully leased) or unstabilized (have near term lease expirations or be partially or fully vacant). D
d from February 16, 2010 to December 31, 2017, we have stabilized 58 properties.

ell properties from time to time when we believe the prospective total return from a property is particularly low relative to its market va
et value of the property is significantly greater than its estimated replacement cost. Capital from such sales is reinvested into properties
cted to provide better prospective returns or returned to shareholders. We have disposed of 11 properties since inception for a cumulativ
oximately $160.4 million and a total gain of approximately $55.1 million.

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Developments

isition Activity

ng 2017, we acquired 35 industrial buildings containing approximately 1.7 million square feet and five improved land parcels consisting
oximately 25.1 acres for a total purchase price of approximately $292.7 million. The properties and improved land parcels were acquired
ated third parties using existing cash on hand, proceeds from the issuance of common stock and senior unsecured notes, proceeds from t
sitions of properties, and proceeds from borrowings on our revolving credit facility. The following table sets forth the industrial propert
oved land parcels we acquired during 2017:

erty Name	Location	Acquisition Date	Number of Buildings	Square Feet	Purchase Price (in thousands) [1]
ia	Compton, CA	January 25, 2017	1	45,776	$ 7,103
. Lucile	Seattle, WA	February 3, 2017	1	45,320	7,750
ood [3]	Lynwood, CA	April 20, 2017	3	477,153	31,378
Side Ave	North Bergen, NJ	April 20, 2017	1	126,491	14,000
ord	Seattle, WA	April 21, 2017	1	34,983	5,940
V Street	Washington, D.C.	May 10, 2017	1	21,666	3,727
ue A	Carlstadt, NJ	May 10, 2017	4	32,676	12,000
Main III	Gardena, CA	June 2, 2017	1	114,061	24,700
nghuysen [4]	Newark, NJ	June 29, 2017			16,250
ton [5]	Newark, NJ	June 30, 2017			13,200
graph	Santa Fe Springs, CA	July 6, 2017	2	86,814	14,930
son	Seattle, WA	July 7, 2017	1	13,176	4,000
ut	Compton, CA	July 21, 2017	1	57,520	9,352
70th IV	Miami, FL	August 4, 2017	1	15,965	2,515
Road [6]	Carlstadt, NJ	September 1, 2017	2	43,407	13,500
nkiss	Fremont, CA	September 28, 2017	1	40,830	7,275
St	Los Angeles, CA	October 19, 2017	1	20,055	4,750
94th Ave	Doral, FL	October 23, 2017	1	38,430	6,759
70th V [7]	Miami, FL	October 30, 2017	1	59,400	8,400
E Dominguez [8]	Los Angeles, CA	November 30, 2017			12,860
W 139th St	Carson, CA	December 15, 2017	2	230,891	37,550
horne	Hawthorne, CA	December 19, 2017	8	152,025	27,600
Dutch	Fairfield, NJ	December 20, 2017	1	50,400	7,200
/Weighted Average			35	1,707,039	$ 292,739

Excludes intangible liabilities and mortgage premiums, if any. The total aggregate investment was approximately $319.7 million, inclu
$5.5 million in closing costs and acquisition costs.

Stabilized cap rates are calculated, at the time of acquisition, as annualized cash basis net operating income for the property stabilized
occupancy (generally 95%) divided by the total acquisition cost for the property. Total acquisition cost basis for the property includes
purchase price, the effects of marking assumed debt to market, buyer s due diligence and closing costs, estimated near-term capital ex
leasing costs necessary to achieve stabilization. We define cash basis net operating income for the property as net operating income ex
straight-line rents and amortization of lease intangibles. These stabilized cap rates are subject to risks, uncertainties, and assumptions a
guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyo
including risks related to our ability to meet our estimated forecasts related to stabilized cap rates and those risk factors contained in th
Report on Form 10-K.

Includes approximately one million square feet of land, which is 100% ground leased on a long-term basis to two tenants, and contains
distribution buildings and one rail transshipment facility.

Represents an improved land parcel containing approximately 10.6 acres.

Represents an improved land parcel containing approximately 7.2 acres.

Also includes an improved land parcel containing approximately 1.1 acres.

Also includes an improved land parcel containing approximately 0.9 acres.

Represents an improved land parcel containing approximately 5.4 acres.

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osition Activity

ng the year ended December 31, 2017, we sold four properties for an aggregate sales price of approximately $77.3 million, resulting in a oximately $30.6 million. We sold one property located in the Los Angeles market for a sales price of approximately $25.3 million, resul proximately $10.1 million, and three properties located in the Washington, D.C. market for an aggregate sales price of approximately $ ing in an aggregate gain of approximately $20.5 million.

ollowing summarizes the condensed results of operations of the properties sold during the year ended December 31, 2017 for the years mber 31, 2017, 2016 and 2015 (dollars in thousands):

	For the Year Ended Decer	
	2017	**2016**
al revenues	$ 2,091	$ 3,732
nt expense reimbursements	653	1,103
erty operating expenses	(778)	(1,216)
eciation and amortization	(472)	(1,119)
ne from operations	$ 1,494	$ 2,500

Program

ave an at-the-market equity offering program (the $200 Million ATM Program) pursuant to which we may issue and sell shares of ou g an aggregate offering price of up to $200.0 million in amounts and at times as we determine from time to time. Prior to the implemen Million ATM Program, we had a $150.0 million ATM program (the $150 Million ATM Program), which was fully utilized as of Ju 0.0 million ATM program (the $100 Million ATM Program), which was fully utilized as of December 31, 2016. During 2017, we is 59,929 shares of common stock at a weighted average offering price of $32.48 per share under the $200 Million ATM Program and the Program, resulting in net proceeds of approximately $251.6 million and paying total compensation to the applicable sales agents of app million. As of December 31, 2017, we had shares of common stock having an aggregate offering price of up to $90.1 million available f the $200 Million ATM Program.

r Unsecured Notes

ly 14, 2017, we issued in a private placement $100.0 million of senior unsecured notes with a seven-year term that bear interest at a fix est rate of 3.75% and mature in July 2024 (the July 2024 Senior Unsecured Notes). The net proceeds from the issuance were used to ,000 outstanding shares of 7.75% Series A Cumulative Redeemable Preferred Stock (the Series A Preferred Stock), to repay the outs wings on our revolving credit facility and for property acquisitions.

e Repurchase Program

ovember 1, 2016, our Board of Directors approved an extension of the share repurchase program authorizing us to repurchase up to 2,0 r outstanding common stock from time to time through December 31, 2018. Purchases made pursuant to the program, if any, will be ma pen market or in privately negotiated transactions as permitted by federal securities laws and other legal requirements. The timing, mann nt of any repurchases will be determined by us in our discretion and will be subject to economic and market conditions, stock price, app rements and other factors. The program may be suspended or discontinued at any time. As of December 31, 2017 we have not repurcha

ck pursuant to our share repurchase authorization.

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end and Distribution Activity

ollowing table sets forth the cash dividends paid or payable per share during the year ended December 31, 2017:

he Three ths Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
h 31, 2017	Common stock	$ 0.200000	February 7, 2017	March 28, 2017	April 12, 2017
h 31, 2017	Preferred stock	$ 0.484375	February 7, 2017	March 10, 2017	March 31, 201
30, 2017	Common stock	$ 0.200000	May 2, 2017	July 7, 2017	July 21, 2017
30, 2017	Preferred stock	$ 0.484375	May 2, 2017	June 9, 2017	June 30, 2017
mber 30, 2017	Common stock	$ 0.220000	August 1, 2017	October 6, 2017	October 21, 20
mber 31, 2017	Common stock	$ 0.220000	October 31, 2017	December 29, 2017	January 12, 20

rred Stock Redemption

ly 19, 2017, we redeemed all 1,840,000 outstanding shares of our Series A Preferred Stock for cash at a redemption price of $25.00 per nt per share of $0.096875 representing all accrued and unpaid dividends per share from July 1, 2017 to, but excluding, July 19, 2017. W rge of approximately $1.8 million during the year ended December 31, 2017 representing the write-off of original issuance costs related mption of the Series A Preferred Stock.

nt Developments

isition Activity

equent to December 31, 2017, we acquired one industrial building containing approximately 100,000 square feet for a total purchase pri ximately $17.5 million. The property was acquired from unrelated third parties using cash on hand. The following table sets forth the w trial property we acquired subsequent to December 31, 2017:

erty Name	Location	Acquisition Date	Number of Buildings	Square Feet	Purchase Price (in thousands)
1 S Vermont Avenue	Torrance, CA	January 31, 2018	1	99,629	$ 17,500
/Weighted Average			1	99,629	$ 17,500

ractual Commitments

February 7, 2018, we have three outstanding contracts with third-party sellers to acquire three industrial properties as further described ng Contractual Obligations in this Annual Report on Form 10-K. There is no assurance that we will acquire the properties under con osed acquisitions are subject to the completion of satisfactory due diligence and various closing conditions.

' February 7, 2018, we have two outstanding contracts with third-party purchasers to sell two properties consisting of three buildings for
price of approximately $39.3 million (aggregate net book value of approximately $29.4 million). There is no assurance we will sell the
· contract because the proposed dispositions are subject to the purchaser s completion of satisfactory due diligence and various closing

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ook

ent operating conditions in our six markets are excellent, the best we have seen since our initial public offering. We believe that on avera we are likely to achieve on new or renewed leases for our 2018 expirations will be above the rates currently being paid for the same spa speculative development continues. This new development will slow potential rent growth from what it would be without such new dev oeconomic conditions, while uncertain and impossible to accurately predict, appear favorable to us.

ee attractive acquisition opportunities today; however, our acquisition volume will be dependent on both the quality and pricing of the c he price of our stock relative to NAV. Those conditions, not knowable in advance, will determine our results. We entered 2018 with our positioned for growth.

the intermediate term of the next three to four years, although there can be no assurance, we expect to grow our portfolio to approximat billion of assets up from approximately $2.4 billion as of December 31, 2017 as measured by our total market capitalization. We expect can be no assurance, that this will utilize approximately $2.0 billion of equity up from approximately $1.9 billion as of December 31, 2 t this to enhance our operating efficiency, increase our shareholder liquidity and maintain our investment grade credit rating. We remai ver, that it is per share, rather than aggregate, results that matter.

elieve in the long-term operating prospects of our functional, infill coastal assets. We believe in sound balance sheet management. We b fits of our market-leading corporate governance and exceptionally aligned executive management compensation. As a result, we are enth ture and our ability to produce superior results for our shareholders over time.

ontribute positively to the environment by owning and operating facilities in infill locations close to population centers thereby minimiz traveled and the concomitant use of fuel and production of airborne particulate matter pollution. Further, we do no greenfield developm rties; sustainability for us means never building on a site that has not previously been commercially developed. During redevelopment ties, we recycle the majority of the building materials from existing buildings and focuses on modern design solutions to reduce our imp onment. When releasing vacant space, we seek to reduce our carbon footprint by upgrading existing facilities with energy efficient light ng.

tion

ugh the U.S. economy has been experiencing relatively modest inflation rates recently, and a wide variety of industries and sectors are rently by changing commodity prices, inflation has increased construction costs but has not had a significant impact on our operating co eases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, t ing our exposure to increases in costs and operating expenses resulting from inflation. In addition, approximately 67.0% of our total ren xpire within five years which enables us to seek to replace existing leases with new leases at the then-existing market rate.

ncial Condition and Results of Operations

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

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

onsolidated results of operations often are not comparable from period to period due to the impact of property acquisitions at various ti
e of such periods. The results of operations of any acquired property are included in our financial statements as of the date of its acquisi

ollowing analysis of our results below for the years ended December 31, 2017 and 2016 includes the changes attributable to same store
ame store pool for the comparison of the 2017 and 2016 fiscal years includes all properties that were owned and in operation as of Dece
and since January 1, 2016 and excludes properties that were either disposed of prior to, held for sale to a third-party or in redevelopmen
mber 31, 2017. As of December 31, 2017, the same store pool consisted of 140 buildings aggregating approximately 10.2 million squar
senting approximately 78.3% of our total square feet owned and three improved land parcels consisting of 4.9 acres. As of December 31
ame store properties, which we acquired or sold during 2016 and 2017, were held for sale or in redevelopment as of December 31, 201
ildings aggregating approximately 2.8 million square feet and seven improved land parcels consisting of 43.0 acres. As of December 31
our consolidated same store pool occupancy was approximately 97.5% and 98.9%, respectively.

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

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parison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016:

	For the Year Ended December 31,		
	2017	**2016**	**$ Change**
		(Dollars in thousands)	
l revenues			
store	$ 83,464	$ 76,305	$ 7,159
same store operating properties [1]	19,865	8,713	11,152
rental revenues	103,329	85,018	18,311
nt expense reimbursements			
store	24,951	21,441	3,510
same store operating properties [1]	4,204	1,959	2,245
tenant expense reimbursements	29,155	23,400	5,755
revenues	132,484	108,418	24,066
erty operating expenses			
store	29,456	27,755	1,701
same store operating properties [1]	6,418	2,570	3,848
property operating expenses	35,874	30,325	5,549
perating income [2]			
store	78,959	69,991	8,968
same store operating properties [1]	17,651	8,102	9,549
net operating income	$ 96,610	$ 78,093	$ 18,517
costs and expenses			
eciation and amortization	37,870	34,399	3,471
ral and administrative	19,681	19,319	362
isition costs	10	3,129	(3,119)
other costs and expenses	57,561	56,847	714
income (expense)			
est and other income	169	24	145
est expense, including amortization	(16,777)	(13,053)	(3,724)
on extinguishment of debt		(239)	239
on sales of real estate investments	30,654	7,140	23,514

other income and (expenses)	14,046	(6,128)	20,174
ncome	$ 53,095	$ 15,118	$ 37,977

Includes 2016 and 2017 acquisitions and dispositions and seven improved land parcels as of December 31, 2017.
Includes straight-line rents and amortization of lease intangibles. See Non-GAAP Financial Measures in this Annual Report on For
reconciliation of net operating income and same store net operating income from net income and a discussion of why we believe net op
income and same store net operating income are useful supplemental measures of our operating performance.

nues. Total revenues increased approximately $24.1 million for the year ended December 31, 2017 compared to the prior year due prima
erty acquisitions during 2016 and 2017 and increased revenue on new and renewed leases. Same store rental revenues and tenant expens
oursement revenues increased primarily due to new lease agreements at our V Street, Interstate 130, Hamilton, Airgate, Kent 202, and 1
erties. For the quarter and year ended December 31, 2017, approximately $0.9 million and $3.1 million, respectively, was recorded in str
l revenues related to contractual rent abatements given to certain tenants.

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erty operating expenses. Total property operating expenses increased approximately $5.5 million during the year ended December 31, 2 same period from the prior year. The increase in total property operating expenses was due primarily to an increase of approximately $ utable to property acquisitions during 2016 and 2017, an increase of approximately $1.4 million in same store real estate tax expense pr ased taxes on our V Street, Hamilton, and Pennsy properties, and an increase of approximately $0.2 million in expenses related to Hurri h approximately $0.2 million was incurred at our same store operating properties.

eciation and amortization. Depreciation and amortization increased approximately $3.5 million during the year ended December 31, 20 same period from the prior year due to property acquisitions during 2016 and 2017.

ral and administrative expenses. General and administrative expenses increased approximately $0.4 million for the year ended Decemb ared to the same period from the prior year due primarily to increased compensation expense, bonus expense, and accounting service fe ase of approximately $0.6 million in performance share award expense, which varies quarter to quarter based on our relative share price rmance share award expense for the year ended December 31, 2017 was approximately $6.7 million as compared to approximately $7.3 rior year period. See Note 10 Stockholder s Equity in our notes to the consolidated financial statements for more information regar rmance share awards.

isition costs. Acquisition costs decreased by approximately $3.1 million for the year ended December 31, 2017 from the prior year due SU 2017-1 effective January 1, 2017 under which our real estate property acquisitions are accounted for as asset acquisitions. Acquisitio alized to individual assets and liabilities acquired on a relative fair value basis for the year ended December 31, 2017 as compared to ex red in the prior year period.

est and other income. Interest and other income increased approximately $0.1 million for the year ended December 31, 2017 compared d from the prior year.

est expense, including amortization. Interest expense increased approximately $3.7 million for the year ended December 31, 2017 comp year due primarily to an increase in our average outstanding borrowings.

on sales of real estate investments. Gain on sale of real estate investments increased approximately $23.5 million for the year ended De compared to the prior year period due to property sales. The aggregate sales price for property sales for the year ended December 31, 2 oximately $77.3 million as compared to approximately $22.5 million for the prior year period.

ollowing analysis of our results below for the years ended December 31, 2016 and 2015 includes the changes attributable to same store ame store pool for the comparison of the 2016 and 2015 fiscal years includes all properties that were owned and in operation as of Dec and since January 1, 2015 and excludes properties that were either disposed of prior to, held for sale to a third-party or in redevelopme mber 31, 2016. As of December 31, 2016, the same store pool consisted of 116 buildings aggregating approximately 8.6 million square senting approximately 71.9% of our total square feet owned and three improved land parcels consisting of 4.9 acres. As of December 3 ame store properties, which we acquired or sold during 2015 and 2016, were held for sale or in redevelopment as of December 31, 201 ildings aggregating approximately 3.4 million square feet and two improved land parcels consisting of 17.9 acres. As of December 31, our consolidated same store pool occupancy was approximately 99.0% and 92.6%, respectively.

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parison of the Year Ended December 31, 2016 to the Year Ended December 31, 2015:

	For the Year Ended December 31,		
	2016	2015	$ Change
	(Dollars in thousands)		
l revenues			
store	$ 64,820	$ 62,930	$ 1,890
same store operating properties [1]	20,198	12,969	7,229
rental revenues	85,018	75,899	9,119
nt expense reimbursements			
store	18,008	16,990	1,018
same store operating properties [1]	5,392	3,006	2,386
tenant expense reimbursements	23,400	19,996	3,404
revenues	108,418	95,895	12,523
rty operating expenses			
store	23,195	23,066	129
same store operating properties [1]	7,130	3,589	3,541
property operating expenses	30,325	26,655	3,670
perating income [2]			
store	59,633	56,854	2,779
same store operating properties [1]	18,460	12,386	6,074
net operating income	$ 78,093	$ 69,240	$ 8,853
costs and expenses			
eciation and amortization	34,399	36,026	(1,627)
ral and administrative	19,319	14,846	4,473
isition costs	3,129	4,713	(1,584)
other costs and expenses	56,847	55,585	1,262
income (expense)			
est and other income	24	18	6
est expense, including amortization	(13,053)	(9,639)	(3,414)
on extinguishment of debt	(239)		(239)
on sales of real estate investments	7,140	10,567	(3,427)

other income and expenses	(6,128)	946	(7,074)
ncome	$ 15,118	$ 14,601	$ 517

Includes 2015 and 2016 acquisitions and dispositions and two improved land parcels as of December 31, 2016.
Includes straight-line rents and amortization of lease intangibles. See Non-GAAP Financial Measures in this Annual Report on For
reconciliation of net operating income and same store net operating income from net income and a discussion of why we believe net op
income and same store net operating income are useful supplemental measures of our operating performance.

nues. Total revenues increased approximately $12.5 million for the year ended December 31, 2016 compared to the prior year due prima
erty acquisitions during 2015 and 2016 and increased average occupancy in the same store pool portfolio. The increase in same store rev
arily related to same store consolidated occupancy at year end increasing to 99.0% as of December 31, 2016 as compared to 92.6% as of
mber 31, 2015. For the quarter and year ended December 31, 2016, approximately $1.4 million and $3.9 million, respectively, was reco
ht-line rental revenues related to contractual rent abatements given to certain tenants.

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erty operating expenses. Total property operating expenses increased approximately $3.7 million during the year ended December 31, 2 same period from the prior year. The increase in total property operating expenses was due primarily to an increase of approximately $ utable to property acquisitions during 2015 and 2016.

eciation and amortization. Depreciation and amortization decreased approximately $1.6 million during the year ended December 31, 20 same period from the prior year due to additional depreciation expense of approximately $4.0 million incurred during the year ended D related to the redevelopment of our South Main Street property as a result of the reduction of the useful lives of the original buildings, erty acquisitions during 2015 and 2016.

ral and administrative expenses. General and administrative expenses increased approximately $4.5 million for the year ended Decemb ared to the same period from the prior year due primarily to an increase of approximately $2.8 million in performance share award expe s quarter to quarter based on our relative share price performance. Performance share award expense for the year ended December 31, 2 oximately $7.3 million as compared to approximately $4.5 million for the prior year period as a result of our total shareholder return out I U.S. REIT Index (RMS) and the FTSE NAREIT Equity Industrial Index over the prior three year period.

isition costs. Acquisition costs decreased by approximately $1.6 million for the year ended December 31, 2016 from the prior year due ne of property acquisitions during the year ended December 31, 2016 as compared to the prior year.

est and other income. Interest and other income increased approximately $6,000 for the year ended December 31, 2016 compared to the the prior year.

est expense, including amortization. Interest expense increased approximately $3.4 million for the year ended December 31, 2016 comp year due primarily to an increase in our average outstanding borrowings.

on sales of real estate investments. Gain on sale of real estate investments decreased approximately $3.4 million for the year ended Dec compared to the prior year period due to property sales. The aggregate sales price for property sales for the year ended December 31, 20 oximately $22.5 million as compared to approximately $24.6 million for the prior year period.

idity and Capital Resources

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

- limit the sum of the outstanding principal amount of our consolidated indebtedness and the liquidation preference of any outstan preferred stock to less than 35% of our total enterprise value;
- maintain a fixed charge coverage ratio in excess of 2.0x;
- maintain a debt-to-adjusted EBITDA ratio below 6.0x;

limit the principal amount of our outstanding floating rate debt to less than 20% of our total consolidated indebtedness; and

have staggered debt maturities that are aligned to our expected average lease term (5-7 years), positioning us to re-price parts of structure as our rental rates change with market conditions.

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ntend to preserve a flexible capital structure with a long-term goal to maintain our investment grade rating and be in a position to issue a
cured debt and additional perpetual preferred stock. Fitch Ratings assigned us an issuer rating of BBB- with a stable outlook. A security
nmendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Ther
ance that we will be able to maintain our current credit rating. Our credit rating can affect the amount and type of capital we can access,
of any financings we may obtain. In the event our current credit rating is downgraded, it may become difficult or expensive to obtain a
cing or refinance existing obligations and commitments. We intend to primarily utilize senior unsecured notes, term loans, credit faciliti
sitions of properties, common stock and perpetual preferred stock. We may also assume debt in connection with property acquisitions w
a higher loan-to-value.

xpect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if ne
-term borrowings under our credit facility. We believe that our net cash provided by operations will be adequate to fund operating requi
est on any borrowings and fund distributions in accordance with the REIT requirements of the federal income tax laws. In the near-term
future investments in properties with term loans, senior unsecured notes, mortgages, borrowings under our credit facility, perpetual pref
non stock issuances and, from time to time, property dispositions. We expect to meet our long-term liquidity requirements, including wi
investments in industrial properties, property acquisitions and scheduled debt maturities, through borrowings under our credit facility, p
nces of common stock, perpetual preferred stock, and long-term secured and unsecured debt, and with proceeds from the disposition of
uccess of our acquisition strategy may depend, in part, on our ability to obtain and borrow under our credit facility and to access additic
gh issuances of equity and debt securities.

ollowing sets forth certain information regarding our current at-the-market common stock offering program as of December 31, 2017:

l Stock Offering Program	Date Implemented	Maximum Aggregate Offering Price (in thousands)	Aggregate C Available as o 2017 (in
Million ATM Program	August 4, 2017	$ 200,000	$

able below sets forth the activity under the at-the-market common stock offering programs during the years ended December 31, 2017 a
ctively (in thousands, except share data):

he Year Ended	Shares Sold	Weighted Average Price Per Share	Net Proceeds (in thousands)	Sale (ir
mber 31, 2017	7,859,929	$ 32.48	$ 251,585	$
mber 31, 2016	3,991,830	$ 25.39	$ 99,866	$

ly 14, 2017, we issued in a private placement $100.0 million of senior unsecured notes with a seven-year term that bear interest at a fix
est rate of 3.75% and mature in July 2024. Net proceeds from the issuance were used to redeem all 1,840,000 outstanding shares of Seri
, to repay the outstanding borrowings on our revolving credit facility, and for property acquisitions. As of December 31, 2017, we also
million of senior unsecured notes that mature in September 2022, $50.0 million of senior unsecured notes that mature in July 2026, an
million of senior unsecured notes that mature in October 2027 (collectively, with the July 2024 Senior Unsecured Notes, the Senior U
s), and a credit facility (the Facility), which consists of a $200.0 million revolving credit facility that matures in August 2020, a $50
hat matures in August 2021 and a $100.0 million term loan that matures in January 2022. As of December 31, 2017 and December 31,
0 and $51.5 million, respectively, of borrowings outstanding on our revolving credit facility and $150.0 million and $150.0 million, res
wings outstanding on our term loans. We have three interest rate caps to hedge the variable cash flows associated with our existing $15

ble-rate term loans. See Note 8-Derivative Financial Instruments in our notes to consolidated financial statements for more informati
est rate caps.

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ggregate amount of the Facility may be increased to a total of up to $600.0 million, subject to the approval of the administrative agent a
fication of lenders willing to make available additional amounts. Outstanding borrowings under the Facility are limited to the lesser of
150.0 million term loans and the $200.0 million revolving credit facility, or (ii) 60.0% of the value of the unencumbered properties. Inte
ty, including the term loans, is generally to be paid based upon, at our option, either (i) LIBOR plus the applicable LIBOR margin or (i
cable base rate which is the greatest of the administrative agent s prime rate, 0.50% above the federal funds effective rate, or thirty-day
pplicable LIBOR margin for LIBOR rate loans under the Facility plus 1.25%. The applicable LIBOR margin will range from 1.35% to
December 31, 2017) for the revolving credit facility and 1.30% to 1.85% (1.30% as of December 31, 2017) for the $50.0 million term l
res in August 2021 and the $100.0 million term loan that matures in January 2022, depending on the ratio of our outstanding consolidat
tedness to the value of our consolidated gross asset value. The Facility requires quarterly payments of an annual unused facility fee in a
to 0.20% or 0.25% depending on the unused portion of the Facility.

Facility and the Senior Unsecured Notes are guaranteed by us and by substantially all of the current and to-be-formed subsidiaries of the
an unencumbered property. The Facility and the Senior Unsecured Notes are unsecured by our properties or by interests in the subsidiar
properties. The Facility and the Senior Unsecured Notes include a series of financial and other covenants with which we must comply.
liance with the covenants under the Facility and the Senior Unsecured Notes as of December 31, 2017 and December 31, 2016.

December 31, 2017 and 2016, we had outstanding mortgage loans payable, net of deferred financing costs, of approximately $64.8 and
million, respectively, and held cash and cash equivalents totaling approximately $35.7 million and $14.2 million, respectively.

ollowing table summarizes our debt maturities and principal payments as of and for the year ended December 31, 2017, and market cap
alization ratios, Adjusted EBITDA, interest coverage, fixed charge coverage and debt ratios as of and for the years ended December 31,
(dollars in thousands except per share data):

	Credit Facility	Term Loans	Senior Unsecured Notes	Mortgage Loans Payable
	$	$	$	$ 1,910
				18,805
				33,077
		50,000		11,271
		100,000	50,000	
eafter			200,000	
otal		150,000	250,000	65,063
nortized net premiums				
l Debt		150,000	250,000	65,063
rred financing costs, net		(1,103)	(2,045)	(232)
l Debt, net	$	$ 148,897	$ 247,955	$ 64,831
hted Average Interest Rate	n/a	2.5%	4.1%	4.0%

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	As of December 31, 2017	De
l Debt, net	$ 461,683	$
ty		
mon Stock		
s Outstanding [1]	55,368,737	
et Price [2]	$ 35.06	$
et Value	1,941,228	
rred Stock ($25.00 per share liquidation preference)		
l Equity	1,941,228	
l Market Capitalization	$ 2,402,911	$
Debt-to-Total Investments in Properties [3]	28.2%	
Debt-to-Total Market Capitalization [4]	19.2%	
Debt and Preferred Stock-to-Total Market Capitalization [5]	19.2%	
ing Rate Debt as a % of Total Debt [6]	32.3%	
dged Floating Rate Debt as a % of Total Debt [7]	0.0%	
gage Loans Payable as a % of Total Debt [8]	14.0%	
gage Loans Payable as a % of Total Investments in Properties [9]	4.0%	
sted EBITDA [10]	$ 85,830	$
est Coverage [11]	5.1x	
l Charge Coverage [12]	4.6x	
Debt-to-Adjusted EBITDA [13]	5.3x	
Debt and Preferred Stock-to-Adjusted EBITDA [14]	5.3x	
hted Average Maturity of Total Debt (years)	5.4	

Includes 357,183 and 395,281 shares of unvested restricted stock outstanding as of December 31, 2017 and 2016, respectively.
Closing price of our shares of common stock on the New York Stock Exchange on December 31, 2017 and 2016, respectively, in dolla
Total debt-to-total investments in properties is calculated as total debt, including premiums and net of deferred financing costs, divided investments in properties.
Total debt-to-total market capitalization is calculated as total debt, including premiums and net of deferred financing costs, divided by capitalization as of December 31, 2017 and 2016, respectively.
Total debt and preferred stock-to-total market capitalization is calculated as total debt, including premiums and net of deferred financin preferred stock at liquidation preference, if any, divided by total market capitalization as of December 31, 2017 and 2016, respectively redeemed all of our outstanding shares of Series A Preferred Stock in July 2017.
Floating rate debt as a percentage of total debt is calculated as floating rate debt, including premiums and net of deferred financing cos total debt, including premiums and net of deferred financing costs. Floating rate debt includes our existing $150.0 million of variable-r borrowings with interest rate caps of 4.0% plus 1.30% to 1.85%, depending on leverage as of December 31, 2017 and 2016. See Note Financial Instruments in our notes to consolidated financial statements for more information regarding our interest rate caps.
Unhedged floating rate debt as a percentage of total debt is calculated as unhedged floating rate debt, including premiums and net of de financing costs, divided by total debt, including premiums and net of deferred financing costs. Hedged debt includes our existing $150

variable-rate term loan borrowings with interest rate caps of 4.0% plus 1.30% to 1.85%, depending on leverage as of December 31, 20
See Note 8 Derivative Financial Instruments in our notes to consolidated financial statements for more information regarding our

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Mortgage loans payable as a percentage of total debt is calculated as mortgage loans payable, including premiums and net of deferred f
costs, divided by total debt, including premiums and net of deferred financing costs.
Mortgage loans payable as a percentage of investments in properties is calculated as mortgage loans payable, including premiums and
financing costs, divided by total investments in properties.
Earnings before interest, taxes, gains (losses) from sales of property, depreciation and amortization, acquisition costs and stock-based c
(Adjusted EBITDA) for the years ended December 31, 2017 and 2016, respectively. See Non-GAAP Financial Measures in this
Form 10-K for a definition and reconciliation of Adjusted EBITDA from net income and a discussion of why we believe Adjusted EBI
useful supplemental measure of our operating performance.
Interest coverage is calculated as Adjusted EBITDA divided by interest expense, including amortization. See Non-GAAP Financial M
Annual Report on Form 10-K for a definition and reconciliation of Adjusted EBITDA from net income and a discussion of why we be
EBITDA is a useful supplemental measure of our operating performance.
Fixed charge coverage is calculated as Adjusted EBITDA divided by interest expense, including amortization plus preferred stock divi
See Non-GAAP Financial Measures in this Annual Report on Form 10-K for a definition and reconciliation of Adjusted EBITDA fr
and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.
Total debt-to-Adjusted EBITDA is calculated as total debt, including premiums and net of deferred financing costs, divided by annuali
EBITDA. See Non-GAAP Financial Measures in this Annual Report on Form 10-K for a definition and reconciliation of Adjusted E
income and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.
Total debt and preferred stock-to-Adjusted EBITDA is calculated as total debt, including premiums and net of deferred financing costs
preferred stock, if any, divided by annualized Adjusted EBITDA. We redeemed all of our outstanding shares of Series A Preferred Sto
2017. See Non-GAAP Financial Measures in this Annual Report on Form 10-K for a definition and reconciliation of Adjusted EBIT
income and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.

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ollowing table sets forth the cash dividends paid or payable per share during the years ended December 31, 2017 and 2016:

he Three ths Ended	Security		Dividend per Share	Declaration Date	Record Date	Date Paid
h 31, 2017	Common stock	$	0.200000	February 7, 2017	March 28, 2017	April 12, 2017
h 31, 2017	Preferred stock	$	0.484375	February 7, 2017	March 10, 2017	March 31, 2017
30, 2017	Common stock	$	0.200000	May 2, 2017	July 7, 2017	July 21, 2017
30, 2017	Preferred stock	$	0.484375	May 2, 2017	June 9, 2017	June 30, 2017
mber 30, 2017	Common stock	$	0.220000	August 1, 2017	October 6, 2017	October 21, 2017
mber 31, 2017	Common stock	$	0.220000	October 31, 2017	December 29, 2017	January 12, 2018

he Three ths Ended	Security		Dividend per Share	Declaration Date	Record Date	Date Paid
h 31, 2016	Common stock	$	0.180000	February 9, 2016	March 28, 2016	April 12, 2016
h 31, 2016	Preferred stock	$	0.484375	February 9, 2016	March 10, 2016	March 31, 2016
30, 2016	Common stock	$	0.180000	May 3, 2016	July 7, 2016	July 21, 2016
30, 2016	Preferred stock	$	0.484375	May 3, 2016	June 10, 2016	June 30, 2016
mber 30, 2016	Common stock	$	0.200000	July 26, 2016	October 7, 2016	October 21, 2016
mber 30, 2016	Preferred stock	$	0.484375	July 26, 2016	September 9, 2016	September 30, 2016
mber 31, 2016	Common stock	$	0.200000	November 1, 2016	December 30, 2016	January 13, 2017
mber 31, 2016	Preferred stock	$	0.484375	November 1, 2016	December 9, 2016	December 30, 2016

uly 19, 2017, we redeemed all 1,840,000 outstanding shares of our Series A Preferred Stock for cash at a redemption price of $25.00 per nt per share of $0.096875 representing all accrued and unpaid dividends per share from July 1, 2017 to, but excluding, July 19, 2017.

ces and Uses of Cash

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

From Operating Activities. Net cash provided by operating activities totaled approximately $69.5 million for the year ended December ared to approximately $49.2 million for the year ended December 31, 2016. This increase in cash provided by operating activities is pri utable to additional cash flows generated from properties acquired during 2017 and 2016.

From Investing Activities. Net cash used in investing activities was approximately $249.1 million and $149.6 million, respectively, for d December 31, 2017 and 2016, which consists primarily of cash paid for property acquisitions of $297.1 million and $128.5 million, re al improvements of approximately $27.4 million and $42.5 million, respectively, offset by proceeds from sales of real estate investment ximately $75.4 million and $21.4 million, respectively, for the years ended December 31, 2017 and 2016.

From Financing Activities. Net cash provided by financing activities was approximately $203.9 million for the year ended December 3 n consists primarily of approximately $251.5 million in net common stock issuance proceeds and $100.0 million in borrowings on senio , offset by approximately $43.9 million in equity dividend payments, the repurchase of approximately $46.0 million in preferred stock,

ents on our revolving credit facility of approximately $51.5 million. Net cash provided by financing activities was approximately $93.8
ear ended December 31, 2016, which

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sts primarily of approximately $99.9 million in net common stock issuance proceeds and net borrowings on the revolving credit facility
ximately $51.5 million, offset by approximately $36.7 million in equity dividend payments and payments on mortgage loans payable o
ximately $16.9 million.

cal Accounting Policies

w is a discussion of the accounting policies that we believe are critical. We consider these policies critical because they require estimate
rs that are inherently uncertain, involve various assumptions and require significant management judgment, and because they are impor
rstanding and evaluating our reported financial results. These judgments will affect the reported amounts of assets and liabilities and ou
ngent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reportin
ying different estimates or assumptions may result in materially different amounts reported in our financial statements.

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

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

erty Acquisitions. Effective January 1, 2017, we adopted Accounting Standards Update (ASU) 2017-1, *Business Combinations* (Top
fying the Definition of a Business which requires that when substantially all of the fair value of the gross assets acquired (or disposed of
entrated in a single identifiable asset or a group of similar identifiable assets, the integrated set of assets and activities is not considered a
business, the set of acquired activities and assets must include inputs and one or more substantive processes that together contribute to th
e outputs. We have determined that our real estate property acquisitions will generally be accounted for as asset acquisitions under the c
ition. Prior to January 1, 2017 we generally accounted for property acquisitions as business combinations, in accordance with Accountin
fication (ASC) 805, *Business Combinations*. Upon acquisition of a property we estimate the fair value of acquired tangible assets (co
d, buildings and improvements) and intangible assets and liabilities (consisting generally of the above and below-market leases and the
of all in-place leases). We determine fair values using Level 3 inputs such as replacement cost, estimated cash flow projections and oth
iques and applying appropriate discount and capitalization rates based on available market information. Mortgage loans assumed in con
sitions are recorded at their fair value using current market interest rates for similar debt at the date of acquisition. Acquisition-related c
iated with asset acquisitions are capitalized to individual tangible and intangible assets and liabilities assumed on a relative fair value ba
sition-related costs associated with business combinations are expensed as incurred.

air value of the tangible assets is determined by valuing the property as if it were vacant. Land values are derived from current compara
s, when available, or management s estimates of the fair value based on market conditions and the experience of our management team
ovement values are calculated as replacement cost less depreciation, or management s estimates of the fair value of these assets using d
analyses or similar methods. The fair value of the above and below-market leases is based

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e present value of the difference between the contractual amounts to be received pursuant to the acquired leases (using a discount rate th
associated with the acquired leases) and our estimate of the market lease rates measured over a period equal to the remaining term of th
rm of any below-market fixed rate renewal options. The above and below-market lease values are amortized to rental revenues over the
l term plus the term of any below-market fixed rate renewal options that are considered bargain renewal options of the respective leases
nation value of in-place leases is based on costs to execute similar leases, including commissions and other related costs. The origination
ace leases also includes real estate taxes, insurance and an estimate of lost rental revenue at market rates during the estimated time requi
roperty from vacant to the occupancy level at the date of acquisition.

irment. Carrying values for financial reporting purposes are reviewed for impairment on a property-by-property basis whenever events
mstances indicate that the carrying value of a property may not be fully recoverable. Examples of such events or changes in circumstanc
de classifying an asset to be held for sale, changing the intended hold period or when an asset remains vacant significantly longer than e
ded use of an asset either held for sale or held for use can significantly impact how impairment is measured. If an asset is intended to be
term, the recoverability is based on the undiscounted future cash flows. If the asset carrying value is not supported on an undiscounted f
basis, then the asset carrying value is measured against the lower of cost or the present value of expected cash flows over the expected h
npairment charge to earnings is recognized for the excess of the asset s carrying value over the lower of cost or the present values of ex
over the expected hold period. If an asset is intended to be sold, impairment is determined using the estimated fair value less costs to se
ation of expected future net cash flows is inherently uncertain and relies on assumptions, among other things, regarding current and futu
narket conditions and the availability of capital. We determine the estimated fair values based on its assumptions regarding rental rates,
ng periods, as well as sales prices. When available, current market information is used to determine capitalization and rental growth rate
nt comparative sales values may also be used to establish fair value. When market information is not readily available, the inputs are ba
rstanding of market conditions and the experience of our management team. Actual results could differ significantly from our estimates.
used in the fair value estimates represent a rate commensurate with the indicated holding period with a premium layered on for risk.

ontinued Operations. We consider a property to be classified as discontinued operations when it meets the criteria established under Ac
dards Update (ASU) 2014-08. Disposals that represent a strategic shift that should have or will have a major effect on our operations
s qualify as discontinued operations.

nue Recognition. We record rental revenue from operating leases on a straight-line basis over the term of the leases and maintain an all
ated losses that may result from the inability of our tenants to make required payments. If tenants fail to make contractual lease paymen
er than our allowance for doubtful accounts, security deposits and letters of credit, then we may have to recognize additional doubtful ac
ure periods. We monitor the liquidity and creditworthiness of our tenants on an on-going basis by reviewing their financial condition pe
opriate. Each period we review our outstanding accounts receivable, including straight-line rents, for doubtful accounts and provide allo
ed. We also record lease termination fees when a tenant has executed a definitive termination agreement with us and the payment of the
not subject to any conditions that must be met or waived before the fee is due to us. If a tenant remains in the leased space following th
nitive termination agreement, the applicable termination will be deferred and recognized over the term of such tenant s occupancy.

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

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ne Taxes. We elected to be taxed as a REIT under the Code and operate as such beginning with our taxable year ended December 31, 2
fy as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of ou
taxable income to our stockholders (which is computed without regard to the dividends paid deduction or net capital gain and which do
sarily equal net income as calculated in accordance with GAAP). As a REIT, we generally will not be subject to federal income tax to t
bute qualifying dividends to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income ta
le income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal incom
e four taxable years following the year during which qualification is lost unless the IRS grants us relief under certain statutory provisio
could materially adversely affect our net income and net cash available for distribution to stockholders. However, we believe we are o
te in such a manner as to qualify for treatment as a REIT.

-Based Compensation and Other Long-Term Incentive Compensation. We follow the provisions of ASC 718, *Compensation-Stock C*
count for our stock-based compensation plan, which requires that the compensation cost relating to stock-based payment transactions be
nancial statements and that the cost be measured on the fair value of the equity or liability instruments issued. We have adopted the Am
ted 2010 Equity Incentive Plan, which provides for the grant of restricted stock awards, performance share awards, unrestricted shares o
ination of the foregoing. Stock-based compensation is recognized as a general and administrative expense in the financial statements a
ir value of the award on the date of grant. We estimate the forfeiture rate based on historical experience as well as expected behavior. T
xpense may be subject to adjustment in future periods depending on the specific characteristics of the stock-based award.

dition, we have awarded long-term incentive target awards on an annual basis to our executives that are payable in shares of our commo
onclusion of each pre-established performance measurement period. The amount that may be earned under the long-term incentive plan
nding on the relative total shareholder return of our stock as compared to the total shareholder return of the MSCI U.S. REIT Index (RM
NAREIT Equity Industrial Index over the pre-established performance measurement period. We estimate the fair value of the long-ter
t awards using a Monte Carlo simulation model on the date of grant and at each reporting period. These awards are recognized as compe
nse over the requisite performance period based on the fair value of the award at the balance sheet date.

Balance Sheet Arrangements

o not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial cond
ancial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to inve

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ractual Obligations

February 7, 2018 we have three outstanding contracts with third-party sellers to acquire three industrial properties. There is no assuran
re the properties under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence and variou
tions. The following table summarizes certain information with respect to the properties we have under contract:

ket	Number of Buildings	Square Feet	Purchase Price (in thousands)
Angeles			
hern New Jersey/New York City	1	83,294	25,170
Francisco Bay Area			
e	2	442,720	67,410
ni			
ington, D.C.			
	3	526,014	$ 92,580

February 7, 2018, we have two outstanding contracts with third-party purchasers to sell two properties consisting of three buildings for
price of approximately $39.3 million (aggregate net book value of approximately $29.4 million). There is no assurance we will sell the
contract because the proposed dispositions are subject to the purchaser s completion of satisfactory due diligence and various closing

ollowing table summarizes our contractual obligations due by period as of December 31, 2017 (dollars in thousands):

ractual Obligations	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	$ 1,910	$ 51,882	$ 211,271	$ 200,000
interest payments	12,780	23,277	20,575	27,105
ating lease commitments	258	534	416	
ase obligations	92,580			
	$ 107,528	$ 75,693	$ 232,262	$ 227,105

GAAP Financial Measures

se the following non-GAAP financial measures that we believe are useful to investors as key supplemental measures of our operating p
from operations, or FFO, Adjusted EBITDA, net operating income, or NOI, same store NOI and cash-basis same store NOI. FFO, Adj
DA, NOI, same store NOI and cash-basis same store NOI should not be considered in isolation or as a substitute for measures of perfor
dance with GAAP. Further, our computation of FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI may not
arable to FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI reported by other companies.

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ompute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts (NAREIT), whic
come (loss) (determined in accordance with GAAP), excluding gains (losses) from sales of property and impairment write-downs of de
, plus depreciation and amortization on real estate assets and after adjustments for unconsolidated partnerships and joint ventures (whic
lated to reflect FFO on the same basis). We believe that presenting FFO provides useful information to investors regarding our operatin
se it is a measure of our operations without regard to specified non-cash items, such as real estate depreciation and amortization and ga
f assets.

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

ollowing table reflects the calculation of FFO reconciled from net income (loss), net of redemption of preferred stock and preferred stoc
e three months ended December 31, 2017, 2016 and 2015 and for the years ended December 31, 2017, 2016 and 2015 (dollars in thous
hare data):

	For the Three Months Ended December 31,				For the Three Months Ended December 31,		
	2017	2016	$ Change	% Change	2016	2015	$ Change
ncome, net of redemption eferred stock and rred stock dividends	$ 10,836	$ 941	$ 9,895	1051.5%	$ 941	$ (331)	$ 1,272
on sales of real estate tments	(5,105)		(5,105)	n/a		(4,248)	4,248
eciation and amortization eciation and amortization continuing operations	10,015	9,185	830	9.0%	9,185	12,065	(2,880)
real estate depreciation	(31)	(21)	(10)	47.6%	(21)	(23)	2
ation to participating ities [1]	(107)	(84)	(23)	27.4%	(84)	(70)	(14)
s from operations utable to common holders [2, 3]	$ 15,608	$ 10,021	$ 5,587	55.8%	$ 10,021	$ 7,393	$ 2,628
and diluted FFO per non share	$ 0.29	$ 0.22	$ 0.07	31.8%	$ 0.22	$ 0.17	$ 0.05
hted average basic and d common shares	54,563,353	46,277,521			46,277,521	42,906,538	

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	For the Year Ended December 31,		$ Change	% Change	For the Year Ended December 31,		$ Change
	2017	2016			2016	2015	
ncome, net of redemption eferred stock and rred stock dividends	$ 49,367	$ 11,553	$ 37,814	327.3%	$ 11,553	$ 11,036	$ 517
on sales of real estate tments	(30,654)	(7,140)	(23,514)	329.3%	(7,140)	(10,567)	3,427
eciation and amortization							
eciation and amortization continuing operations	37,870	34,399	3,471	10.1%	34,399	36,026	(1,627)
real estate depreciation	(109)	(86)	(23)	26.7%	(86)	(102)	16
ation to participating ities [1]	(404)	(335)	(69)	20.6%	(335)	(221)	(114)
s from operations utable to common holders [2, 3, 4]	$ 56,070	$ 38,391	$ 17,679	46.0%	$ 38,391	$ 36,172	$ 2,219
and diluted FFO per non share	$ 1.09	$ 0.86	$ 0.23	26.7%	$ 0.86	$ 0.84	$ 0.02
hted average basic and ed common shares	51,357,719	44,725,936			44,725,936	42,861,276	

To be consistent with our policies of determining whether instruments granted in share-based payment transactions are participating se accounting for earnings per share, the FFO per common share is adjusted for FFO distributed through declared dividends (if any) and a participating securities (weighted average common shares outstanding and unvested restricted shares outstanding) under the two-class Under this method, allocations were made to 359,910, 396,855, and 403,865 of weighted average unvested restricted shares outstandin months ended December 31, 2017, 2016 and 2015, respectively, and 375,924, 398,475, and 242,402 for the years ended December 31, and 2015, respectively.

Includes expensed acquisition costs of approximately $0, $1.0 million and $1.1 million for the three months ended December 31, 2017 2015, respectively, and approximately $0, $3.1 million and $4.7 million for the years ended December 31, 2017, 2016 and 2015, respe

Includes performance share award expense of approximately $1.1 million, $3.0 million and $2.0 million for the three months ended De 2017, 2016 and 2015, respectively, and approximately $6.7 million, $7.3 million and $4.5 million for the years ended December 31, 20 2015, respectively, which varies quarter to quarter based our total shareholder return outperforming the MSCI U.S. REIT Index (RMS NAREIT Equity Industrial Index over the prior three year period. See Note 10 Stockholders Equity in our notes to consolidated f for more information regarding our performance share awards.

Includes redemption charges of approximately $1.8 million, $0, and $0 during the years ended December 31, 2017, 2016, and 2015, re representing the write-off of original issuance costs related to the redemption of our Series A Preferred Stock.

ompute Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, gain on sales of real estate investments, acc tock-based compensation. We believe that presenting Adjusted EBITDA provides useful information to investors regarding our operatin rmance because it is a measure of our operations on an unleveraged basis before the effects of tax, gain (loss) on sales of real estate inve

cash depreciation and amortization expense, acquisition costs and stock-based compensation. By excluding interest expense, Adjusted E
s investors to measure our operating performance independent of our capital structure and indebtedness and, therefore, allows for more
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perating performance between quarters and other interim periods as well as annual periods and for the comparison of our operating perf
f other companies, both in the real estate industry and in other industries. As we are currently in a growth phase, acquisition costs are ex
sted EBITDA to allow for the comparison of our operating performance to that of stabilized companies.

ollowing table reflects the calculation of Adjusted EBITDA reconciled from net income for the three months ended December 31, 2017
and for the years ended December 31, 2017, 2016 and 2015 (dollars in thousands):

	For the Three Months Ended December 31,				For the Three Months Ended December 31,		
	2017	2016	$ Change	% Change	2016	2015	$ Change
ncome	$ 10,836	$ 1,832	$ 9,004	491.5%	$ 1,832	$ 560	$ 1,272
on sales of real estate investments	(5,105)		(5,105)	n/a		(4,248)	4,248
eciation and amortization from nuing operations	10,015	9,185	830	9.0%	9,185	12,065	(2,880)
est expense, including tization	4,691	3,642	1,049	28.8%	3,642	3,095	547
on extinguishment of debt				n/a			
-based compensation	1,471	3,474	(2,003)	(57.7)%	3,474	2,510	964
isition costs	(1)	990	(991)	n/a	990	1,062	(72)
sted EBITDA	$ 21,907	$ 19,123	$ 2,784	14.6%	$ 19,123	$ 15,044	$ 4,079

	For the Year Ended December 31,				For the Year Ended December 31,		
	2017	2016	$ Change	% Change	2016	2015	$ Change
ncome	$ 53,095	$ 15,118	$ 37,977	251.2%	$ 15,118	$ 14,601	$ 517
on sales of real estate tments	(30,654)	(7,140)	(23,514)	329.3%	(7,140)	(10,567)	3,427
eciation and amortization from nuing operations	37,870	34,399	3,471	10.1%	34,399	36,026	(1,627)
est expense, including tization	16,777	13,053	3,724	28.5%	13,053	9,639	3,414
on extinguishment of debt		239	(239)	n/a	239		239
-based compensation	8,732	9,444	(712)	(7.5)%	9,444	6,081	3,363
isition costs	10	3,129	(3,119)	(99.7)%	3,129	4,713	(1,584)
sted EBITDA	$ 85,830	$ 68,242	$ 17,588	25.8%	$ 68,242	$ 60,493	$ 7,749

ompute NOI as rental revenues, including tenant expense reimbursements, less property operating expenses. We compute same store N
ues, including tenant expense reimbursements, less property operating expenses on a same store basis. NOI excludes depreciation, amo

ral and administrative expenses, acquisition costs and interest expense. We compute cash-basis same store NOI as same store NOI exclu
ht-line rents and amortization of lease intangibles. The same store pool for the comparison of the three months and years ended Decemb
016 includes all properties that were owned as of December 31, 2017 and since January 1, 2016 and excludes properties that were eithe
to, held for sale to a third-party or in redevelopment as of December 31, 2017. As of December 31, 2017, the same store pool consisted
ings aggregating approximately 10.2 million square feet representing approximately 78.3% of our total square feet owned and three imp
ls containing 4.9 acres. The same store pool for the comparison of the three months and years ended December 31, 2016 and 2015 inclu
erties that were owned as of December 31, 2016 and since January 1, 2015 and excludes properties that were either disposed of prior to,
hird-party or in redevelopment as of December 31, 2015. As of

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mber 31, 2016, the same store pool consisted of 116 buildings aggregating approximately 8.6 million square feet representing approxim
otal square feet owned and three improved land parcels consisting of 4.9 acres. We believe that presenting NOI, same store NOI and cas
NOI provides useful information to investors regarding the operating performance of our properties because NOI excludes certain item
dered to be controllable in connection with the management of the properties, such as depreciation, amortization, general and administr
nses, acquisition costs and interest expense. By presenting same store NOI and cash-basis same store NOI, the operating results on a sar
rectly comparable from period to period.

ollowing table reflects the calculation of NOI, same store NOI and cash-basis same store NOI reconciled from net income for the three
ears ended December 31, 2017, 2016 and 2015 (dollars in thousands):

	For the Three Months Ended December 31,				For the Three Months Ended December 31,		
	2017	2016	$ Change	% Change	2016	2015	$ Change
ncome [1]	$ 10,836	$ 1,832	$ 9,004	491.5%	$ 1,832	$ 560	$ 1,272
eciation and amortization continuing operations	10,015	9,185	830	9.0%	9,185	12,065	(2,880)
ral and administrative	4,431	6,015	(1,584)	(26.3)%	6,015	4,747	1,268
isition costs	(1)	990	(991)	n/a	990	1,062	(72)
other income and expenses	(508)	3,637	(4,145)	n/a	3,637	(1,157)	4,794
perating income	24,773	21,659	3,114	14.4%	21,659	17,277	4,382
non same store NOI	(5,003)[4]	(3,004)[4]	(1,999)	66.5%	(6,218)[5]	(2,892)[5]	(3,326)
store NOI [2]	$ 19,770	$ 18,655	$ 1,115	6.0%	$ 15,441	$ 14,385	$ 1,056
straight-line rents and tization of lease intangibles [3]	(507)	(1,033)	526	(50.9)%	(261)	(723)	462
-basis same store NOI [2]	$ 19,263	$ 17,622	$ 1,641	9.3%	$ 15,180	$ 13,662	$ 1,518

Includes approximately $0, $0 and $0.1 million of lease termination income for the three months ended December 31, 2017, 2016 and
respectively, and approximately $4.0 million of depreciation expense for three months ended December 31, 2015 related to the redevel
South Main property as a result of the reduction of the useful lives of the original buildings.
Includes approximately $0, $0 and $0.1 million of lease termination income for the three months ended December 31, 2017, 2016 and
respectively.
Includes straight-line rents and amortization of lease intangibles for the same store pool only.
Includes 2016 and 2017 acquisitions.
Includes 2015 and 2016 acquisitions and one completed redevelopment property with a gross book value of approximately $40.3 milli
accumulated depreciation of approximately $4.2 million as of December 31, 2016.

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	For the Year Ended December 31,				For the Year Ended December 31,		
	2017	2016	$ Change	% Change	2016	2015	$ Change
ncome [1]	$ 53,095	$ 15,118	$ 37,977	251.2%	$ 15,118	$ 14,601	$ 517
eciation and amortization from nuing operations	37,870	34,399	3,471	10.1%	34,399	36,026	(1,627)
ral and administrative	19,681	19,319	362	1.9%	19,319	14,846	4,473
isition costs	10	3,129	(3,119)	(99.7)%	3,129	4,713	(1,584)
other income and expenses	(14,046)	6,128	(20,174)	n/a	6,128	(946)	7,074
perating income	96,610	78,093	18,517	23.7%	78,093	69,240	8,853
non same store NOI	(17,651)[4]	(8,102)[4]	(9,549)	117.9%	(18,460)[5]	(12,386)[5]	(6,074)
store NOI [2]	$ 78,959	$ 69,991	$ 8,968	12.8%	$ 59,633	$ 56,854	$ 2,779
straight-line rents and amortization of intangibles [3]	(2,739)	(4,564)	1,825	(40.0)%	(2,200)	(3,982)	1,782
-basis same store NOI [2]	$ 76,220	$ 65,427	$ 10,793	16.5%	$ 57,433	$ 52,872	$ 4,561

Includes approximately $0.1 million, $0 and $0.3 million of lease termination income for the years ended December 31, 2017, 2016 ar respectively and approximately $4.0 million of depreciation expense for the year ended December 31, 2015 related to the redevelopme South Main property as a result of the reduction of the useful lives of the original buildings.

Includes approximately $0.1 million, $0 and $0.2 million of lease termination income for the years ended December 31, 2017, 2016 ar respectively.

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

Includes 2016 and 2017 acquisitions.

Includes 2015 and 2016 acquisitions and one completed redevelopment property with a gross book value of approximately $40.3 milli accumulated depreciation of approximately $4.2 million as of December 31, 2016.

-basis same store NOI increased by approximately $10.8 million for the year ended December 31, 2017 compared to the same period fro primarily due to increased rental revenue and tenant reimbursement revenue on new and renewed leases. Same store rental revenues anc bursements primarily increased due to new leases at our V Street, Interstate 130, Hamilton, Airgate, Kent 202, and 180 Manor propertie store NOI increased by approximately $1.6 million for the three months ended December 31, 2017 compared to the same period from t arily due to increased rental revenue and tenant reimbursement revenue on new and renewed leases. Same store rental revenues and tena bursements primarily increased due to new leases at our V Street, Interstate 130, Hamilton, Kent 202, and 180 Manor properties. For the ears ended December 31, 2017 and 2016, approximately $0.3 million and $0.7 million, respectively, and approximately $1.7 million an ctively, of contractual rent abatements were given to certain tenants in the same-store pool.

7A. Quantitative And Qualitative Disclosures About Market Risk.

et risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and othe ges that affect market sensitive instruments. In pursuing our business strategies, the primary market risk which we are exposed to is inte

re exposed to interest rate changes primarily as a result of debt used to maintain liquidity, fund capital expenditures and expand our inve
olio and operations. We seek to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing c
ibed below, some of our outstanding debt bears interest at variable rates, and we expect that some of our future outstanding debt will ha
est rates. We may use interest rate caps and/or swap agreements to manage our interest rate risks relating to our variable rate debt. We ex
ce variable rate debt on a regular basis with fixed rate, long-term debt to finance our assets and operations.

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December 31, 2017, we had $150.0 million of borrowings outstanding under our Facility. Of the $150.0 million outstanding on the Fac
0 million is subject to interest rate caps. See Note 8 Derivative Financial Instruments in our notes to consolidated financial stateme
mation regarding our interest rate caps. Amounts borrowed under our Facility bear interest at a variable rate based on LIBOR plus an ap
R margin. The weighted average interest rate on borrowings outstanding under our Facility was 2.54% as of December 31, 2017. If the
uates by 0.25%, interest expense would increase or decrease, depending on rate movement, future earnings and cash flows by approxima
million annually on the total of the outstanding balances on our Facility as of December 31, 2017.

8. Financial Statements And Supplementary Data.

art IV, Item 15 Exhibits and Financial Statement Schedules beginning on page F-1 of this Annual Report on Form 10-K.

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

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9A. Controls And Procedures.

uation of Disclosure Controls and Procedures

management has evaluated, under the supervision and with the participation of our Chief Executive Officer, President and Chief Financi
tiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), and has concl
nd of the period covered by this report, our disclosure controls and procedures were effective to give reasonable assurance that informat
sclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the ti
fied in the SEC s rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer, Pr
Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

agement s Annual Report on Internal Control Over Financial Reporting

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

no Realty Corporation s management assessed the effectiveness of its internal control over financial reporting as of December 31, 201
ssessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Interna
rol-Integrated Framework (2013 framework). Based on its assessment, management of Terreno Realty Corporation believes that, as of D
the company s internal control over financial reporting is effective based on those criteria. Terreno Realty Corporation s independent
d an audit report on the effectiveness of the company s internal control over financial reporting, as stated in their report included in this
rm 10-K, (which expresses an unqualified opinion on the effectiveness of the company s internal control over financial reporting as of
).

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to Financial Statements

Report of Independent Registered Public Accounting Firm

e Shareholders and the Board of Directors of Terreno Realty Corporation

ion on Internal Control over Financial Reporting

ave audited Terreno Realty Corporation s internal control over financial reporting as of December 31, 2017, based on criteria establish
rol Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the
ia). In our opinion, Terreno Realty Corporation (the Company) maintained, in all material respects, effective internal control over financ
December 31, 2017, based on the COSO criteria.

lso have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the c
ce sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, equity and
of the three years in the period ended December 31, 2017, and the related notes and the financial statement schedule listed in the Index
ompany and our report dated February 7, 2018 expressed an unqualified opinion thereon.

for Opinion

Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the e
nal control over financial reporting included in the accompanying Management s Annual Report on Internal Control Over Financial Re
nsibility is to express an opinion on the Company s internal control over financial reporting based on our audit. We are a public accoun
ered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities la
cable rules and regulations of the Securities and Exchange Commission and the PCAOB.

onducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtai
ance about whether effective internal control over financial reporting was maintained in all material respects.

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

ition and Limitations of Internal Control Over Financial Reporting

mpany s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of finan
he preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s
financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accura
t the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as nece
ration of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the co
made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regar
ntion or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on th
nents.

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

nst & Young LLP

rancisco, CA

uary 7, 2018

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to Financial Statements

nges in Internal Control Over Financial Reporting

e were no changes in our internal control over financial reporting during the quarter ended December 31, 2017 that have materially affec
nably likely to materially affect, our internal control over financial reporting.

9B. Other Information.

.

Part III

10. Directors, Executive Officers and Corporate Governance.

nformation required by Item 10 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we ant
no later than 120 days after the end of our fiscal year ended December 31, 2017 and is incorporated herein by reference.

11. Executive Compensation.

nformation required by Item 11 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we ant
no later than 120 days after the end of our fiscal year ended December 31, 2017 and is incorporated herein by reference.

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

nformation required by Item 12 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we ant
no later than 120 days after the end of our fiscal year ended December 31, 2017 and is incorporated herein by reference.

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

nformation required by Item 13 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we ant
no later than 120 days after the end of our fiscal year ended December 31, 2017 and is incorporated herein by reference.

14. Principal Accounting Fees and Services.

nformation required by Item 14 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we ant
no later than 120 days after the end of our fiscal year ended December 31, 2017 and is incorporated herein by reference.

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Part IV

15. Exhibits and Financial Statement Schedules.

and 2. *Financial Statements and Schedules*

ollowing consolidated financial information is included as a separate section of this Annual Report on Form 10-K beginning on page F-

rt of Independent Registered Public Accounting Firm
olidated Balance Sheets as of December 31, 2017 and 2016
olidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015
olidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015
olidated Statements of Equity for the years ended December 31, 2017, 2016 and 2015
olidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015
s to Consolidated Financial Statements
dule III Real Estate Investments and Accumulated Depreciation

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

hibits

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

16. Form 10-K Summary.

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to Financial Statements

Report of Independent Registered Public Accounting Firm

e Shareholders and the Board of Directors of Terreno Realty Corporation

ion on the Financial Statements

ave audited the accompanying consolidated balance sheets of Terreno Realty Corporation (the Company) as of December 31, 2017 and
d consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended D
and the related notes and the financial statement schedule listed in the Index at Item 15 (collectively referred to as the financial staten
on, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company
mber 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended
in conformity with U.S. generally accepted accounting principles.

scussed in Note 2 to the consolidated financial statements, the Company adopted and applied the revised definition of a business which
ment of acquisition costs as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from A
lards Update No. 2017-01 Business Combinations (Topic 805): Clarifying the Definition of Business, effective January 1, 2017.

lso have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the C
nal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issu
mittee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 7, 2018 expressed a
on thereon.

for Opinion

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

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

nst & Young LLP

ave served as the Company s auditor since 2012.

Francisco, California

uary 7, 2018

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to Financial Statements

Terreno Realty Corporation

Consolidated Balance Sheets

(in thousands except share and per share data)

		December 31, 2017		Decen
ETS				
tments in real estate				
	$	759,659	$	
ings and improvements		801,242		
gible assets		76,029		
investments in properties		1,636,930		
mulated depreciation and amortization		(139,814)		
nvestments in real estate		1,497,116		
and cash equivalents		35,710		
icted cash		7,090		
assets, net		27,955		
assets	$	1,567,871	$	
BILITIES AND EQUITY				
lities				
t facility	$		$	
loans payable, net		148,897		
or unsecured notes, net		247,955		
gage loans payable, net		64,831		
rity deposits		11,058		
gible liabilities, net		22,361		
lends payable		12,181		
rmance share awards payable		11,824		
unts payable and other liabilities		21,270		
liabilities		540,377		
mitments and contingencies (Note 13)				
y				
holders equity				
rred stock: $0.01 par value, 100,000,000 shares authorized, and 0 and 1,840,000 shares dation preference of $25.00 per share) issued and outstanding, respectively				
mon stock: $0.01 par value, 400,000,000 shares authorized, and 55,368,737 and 4,365 shares issued and outstanding, respectively		553		
tional paid-in capital		1,023,184		

ned earnings		4,803	
mulated other comprehensive loss		(1,046)	
stockholders equity		1,027,494	
liabilities and equity	$	1,567,871	$

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

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to Financial Statements

Terreno Realty Corporation

Consolidated Statements of Operations

(in thousands except share and per share data)

	For the Year Ended December 3			
	2017		**2016**	
ENUES				
l revenues	$	103,329	$	85,018
nt expense reimbursements		29,155		23,400
revenues		132,484		108,418
TS AND EXPENSES				
erty operating expenses		35,874		30,325
eciation and amortization		37,870		34,399
ral and administrative		19,681		19,319
isition costs		10		3,129
costs and expenses		93,435		87,172
ER INCOME (EXPENSE)				
est and other income		169		24
est expense, including amortization		(16,777)		(13,053)
on extinguishment of debt				(239)
on sales of real estate investments		30,654		7,140
other income and expenses		14,046		(6,128)
ncome		53,095		15,118
mption of preferred stock		(1,767)		
rred stock dividends		(1,961)		(3,565)
ncome, net of redemption of preferred stock and preferred stock dividends		49,367		11,553
ation to participating securities		(352)		(95)
ncome available to common stockholders, net of redemption of preferred stock referred stock dividends	$	49,015	$	11,458
NINGS PER COMMON SHARE BASIC AND DILUTED:				
ncome available to common stockholders, net of redemption of preferred stock referred stock dividends	$	0.95	$	0.26

IC AND DILUTED WEIGHTED AVERAGE COMMON SHARES STANDING	51,357,719	44,725,936

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

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to Financial Statements

Terreno Realty Corporation

Consolidated Statements of Comprehensive Income

(in thousands)

	For the Year Ended De	
	2017	**2016**
ncome	$ 53,095	$ 15,118
r comprehensive income (loss): cash flow hedge adjustment	(148)	(102)
prehensive income	$ 52,947	$ 15,016

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

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to Financial Statements

Terreno Realty Corporation

Consolidated Statements of Equity

(in thousands except share data)

	Preferred Stock	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss
nce as of December 31, 2014	$ 46,000	42,869,463	$ 428	$ 700,755	$	$ (147)
ncome					14,601	
nce of common stock, net of issuance of $69		153,044	2	3,051		
rchase of common stock		(20,322)		(512)		
nce of restricted stock		308,087				
-based compensation				1,600		
mon stock dividends				(17,446)	(11,036)	
rred stock dividends					(3,565)	
comprehensive loss						(649)
nce as of December 31, 2015	46,000	43,310,272	430	687,448		(796)
ncome					15,118	
nce of common stock, net of issuance of $2,813		4,139,224	44	101,417		
rchase of common stock		(67,928)		(1,551)		
nce of restricted stock		32,797				
-based compensation				2,231		
mon stock dividends				(23,316)	(11,553)	
rred stock dividends					(3,565)	
comprehensive loss						(102)
nce as of December 31, 2016	46,000	47,414,365	474	766,229	$	$ (898)
ncome					53,095	
nce of common stock, net of issuance of $4,202		8,066,150	79	256,645		
rchase of common stock		(144,025)		(3,436)		
mption of preferred stock	(46,000)			1,729	(1,767)	
nce of restricted stock		32,247				
-based compensation				2,017		
mon stock dividends					(44,564)	
rred stock dividends					(1,961)	
comprehensive loss						(148)

nce as of December 31, 2017	$	55,368,737	$	553	$ 1,023,184	$	4,803	$	(1,046)

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

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to Financial Statements

Terreno Realty Corporation

Consolidated Statements of Cash Flows

(in thousands)

	For the Year Ended Dece	
	2017	**2016**
H FLOWS FROM OPERATING ACTIVITIES		
ncome	$ 53,095	$ 15,118
stments to reconcile net income to net cash provided by operating activities		
ght-line rents	(3,657)	(4,740)
rtization of lease intangibles	(2,161)	(1,338)
eciation and amortization	37,870	34,399
on extinguishment of debt		239
on sales of real estate investments	(30,654)	(7,140)
rred financing cost and mortgage premium amortization	1,193	766
-based compensation	8,732	9,444
ges in assets and liabilities		
assets	584	(3,174)
unts payable and other liabilities	4,496	5,667
ash provided by operating activities	69,498	49,241
H FLOWS FROM INVESTING ACTIVITIES		
paid for property acquisitions	(297,109)	(128,495)
eeds from sales of real estate investments, net	75,396	21,379
tions to construction in progress		(15,577)
tions to buildings, improvements and leasing costs	(27,405)	(26,936)
ash used in investing activities	(249,118)	(149,629)
H FLOWS FROM FINANCING ACTIVITIES		
nce of common stock	255,295	101,432
nce costs on issuance of common stock	(3,764)	(1,506)
rchase of common stock	(3,436)	(1,551)
rchase of preferred stock	(46,000)	
ase of derivative instrument		
owings on credit facility	93,000	95,500
nents on credit facility	(144,500)	(44,000)
nents on term loans payable		(50,000)
owings on senior unsecured notes	100,000	50,000
nents on mortgage loans payable	(1,916)	(16,871)
ent of deferred financing costs	(872)	(2,499)
dends paid to common stockholders	(41,866)	(33,182)
dends paid to preferred stockholders	(1,999)	(3,565)

ash provided by financing activities	203,942	93,758
ncrease (decrease) in cash and cash equivalents and restricted cash	24,322	(6,630)
and cash equivalents and restricted cash at beginning of year	18,478	25,108
and cash equivalents and restricted cash at end of year	$ 42,800	$ 18,478
PLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
paid for interest, net of capitalized interest	$ 13,839	$ 11,888
lemental disclosures of non-cash transactions		
unts payable related to capital improvements	$ 6,996	$ 7,955
mption of preferred stock	1,729	
nciliation of cash paid for property acquisitions		
isition of properties	$ 319,666	$ 130,944
mption of mortgage loans payable		
gage premiums		
mption of other assets and liabilities	(22,557)	(2,449)
ash paid for property acquisitions	$ 297,109	$ 128,495

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

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to Financial Statements

Terreno Realty Corporation

Notes to Consolidated Financial Statements

1. Organization

no Realty Corporation (Terreno , and together with its subsidiaries, the Company) acquires, owns and operates industrial real estat
al U.S. markets: Los Angeles, Northern New Jersey/New York City, San Francisco Bay Area, Seattle, Miami, and Washington, D.C. A
, occupancy and number of properties and improved land parcels disclosed in these notes to the consolidated financial statements are un
mber 31, 2017, the Company owned 196 buildings aggregating approximately 13.0 million square feet and ten improved land parcels co
oximately 47.9 acres.

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

2. Significant Accounting Policies

of Presentation. The accompanying consolidated financial statements of the Company have been prepared in accordance with account
rally accepted in the United States of America (GAAP). The accompanying consolidated financial statements include all of the Comp
s subsidiaries and all intercompany balances and transactions have been eliminated in consolidation.

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

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

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

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

irment. Carrying values for financial reporting purposes are reviewed for impairment on a property-by-property basis whenever events
mstances indicate that the carrying value of a property may not be fully recoverable. Examples of such events or changes in circumstanc
de classifying an asset to be held for sale, changing the intended hold period or when an asset remains vacant

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to Financial Statements

ficantly longer than expected. The intended use of an asset either held for sale or held for use can significantly impact how impairment i
set is intended to be held for the long-term, the recoverability is based on the undiscounted future cash flows. If the asset carrying value
orted on an undiscounted future cash flow basis, then the asset carrying value is measured against the lower of cost or the present value
flows over the expected hold period. An impairment charge to earnings is recognized for the excess of the asset s carrying value over th
e present values of expected cash flows over the expected hold period. If an asset is intended to be sold, impairment is determined using
alue less costs to sell. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions, among other t
ding current and future economic and market conditions and the availability of capital. The Company determines the estimated fair valu
mptions regarding rental rates, lease-up and holding periods, as well as sales prices. When available, current market information is used
alization and rental growth rates. If available, current comparative sales values may also be used to establish fair value. When market in
eadily available, the inputs are based on the Company s understanding of market conditions and the experience of the Company s man
al results could differ significantly from the Company s estimates. The discount rates used in the fair value estimates represent a rate co
the indicated holding period with a premium layered on for risk. There were no impairment charges recorded during the years ended De
2016 or 2015.

erty Acquisitions Effective January 1, 2017, the Company adopted Accounting Standards Update (ASU) 2017-1, *Business Combinat*
fying the Definition of a Business which requires that when substantially all of the fair value of the gross assets acquired (or disposed of
entrated in a single identifiable asset or a group of similar identifiable assets, the integrated set of assets and activities is not considered a
business, the set of acquired activities and assets must include inputs and one or more substantive processes that together contribute to th
e outputs. The Company has determined that its real estate property acquisitions will generally be accounted for as asset acquisitions un
ied definition. Prior to January 1, 2017 the Company generally accounted for property acquisitions as business combinations, in accorda
unting Standards Codification (ASC) 805, *Business Combinations*. Upon acquisition of a property the Company estimates the fair va
ble assets (consisting generally of land, buildings and improvements) and intangible assets and liabilities (consisting generally of the ab
v-market leases and the origination value of all in-place leases). The Company determines fair values using Level 3 inputs such as repla
ated cash flow projections and other valuation techniques and applying appropriate discount and capitalization rates based on available
mation. Mortgage loans assumed in connection with acquisitions are recorded at their fair value using current market interest rates for si
ate of acquisition. Acquisition-related costs associated with asset acquisitions are capitalized to individual tangible and intangible assets
ned on a relative fair value basis and acquisition-related costs associated with business combinations are expensed as incurred. As a resu
ion of this standard, the Company capitalized $5.5 million in acquisition costs in 2017.

air value of the tangible assets is determined by valuing the property as if it were vacant. Land values are derived from current compara
s, when available, or management s estimates of the fair value based on market conditions and the experience of the Company s mana
ing and improvement values are calculated as replacement cost less depreciation, or management s estimates of the fair value of these
unted cash flow analyses or similar methods. The fair value of the above and below-market leases is based on the present value of the d
een the contractual amounts to be received pursuant to the acquired leases (using a discount rate that reflects the risks associated with th
s) and the Company s estimate of the market lease rates measured over a period equal to the remaining term of the leases plus the term
v-market fixed rate renewal options. The above and below-market lease values are amortized to rental revenues over the remaining initi
rm of any below-market fixed rate renewal options that are considered bargain renewal options of the respective leases. The total net im
ues due to the amortization of above and below-market leases was a net increase of approximately $2.2 million, $1.3 million and $1.9 m
ctively, for the years ended 2017, 2016 and 2015. The origination value of in-place leases is based on costs to execute similar leases inc
nissions and other

d costs. The origination value of in-place leases also includes real estate taxes, insurance and an estimate of lost rental revenue at marke
stimated time required to lease up the property from vacant to the occupancy level at the date of acquisition. The remaining weighted av
related to these intangible assets and liabilities as of December 31, 2017 is 9.3 years. As of December 31, 2017 and 2016, the Company
s and liabilities, including properties held for sale (if any), consisted of the following (dollars in thousands):

	December 31, 2017			December 31, 20	
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization
ace leases	$ 71,502	$ (45,885)	$ 25,617	$ 58,112	$ (37,664
e-market leases	4,527	(3,695)	832	4,468	(3,319
w-market leases	(30,386)	8,025	(22,361)	(9,133)	5,648
	$ 45,643	$ (41,555)	$ 4,088	$ 53,447	$ (35,335

cted net amortization of the intangible assets and liabilities for the next five years and thereafter as of December 31, 2017 is as follows (
ands):

2018	$ 5,218
2019	3,399
2020	2,129
2021	1,446
2022	733
Thereafter	(8,837)
Total	$ 4,088

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

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

ontinued Operations. The Company considers a property to be classified as discontinued operations when it meets the criteria establishe
-08, *Presentation of Financial Statements* (Topic 205) and *Property, Plant and Equipment* (Topic 360), *Reporting Discontinued Operat*

osures of Disposals of Components of an Entity. Disposals that represent a strategic shift that should have or will have a major effect on
pany s operations and financial results qualify as discontinued operations.

***for Sale Assets*.** The Company considers a property to be held for sale when it meets the criteria established under ASC 360, *Property,*
pment (Note 5). Properties held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are
ciated while they are held for sale.

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to Financial Statements

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

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

ollowing summarizes the reconciliation of cash and cash equivalents and restricted cash as presented in the accompanying consolidated flows:

	For the Year E December 3	
	2017	**2016**
nning		
and cash equivalents at beginning of year	$ 14,208	$ 22,450
icted cash	4,270	2,658
and cash equivalents and restricted cash	18,478	25,108
ng		
and cash equivalents at end of year	35,710	14,208
icted cash	7,090	4,270
and cash equivalents and restricted cash	42,800	18,478
ncrease (decrease) in cash and cash equivalents and restricted cash	$ 24,322	$ (6,630)

nue Recognition. The Company records rental revenue from operating leases on a straight-line basis over the term of the leases and ma ance for estimated losses that may result from the inability of its tenants to make required payments. If tenants fail to make contractual ents that are greater than the Company s allowance for doubtful accounts, security deposits and letters of credit, then the Company ma nize additional doubtful account charges in future periods. The Company monitors the liquidity and creditworthiness of its tenants on a by reviewing their financial condition periodically as appropriate. Each period the Company reviews its outstanding accounts receivabl ht-line rents, for doubtful accounts and provides allowances as needed. The Company also records lease termination fees when a tenant nitive termination agreement with the Company and the payment of the termination fee is not subject to any conditions that must be me e the fee is due to the Company. If a tenant remains in the leased space following the execution of a definitive termination agreement, th nation will be deferred and recognized over the term of such tenant s occupancy.

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

December 31, 2017 and 2016, approximately $23.0 million and $21.6 million, respectively, of straight-line rent and accounts receivabl ances of approximately $0.1 million and $0.4 million as of December 31, 2017 and 2016, respectively, were included as a component c accompanying consolidated balance sheets.

rred Financing Costs. Costs incurred in connection with financings are capitalized and amortized to interest expense using the effective
od over the term of the related loan. Deferred financing costs associated with the revolving credit facility are classified as an asset and d
cing costs associated with debt liabilities are reported as a direct deduction from the carrying amount of the debt liability in the

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mpanying consolidated balance sheets. Deferred financing costs related to the revolving credit facility and debt liabilities are shown at c
mulated amortization in the aggregate of approximately $5.7 million and $4.5 million as of December 31, 2017 and 2016, respectively.

gage Premiums. Mortgage premiums represent the excess of the fair value of debt assumed over the principal value of debt assumed in
property acquisitions. The mortgage premiums are being amortized to interest expense over the term of the related debt instrument usin
st method. As of December 31, 2017 and 2016, the mortgage premiums were fully amortized.

ne Taxes. The Company elected to be taxed as a REIT under the Code and operates as such beginning with its taxable year ended Dece
To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to distribu
of its annual REIT taxable income to its stockholders (which is computed without regard to the dividends paid deduction or net capital g
not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Company generally will not be subject to fed
the extent it distributes qualifying dividends to its stockholders. If it fails to qualify as a REIT in any taxable year, it will be subject to
n its taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for fede
oses for the four taxable years following the year during which qualification is lost unless the IRS grants it relief under certain statutory
an event could materially adversely affect the Company s net income and net cash available for distribution to stockholders. However,
ves it is organized and operates in such a manner as to qualify for treatment as a REIT.

740-10, *Income Taxes,* provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in th
ments. ASC 740-10 requires the evaluation of tax positions taken in the course of preparing the Company s tax returns to determine wh
ons are more-likely-than-not of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the mo
hold are recorded as a tax expense in the current year. As of December 31, 2017 and 2016, the Company did not have any unrecognized
oes not believe that there will be any material changes in unrecognized tax positions over the next 12 months. The Company s tax retu
amination by federal, state and local tax jurisdictions beginning with the 2010 calendar year.

ecember 22, 2017, President Trump signed into law H.R. 1, informally titled the Tax Cuts and Jobs Act (the TCJA). The TCJA mak
Code, including a number of provisions of the Code that affect the taxation of REITs and their stockholders. Among the changes made
ermanently reducing the generally applicable corporate tax rate, generally reducing the tax rate applicable to individuals and other non-c
yers for tax years beginning after December 31, 2017 and before January 1, 2026, eliminating or modifying certain previously allowed
ding substantially limiting interest deductibility and, for individuals, the deduction for non-business state and local taxes), and, for taxa
ning after December 31, 2017 and before January 1, 2026, providing for preferential rates of taxation through a deduction of up to 20%
n limitations) on most ordinary REIT dividends and certain trade or business income of non-corporate taxpayers. The TCJA also impos
tions on the deduction of net operating losses, which may result in the Company having to make additional taxable distributions to our
der to comply with REIT distribution requirements or avoid taxes on retained income and gains. The effect of the significant changes m
is highly uncertain, and administrative guidance will be required in order to fully evaluate the effect of many provisions. As of Decem
ompany has not completed its accounting for the tax effects of enactment of the TCJA and continues to account for those items based o
nting under ASC 740. The Company is currently assessing the impact of these changes on its consolidated financial statements and not
olidated financial statements.

-Based Compensation and Other Long-Term Incentive Compensation. The Company follows the provisions of ASC 718, *Compensat
pensation,* to account for its stock-based compensation plan, which requires that the compensation cost relating to stock-based payment
cognized in the

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cial statements and that the cost be measured on the fair value of the equity or liability instruments issued. The Company has adopted th
Restated 2010 Equity Incentive Plan, which provides for the grant of restricted stock awards, performance share awards, unrestricted sha
ination of the foregoing. Stock-based compensation is recognized as a general and administrative expense in the accompanying consoli
ments of operations and measured at the fair value of the award on the date of grant. The Company estimates the forfeiture rate based on
rience as well as expected behavior. The amount of the expense may be subject to adjustment in future periods depending on the specifi
cteristics of the stock-based award.

dition, the Company has awarded long-term incentive target awards (the Performance Share awards) to its executives that may be pa
ompany s common stock after the conclusion of each pre-established performance measurement period, which is generally three years.
may be earned under the Performance Share awards is variable depending on the relative total shareholder return of the Company s com
ared to the total shareholder return of the MSCI U.S. REIT Index (RMS) and the FTSE NAREIT Equity Industrial Index over the pre-e
rmance measurement period. The Company estimates the fair value of the Performance Share awards using a Monte Carlo simulation m
of grant and at each reporting period. The Performance Share awards are recognized as compensation expense over the requisite perform
l on the fair value of the Performance Share awards at the balance sheet date and vary quarter to quarter based on the Company s relativ
rmance.

f Derivative Financial Instruments. ASC 815, *Derivatives and Hedging* (Note 8), provides the disclosure requirements for derivatives
ties with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why the Company uses der
ments, (b) how the Company accounts for derivative instruments and related hedged items, and (c) how derivative instruments and rela
affect the Company s financial position, financial performance, and cash flows. Further, qualitative disclosures are required that expla
pany s objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on
ments.

Company records all derivatives on the accompanying consolidated balance sheets at fair value. The accounting for changes in the fair v
atives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationshi
e accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated
fying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, su
isk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future
types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing
nition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable
n a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into deri
acts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or the Company elects no
e accounting.

December 31, 2017, the Company had three interest rate caps to hedge the variable cash flows associated with its existing $150.0 milli
ble-rate term loans. The caps have a notional value of $150.0 million and will effectively cap the annual interest rate at 4.0% plus 1.30%
nding on leverage, with respect to $50.0 million for the period from December 1, 2014 (effective date) to May 1, 2021, $50.0 million fo
September 1, 2015 (effective date) to April 1, 2019, and $50.0 million for the period from September 1, 2015 (effective date) to Februa
Company records all derivative instruments on a gross basis in other assets on the accompanying consolidated balance sheets, and accor
o offsetting amounts that net assets against liabilities. As of December 31, 2017 and 2016, the fair value of the interest rate caps was app
00 and $0.3 million, respectively.

Value of Financial Instruments. ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be rec
set or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also provides g
fair value to measure financial assets and liabilities. ASC 820 requires disclosure of the level within the fair value hierarchy in which th
urements fall, including measurements using quoted prices in active markets for identical assets or liabilities (Level 1), quoted prices fo
ments in active markets or quoted prices for identical or similar instruments in markets that are not active (Level 2), and significant val
nptions that are not readily observable in the market (Level 3).

Accounting Standards. In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, which created ASC
nue from Contracts with Customers, which is their final standard on revenue from contracts with customers. ASU 2014-09 outlines a sin
rehensive model for entities to use in accounting for revenues arising from contracts with customers. The effective date of ASU 2014-0
e issuance of ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606): *Deferral of the Effective Date,* by one year to make t
2014-09 effective for annual reporting periods beginning after December 15, 2017, including interim periods therein. Early adoption is
rior to the original effective date, which was for annual reporting periods beginning after December 15, 2016. The Company will adopt
tive January 1, 2018. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers* (Topic 606): *Principal v
iderations (Reporting Revenue Gross versus Net)*, which clarifies how to apply the implementation guidance on principal versus agent c
d to the sale of goods or services to a customer as updated by ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, *Revenue fr
Customers* (Topic 606): *Identifying Performance Obligations and Licensing*, which clarifies two aspects of Topic 606: (1) identifying p
ations and (2) the licensing implementation guidance, while retaining the related principles for those areas. The effective date and transi
rements for ASU 2016-10 are the same as the effective date and transition requirements in ASU 2015-14. In May 2016, the FASB issue
2016-12, *Revenue from Contracts with Customers* (Topic 606): *Narrow-Scope Improvements and Practical Expedients*, which makes n
dments to Topic 606 including implementation issues on collectability, non-cash consideration and completed contracts at transition. In
the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, whic
onal narrow scope amendments to Topic 606 including loan guarantee fees, impairment testing of contract costs, provisions for losses o
ruction-type and production-type contracts. The FASB allows two adoption methods under ASU 2014-09. Under one method, a compan
les to contracts in all reporting periods presented, subject to certain allowable exceptions. Under the other method, a company will appl
ntracts existing as of January 1, 2018, recognizing in beginning retained earnings an adjustment for the cumulative effect of the change
onal disclosures comparing results to previous rules (modified retrospective method). The Company will adopt these updates beginn
er of its fiscal year 2018 and anticipates doing so using the modified retrospective method. The Company has completed the process to
ct of the adoption of ASU 2014-09 on historical contracts and other arrangements, including identifying potential differences that will re
ing the requirements of the new guidance. As a result of the review of revenue arrangements, the Company does not anticipate that the
a material impact on its financial position or results of operations, particularly as it relates to the amount and timing of historical real es
acts and associated gain recognitions. The Company has also drafted revised accounting policies affected by the standard, assessed the r
al controls, as well as evaluated the expanded disclosure requirements. The Company is also continuing to assess the potential effects t
ard is expected to have on its consolidated financial statements as it relates to its leasing arrangements with its tenants and in concert wi
sment and anticipated adoption of the new leasing guidance under ASU 2016-02, *Leases* (see below). The Company does not expect tha
ave a material effect on its financial position or results of operations. The Company continues to evaluate other areas of the standard an
sing the impact on its consolidated financial statements and notes to its consolidated financial statements and cannot reasonably estimat
mation related to the impact of the new standard on its consolidated financial statements at this time.

bruary 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU increases transparency and comparability among organizat
nizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard require
ease components, such as tenant expense reimbursement revenues, be accounted for in accordance with ASU 2014-09, *Revenue from C
omers* (see above), which could change the classification and timing of its non-lease components. The ASU is effective for fiscal years b
mber 15, 2018, including interim periods within those years, which for the Company would be the first quarter of 2019, and early adopt
itted. The Company is currently assessing the potential changes to its accounting and whether such changes will have a material impact
olidated financial statements and notes to its consolidated financial statements.

gust 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Pa*
des clarified guidance on the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. A
ective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years and early adoption is permitted.
rently assessing the impact of adopting ASU 2016-15 on its consolidated financial statements and notes to its consolidated financial sta
not expect the adoption of ASU 2016-15 to have a material impact.

ovember 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*, which requires that a statement o
in the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted ca
result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents
ciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide
cted cash or restricted cash equivalents. The Company elected to early adopt the provisions of ASU 2016-18 as of March 31, 2017, and
olidated statements of cash flows for the years ended December 31, 2016 and 2015 to reflect amounts described as restricted cash and re
alents included with cash and cash equivalents in the reconciliation of beginning of year and end of year total amounts shown on the co
ments of cash flows. Consequently, transfers between cash and restricted cash will not be presented as a separate line item in the operati
ancing sections of the cash flow statement. A reconciliation of cash and cash equivalents and restricted cash as presented on the consoli
s to the consolidated statements of cash flows is included in the significant accounting policies above.

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

3. Concentration of Credit Risk

cial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equ
pany may maintain deposits in federally insured financial institutions in excess of federally insured limits. However, the Company s ma
ves the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those depos

December 31, 2017, the Company owned 55 buildings aggregating approximately 3.1 million square feet and four improved land parc
proximately 23.3 acres located in Northern New Jersey/New York City, which accounted for a combined percentage of approximately 2
alized base rent, and 35 buildings aggregating approximately 2.6 million square feet and three land parcels consisting of

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oximately 8.0 acres located in Los Angeles, which accounted for a combined percentage of approximately 18.5% of its annualized base
alized base rent percentages are based on contractual base rent from leases in effect as of December 31, 2017, excluding any partial or fu
ments.

r real estate companies compete with the Company in its real estate markets. This results in competition for tenants to occupy space. The
eting properties could have a material impact on the Company s ability to lease space and on the level of rent that can be achieved. The
nants that accounted for greater than 10% of its rental revenues for the years ended December 31, 2017, 2016 and 2015.

4. Investments in Real Estate

ng the year ended December 31, 2017, the Company acquired 35 industrial buildings containing approximately 1.7 million square feet a
oved land parcels containing approximately 25.2 acres. The total aggregate initial investment, including acquisition costs, was approxim
7 million, of which $211.2 million was recorded to land, $92.6 million to buildings and improvements, $15.9 million to intangible asse
million to intangible liabilities.

ollowing table sets forth the wholly-owned industrial properties the Company acquired during the year ended December 31, 2017:

erty Name	Location	Acquisition Date	Number of Buildings	Square Feet	P (i
ia	Compton, CA	January 25, 2017	1	45,776	$
. Lucile	Seattle, WA	February 3, 2017	1	45,320	
vood [2]	Lynwood, CA	April 20, 2017	3	477,153	
Side Ave	North Bergen, NJ	April 20, 2017	1	126,491	
ord	Seattle, WA	April 21, 2017	1	34,983	
V Street	Washington, D.C.	May 10, 2017	1	21,666	
ue A	Carlstadt, NJ	May 10, 2017	4	32,676	
Main III	Gardena, CA	June 2, 2017	1	114,061	
nghuysen [3]	Newark, NJ	June 29, 2017			
ton [4]	Newark, NJ	June 30, 2017			
raph	Santa Fe Springs, CA	July 6, 2017	2	86,814	
son	Seattle, WA	July 7, 2017	1	13,176	
ut	Compton, CA	July 21, 2017	1	57,520	
70th IV	Miami, FL	August 4, 2017	1	15,965	
Road [5]	Carlstadt, NJ	September 1, 2017	2	43,407	
nkiss	Fremont, CA	September 28, 2017	1	40,830	
St	Los Angeles, CA	October 19, 2017	1	20,055	
94th Ave	Doral, FL	October 23, 2017	1	38,430	
70th V [6]	Miami, FL	October 30, 2017	1	59,400	
E Dominguez [7]	Los Angeles, CA	November 30, 2017			
W 139th St	Carson, CA	December 15, 2017	2	230,891	
horne	Hawthorne, CA	December 19, 2017	8	152,025	
Dutch	Fairfield, NJ	December 20, 2017	1	50,400	

35	1,707,039	$

Excludes intangible liabilities and assumed mortgage premiums, if any. The total aggregate investment was approximately $319.7 mill
$5.5 million in closing costs and acquisition costs.
Includes approximately one million square feet of land, which is 100% ground leased on a long-term basis to two tenants, and contains
distribution buildings and one rail transshipment facility.
Represents an improved land parcel containing approximately 10.6 acres.
Represents an improved land parcel containing approximately 7.2 acres.
Also includes an improved land parcel containing approximately 1.1 acres.

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Also includes an improved land parcel containing approximately 0.9 acres.
Represents an improved land parcel containing approximately 5.4 acres.
Company recorded revenues and net income for the year ended December 31, 2017 of approximately $7.3 million and $3.0 million, resp
d to the 2017 acquisitions.

g year ended December 31, 2016, the Company acquired 19 industrial buildings containing approximately 853,000 square feet and two
parcels containing approximately 17.9 acres. The total aggregate initial investment was approximately $130.9 million, of which $65.9 m
ded to land, $55.6 million to buildings and improvements, $9.4 million to intangible assets and $1.6 million to intangible liabilities.

ollowing table sets forth the wholly-owned industrial properties the Company acquired during the year ended December 31, 2016:

			Number of		P
erty Name	Location	Acquisition Date	Buildings	Square Feet	(i
3rd Avenue South	Seattle, WA	January 25, 2016	1	35,480	$
Michele	South San Francisco, CA	March 4, 2016	1	30,000	
0 SW South River	Medley, FL	March 11, 2016	1	60,000	
North [2]	Elizabeth, NJ	March 24, 2016			
	Auburn, WA	April 21, 2016	1	66,942	
70th II	Miami, FL	May 4, 2016	1	53,558	
er	Seattle, WA	May 6, 2016	1	24,917	
on	Newark, NJ	June 10, 2016	1	16,600	
Ridge [3]	Hanover, MD	July 12, 2016			
pton Overlook	Capitol Heights, MD	August 4, 2016	3	134,919	
olhouse	Somerset, NJ	September 1, 2016	1	86,400	
Hindry	Inglewood, CA	September 19, 2016	1	22,190	
140th	San Leandro, CA	October 20, 2016	2	100,494	
North Bergen	North Bergen, NJ	November 1, 2016	1	25,041	
70th III	Miami, FL	November 2, 2016	1	55,000	
son Plank	Carlstadt, NJ	November 16, 2016	1	31,415	
74th	Miami, FL	December 16, 2016	1	64,575	
ness Parkway	Lanham, MD	December 21, 2016	1	45,000	
			19	852,531	$

Excludes intangible liabilities and assumed mortgage premiums, if any. The total aggregate investment was approximately $130.9 mill
Represents an improved land parcel containing approximately 4.5 acres.
Represents an improved land parcel containing approximately 13.4 acres.
Company recorded revenues and net income for the year ended December 31, 2016 of approximately $4.2 million and $1.1 million, resp
d to the 2016 acquisitions.

bove assets and liabilities were recorded at fair value, which uses Level 3 inputs. The properties were acquired from unrelated third par
ng cash on hand, proceeds from property sales, issuance of common stock and borrowings on the revolving credit facility. Effective Jan
ompany adopted ASU 2017-1, *Business Combinations* (Topic 805): *Clarifying the Definition of a Business* under which property acquis
rally accounted for as asset acquisitions resulting in the capitalization of acquisition costs as part of the purchase price of the acquisition
expensed as incurred. Prior to January 1, 2017 the Company accounted for property acquisitions as business combinations, in accordar
Business Combinations, resulting in the expense of acquisition costs as incurred.

ng 2016, the Company completed redevelopment of its South Main property in Carson, California. The Company demolished three build
oximately 186,000 square feet and constructed a new front-

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ndustrial distribution building containing approximately 210,000 square feet and renovated an existing approximately 34,000 square fo
ing. The Company capitalized interest associated with redevelopment and expansion activities of approximately $0, $0.6 million and $0
ctively, during the years ended December 31, 2017, 2016 and 2015. The redevelopment cost was approximately $17.8 million for a tota
proximately $39.3 million, excluding approximately $2.3 million of intangible liabilities.

Forma Financial Information:

ollowing supplementary pro forma financial information presents the results of operations of the Company for the years ended Decemb
016 as if all of the Company s acquisitions during the year ended December 31, 2017 occurred on January 1, 2016. The following pro
e years ended December 31, 2017 and 2016 have been presented for comparative purposes only and are not necessarily indicative of th
tions that would have actually occurred had all transactions taken place on January 1, 2016, or of future results of operations (dollars in
t per share data).

	For the Dece
	2017
	(Una
revenues	$ 142,495
ncome available to common stockholders, net of redemption of preferred stock and preferred stock dividends	52,962
and diluted net income available to common stockholders per share, net of redemption of preferred stock and preferred dividends	$ 1.03

5. Held for Sale/Disposed Assets

Company considers a property to be held for sale when it meets the criteria established under ASC 360, *Property, Plant, and Equipment*
for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are h
December 31, 2017, the Company did not have any properties held for sale.

g the year ended December 31, 2017 the Company sold one property located in the Los Angeles market for a sales price of approximat
million, resulting in a gain of approximately $10.1 million, and three properties in the Washington, D.C. market for an aggregate sales
ximately $52.0 million, resulting in an aggregate gain of approximately $20.5 million. During the year ended December 31, 2016 the C
roperty located in the San Francisco Bay Area market for a sales price of approximately $8.2 million, resulting in a gain of approximate
million, one property in the Washington, D.C. market for a sales price of approximately $8.2 million, resulting in a gain of approximate
ne property located in the Miami market for a sales price of approximately $6.1 million, resulting in a gain of approximately $1.9 millio

6. Debt

ly 14, 2017, the Company issued in a private placement $100.0 million of senior unsecured notes with a seven-year term that bear inter
l interest rate of 3.75% and mature in July 2024 (the July 2024 Senior Unsecured Notes). Net proceeds from the issuance were used
,000 outstanding shares of 7.75% Series A Cumulative Redeemable Preferred Stock (the Series A Preferred Stock), to repay the outs
wings on the Company s revolving credit facility, and for property acquisitions. As of December 31, 2017, the Company also had $50.
r unsecured notes that mature in September 2022, $50.0 million of senior unsecured notes that mature in July 2026, $50.0 million of se
that mature in October 2027 (collectively, with the July 2024 Senior Unsecured Notes, the Senior Unsecured Notes), and a credit fa
ility), which consists of a $200.0 million unsecured revolving credit

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ty that matures to August 2020, a $50.0 million term loan that matures in August 2021 and a $100.0 million term loan that matures in Ja
December 31, 2017 and 2016, there was $0 and $51.5 million, respectively, of borrowings outstanding on the revolving credit facility a
0 million and $150.0 million, respectively, of borrowings outstanding on the term loans. As of both December 31, 2017 and 2016, the C
interest rate caps to hedge the variable cash flows associated with its existing $150.0 million of variable-rate term loans. See Note 8-D
cial Instruments for more information regarding the Company s interest rate caps.

ggregate amount of the Facility may be increased to a total of up to $600.0 million, subject to the approval of the administrative agent a
fication of lenders willing to make available additional amounts. Outstanding borrowings under the Facility are limited to the lesser of
150.0 million of term loans and the $200.0 million revolving credit facility, or (ii) 60.0% of the value of the unencumbered properties. I
ty, including the term loans, is generally to be paid based upon, at the Company s option, either (i) LIBOR plus the applicable LIBOR
e applicable base rate which is the greatest of the administrative agent s prime rate, 0.50% above the federal funds effective rate, or thi
he applicable LIBOR margin for LIBOR rate loans under the Facility plus 1.25%. The applicable LIBOR margin will range from 1.35%
% at December 31, 2017) for the revolving credit facility and 1.30% to 1.85% (1.30% at December 31, 2017) for the $50.0 million term
res in August 2021 and the $100.0 million term loan that matures in January 2022, depending on the ratio of the Company s outstandin
tedness to the value of the Company s consolidated gross asset value. The Facility requires quarterly payments of an annual unused fac
nt equal to 0.20% or 0.25% depending on the unused portion of the Facility.

Facility and the Senior Unsecured Notes are guaranteed by the Company and by substantially all of the current and to-be-formed subsidi
wer that own an unencumbered property. The Facility and the Senior Unsecured Notes are unsecured by the Company s properties or b
ubsidiaries that hold such properties. The Facility and the Senior Unsecured Notes include a series of financial and other covenants with
pany must comply. The Company was in compliance with the covenants under the Facility and the Senior Unsecured Notes as of Decem
016.

Company has mortgage loans payable which are collateralized by certain of the properties and require monthly interest and principal pay
rity and are generally non-recourse. The mortgage loans mature between 2019 and 2021. As of December 31, 2017, the Company had th
payable, net of deferred financing costs, totaling approximately $64.8 million, which bear interest at a weighted average fixed annual ra
December 31, 2016, the Company had four mortgage loans payable, net of deferred financing costs, totaling approximately $66.6 milli
interest at a weighted average fixed annual interest rate of 4.0%. As of December 31, 2017 and 2016, the total gross book value of the p
ing the debt was approximately $153.7 million and $163.1 million, respectively.

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cheduled principal payments of the Company s debt as of December 31, 2017 were as follows (dollars in thousands):

	Credit Facility	Term Loans	Senior Unsecured Notes	Mortgage Loans Payable
	$	$	$	$ 1,910
				18,805
				33,077
		50,000		11,271
		100,000	50,000	
eafter			200,000	
otal		150,000	250,000	65,063
nortized net premiums				
l Debt		150,000	250,000	65,063
rred financing costs, net		(1,103)	(2,045)	(232)
l Debt, net	$	$ 148,897	$ 247,955	$ 64,831
hted Average Interest Rate	n/a	2.5%	4.1%	4.0%

7. Leasing

ollowing is a schedule of minimum future cash rentals on tenant operating leases in effect as of December 31, 2017. The schedule does e rental revenues from the renewal or replacement of existing leases and excludes property operating expense reimbursements (dollars i

2018	$ 103,924
2019	91,512
2020	79,283
2021	65,128
2022	49,378
Thereafter	130,454
Total	$ 519,679

8. Derivative Financial Instruments

Management Objective of Using Derivatives

Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manag sures to a wide variety of business and operational risks through management of its core business activities. The Company manages eco ding interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of de

cial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business ac
in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company s deriv
ments are used to manage differences in the amount, timing, and duration of its known or expected cash payments principally related to
wings.

vative Instruments

Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate m
nplish this objective, the Company primarily uses interest

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aps as part of its interest rate risk management strategy. Interest rate caps involve the receipt of variable amounts from a counterparty at
period in which the interest rate exceeds the agreed fixed price. The Company does not use derivatives for trading or speculative purpos
pany requires that hedging derivative instruments be highly effective in reducing the risk exposure that they are designated to hedge. As
significant ineffectiveness from any of its derivative activities.

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

December 31, 2017 and 2016, the Company had three interest rate caps to hedge the variable cash flows associated with its existing $1
riable-rate term loans. The caps have a notional value of $150.0 million and will effectively cap the annual interest rate payable at 4.0%
%, depending on leverage, with respect to $50.0 million for the period from December 1, 2014 (effective date) to May 1, 2021, $50.0 mi
d from September 1, 2015 (effective date) to April 1, 2019 and $50.0 million for the period from September 1, 2015 (effective date) to F
The Company is required to make certain monthly variable rate payments on the term loans, while the applicable counterparty is oblig
n monthly floating rate payments based on LIBOR to the Company in the event LIBOR is greater than 4.0%, referencing the same notic

Company records all derivative instruments on a gross basis in other assets on the accompanying consolidated balance sheets, and accor
o offsetting amounts that net assets against liabilities. The following table presents a summary of the Company s derivative instruments
ng instruments (dollars in thousands):

			Interest	Fair Value		Notional
	Effective Date	Maturity Date	Rate Strike	December 31, 2017	December 31, 2016	December 31, 2017
ative Instrument s:						
est Rate Cap	12/1/2014	5/1/2021	4.0%	$ 26	$ 204	$ 50,000
est Rate Cap	9/1/2015	4/1/2019	4.0%	1	14	50,000
est Rate Cap	9/1/2015	2/3/2020	4.0%	3	63	50,000
				$ 30	$ 281	$ 150,000

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

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ollowing table presents the effect of the Company s derivative financial instruments on its accompanying consolidated statements of op ended December 31, 2017 and 2016 (in thousands):

	For the Year Ended Dec	
	2017	**2016**
est rate caps in cash flow hedging relationships:		
unt of gain recognized in AOCI on derivatives (effective portion)	$ 103	$
unt of gain reclassified from AOCI into interest expense (effective portion)	$ 103	$

Company estimates that approximately $0.3 million will be reclassified from AOCI as an increase to interest expense over the next twel

9. Fair Value Measurements

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

rring Measurements Interest Rate Contracts

Value of Interest Rate Caps

ently, the Company uses interest rate cap agreements to manage its interest rate risk. The valuation of these instruments is determined us pted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. This analysis reflects th of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. As of Dece and 2016, the Company applied the provisions of this standard to the valuation of its interest rate caps.

ollowing sets forth the Company s financial instruments that are accounted for at fair value on a recurring basis as of December 31, 20 rs in thousands):

		Fair Value Measurement Using	
	Total Fair Value	**Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**
s			
est rate caps at:			
mber 31, 2017	$ 30	$	$ 30
mber 31, 2016	$ 281	$	$ 281

ncial Instruments Disclosed at Fair Value

December 31, 2017 and 2016, the fair values of cash and cash equivalents, accounts receivable, and accounts payable approximated th s because of the short-term nature of these investments or liabilities based on Level 1 inputs. The fair values of the Company s derivati

evaluated based on Level 2 inputs. The fair values of the Company s mortgage loans payable and Senior Unsecured Notes were estima
lating the present value of principal and interest payments, based on borrowing rates available to the Company, which are Level 2 input
a credit spread, as applicable, and assuming the loans are outstanding through maturity. The fair value of the Company s Facility appro
ing value because the variable interest rates approximate market borrowing rates available to the Company, which are Level 2 inputs.

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ollowing table sets forth the carrying value and the estimated fair value of the Company s debt as of December 31, 2017 and 2016 (dol
ands):

		Fair Value Measurement Using			
	Total Fair Value	Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	C
lities					
at:					
mber 31, 2017	$ 459,048	$	$ 459,048	$	$
mber 31, 2016	$ 417,219	$	$ 417,219	$	$

10. Stockholders Equity

Company s authorized capital stock consists of 400,000,000 shares of common stock, $0.01 par value per share, and 100,000,000 share
, $0.01 par value per share. The Company has an at-the-market equity offering program (the $200 Million ATM Program) pursuant t
pany may issue and sell shares of its common stock having an aggregate offering price of up to $200.0 million in amounts and at times t
mined by the Company from time to time. Prior to the implementation of the $200 Million ATM Program, the Company had a $150.0 m
am (the $150 Million ATM Program), which was fully utilized as of June 30, 2017, and a $100.0 million ATM program (the $100
ram), which was fully utilized as of December 31, 2016. Actual sales under the $200 Million ATM Program, if any, will depend on a v
determined by the Company from time to time, including, among others, market conditions, the trading price of the Company s comm
minations by the Company of the appropriate sources of funding for the Company and potential uses of funding available to the Compa
pany intends to use the net proceeds from the offering of the shares under the $200 Million ATM Program, if any, for general corporate
n may include future acquisitions and repayment of indebtedness, including borrowings under the Facility. During the year ended Decer
ompany issued an aggregate of 7,859,929 shares of common stock at a weighted average offering price of $32.48 per share under the $2
Program and the $150 Million ATM Program, resulting in net proceeds of approximately $251.6 million and paying total compensatio
cable sales agents of approximately $3.7 million. During the year ended December 31, 2016, the Company issued an aggregate of 3,991
non stock at a weighted average offering price of $25.39 per share under the $100 Million ATM Program, resulting in net proceeds of a
million and paying total compensation to the applicable sales agents of approximately $1.5 million. As of December 31, 2017 and 201
pany had shares of common stock having an aggregate offering price of up to $90.1 million available for issuance under the $200 Millio
am and $145.5 million available for issuance under the $150 Million ATM Program, respectively.

Company has a share repurchase program authorizing the Company to repurchase up to 2,000,000 shares of its outstanding common sto
ne through December 31, 2018. Purchases made pursuant to the program will be made in either the open market or in privately negotiate
rmitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchases will be detern
pany in its discretion and will be subject to economic and market conditions, stock price, applicable legal requirements and other factors
be suspended or discontinued at any time. As of December 31, 2017 the Company has not repurchased any shares of stock pursuant to i
chase authorization.

nnection with the annual meeting of stockholders on May 2, 2017, the Company granted a total of 10,988 shares of unrestricted commo
endent directors under the Company s Amended and Restated 2010 Equity Incentive Plan with a grant date fair value per share of $30.
fair value of the

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tricted common stock was determined using the closing price of the Company s common stock on the date of the grant. The Company
ximately $0.3 million in compensation costs for the year ended December 31, 2017 related to this issuance.

December 31, 2017 and 2016, respectively, 0 and 1,840,000 shares of Series A Preferred Stock were issued and outstanding.

ly 19, 2017, the Company redeemed all 1,840,000 outstanding shares of the Series A Preferred Stock for cash at a redemption price of
, plus an amount per share of $0.096875 representing all accrued and unpaid dividends per share from July 1, 2017 to, but excluding, Ju
Company recognized a charge of approximately $1.8 million during the year ended December 31, 2017 representing the write-off of orig
related to the redemption of the Series A Preferred Stock.

December 31, 2017, there were 1,705,000 shares of common stock authorized for issuance as restricted stock grants, unrestricted stock
rmance Share awards under the Company s Amended and Restated 2010 Equity Incentive Plan (the Plan), of which 595,024 were re
able for issuance. The grant date fair value per share of restricted stock awards issued during the period from February 16, 2010 (comme
tions) to December 31, 2017 ranged from $14.20 to $26.52. The fair value of the restricted stock that was granted during the year endec
mber 31, 2017 was approximately $0.9 million and the vesting period for the restricted stock is five years. As of December 31, 2017, th
pproximately $4.7 million of total unrecognized compensation costs related to restricted stock issuances, which is expected to be recogn
ning weighted average period of approximately 2.8 years. The Company recognized compensation costs of approximately $1.7 million
1.3 million, respectively, for the years ended December 31, 2017, 2016 and 2015 related to the restricted stock issuances.

ollowing is a summary of the total restricted shares granted to the Company s executive officers and employees with the related weigh
date fair value share prices for the years ended December 31, 2017, 2016 and 2015.

ricted Stock Activity:

	Shares	Weighted Average Grant Date Fair Value
Non-vested shares outstanding as of December 31, 2014	156,488	$ 17.45
Granted	308,087	20.97
Forfeited	(20,322)	17.33
Vested	(40,785)	18.13
Non-vested shares outstanding as of December 31, 2015	403,468	20.08
Granted	32,797	21.50
Forfeited	(16,489)	17.53
Vested	(24,495)	17.26
Non-vested shares outstanding as of December 31, 2016	395,281	20.48
Granted	32,247	26.52
Forfeited	(50,008)	21.60
Vested	(20,337)	18.06
Non-vested shares outstanding as of December 31, 2017	357,183	$ 21.01

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ollowing is a vesting schedule of the total non-vested shares of restricted stock outstanding as of December 31, 2016:

Non-vested Shares Vesting Schedule	Number of Shares
2018	27,168
2019	18,966
2020	298,028
2021	8,350
2022	4,671
Thereafter	
Total Non-vested Shares	357,183

-Term Incentive Plan:

December 31, 2017, there are three open performance measurement periods for the Performance Share awards: January 1, 2015 to Dec
January 1, 2016 to December 31, 2018 and January 1, 2017 to December 31, 2019. During the year ended December 31, 2017, the Co
33 shares of common stock at a price of $28.84 per share related to the Performance Share awards for the performance period from Jan
cember 31, 2016. The Company recorded compensation expense of approximately $6.7 million, $7.3 million and $4.5 million, respecti
ended December 31, 2017, 2016 and 2015, related to the Performance Share awards. As of December 31, 2017, 2016 and 2015 approx
million, $10.7 million, and $6.4 million respectively, of compensation costs related to the Performance Share awards were accrued.

ollowing table summarizes certain information with respect to the Performance Share awards (dollars in thousands):

				Expens For the Year December	
ormance Share Period		Fair Value December 31, 2017	Accrual December 31, 2017	2017	2016
ry 1, 2017	December 31, 2019	$ 4,596	$ 1,532	$ 1,532	$
ry 1, 2016	December 31, 2018	5,175	3,452	2,189	1,262
ry 1, 2015	December 31, 2017	6,840	6,840	2,994	2,589
ry 1, 2014	December 31, 2016				3,471
ry 1, 2013	December 31, 2015				
l		$ 16,611	$ 11,824	$ 6,715	$ 7,322

Subsequent to December 31, 2017, the compensation committee determined that approximately $6.8 million was earned under the Lon
Incentive Plan with respect to the performance period that ended on December 31, 2017 and a total of 195,963 shares of common stock
to the executives.

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lends:

ollowing table sets forth the cash dividends paid or payable per share during the years ended December 31, 2017 and 2016:

he Three ths Ended	**Security**	**Dividend per Share**		**Declaration Date**	**Record Date**	**Date Paid**
h 31, 2017	Common stock	$	0.200000	February 7, 2017	March 28, 2017	April 12, 2017
h 31, 2017	Preferred stock	$	0.484375	February 7, 2017	March 10, 2017	March 31, 2017
30, 2017	Common stock	$	0.200000	May 2, 2017	July 7, 2017	July 21, 2017
30, 2017	Preferred stock	$	0.484375	May 2, 2017	June 9, 2017	June 30, 2017
mber 30, 2017	Common stock	$	0.220000	August 1, 2017	October 6, 2017	October 21, 2017
mber 31, 2017	Common stock	$	0.220000	October 31, 2017	December 29, 2017	January 12, 2018

he Three ths Ended	**Security**	**Dividend per Share**		**Declaration Date**	**Record Date**	**Date Paid**
h 31, 2016	Common stock	$	0.180000	February 9, 2016	March 28, 2016	April 12, 2016
h 31, 2016	Preferred stock	$	0.484375	February 9, 2016	March 10, 2016	March 31, 2016
30, 2016	Common stock	$	0.180000	May 3, 2016	July 7, 2016	July 21, 2016
30, 2016	Preferred stock	$	0.484375	May 3, 2016	June 10, 2016	June 30, 2016
mber 30, 2016	Common stock	$	0.200000	July 26, 2016	October 7, 2016	October 21, 2016
mber 30, 2016	Preferred stock	$	0.484375	July 26, 2016	September 9, 2016	September 30, 2016
mber 31, 2016	Common stock	$	0.200000	November 1, 2016	December 30, 2016	January 13, 2017
mber 31, 2016	Preferred stock	$	0.484375	November 1, 2016	December 9, 2016	December 30, 2016

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

11. Net Income (Loss) Per Share

ant to ASC 260-10-45, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*,
-based payment awards that contain non-forfeitable rights to dividends are participating securities and are included in the computation o
pursuant to the two-class method. The two-class method of computing earnings per share allocates earnings per share for common stoc
cipating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Under the
od, earnings per common share are computed by dividing the sum of distributed earnings to common stockholders and undistributed ear
ated to common stockholders by the weighted average number of common shares outstanding for the period. The Company s non-veste
cted stock are considered participating securities since these share-based awards contain non-forfeitable rights to dividends irrespective
ds ultimately vest or expire. The Company had no dilutive restricted stock awards outstanding for the years ended December 31, 2017, 2

cordance with the Company s policies of determining whether instruments granted in share-based payment transactions are participatin
nting for earnings per share, the net income (loss) per common share is adjusted for earnings distributed through declared dividends (if
ated to all participating securities (weighted average common shares outstanding and unvested restricted shares outstanding) under the t
od. Under this method, allocations were made to 357,183, 398,475 and 242,402 of weighted average unvested restricted shares outstand

ended December 31, 2017, 2016 and 2015, respectively.

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12. Quarterly Results of Operations Unaudited

ollowing tables summarize the Company s quarterly financial information.

	2017 Quarter Ended			
	March 31	June 30	September 30	I
		(in thousands, except share and per share data)		
revenues	$ 31,441	$ 32,778	$ 33,640	S
costs and expenses	(21,911)	(23,568)	(23,659)	
other income and (expenses)	(3,731)	6,317	10,952	
ncome	5,799	15,527	20,933	
ncome available to common stockholders, net of nption of preferred stock and preferred stock dividends	$ 4,874	$ 14,529	$ 18,852	S
ings per Common Share Basic and Diluted:				
ncome available to common stockholders, net of nption of preferred stock and preferred stock dividends [1]	$ 0.10	$ 0.29	$ 0.36	S
and Diluted Weighted Average Common Shares tanding	47,645,321	50,325,668	52,804,611	

	2016 Quarter Ended			
	March 31	June 30	September 30	I
		(in thousands, except share and per share data)		
revenues	$ 25,657	$ 25,817	$ 27,104	S
costs and expenses	(20,415)	(19,964)	(22,422)	
other income and (expenses)	2,191	(3,070)	(1,612)	
ncome	7,433	2,783	3,070	
ncome available to common stockholders, net of nption of preferred stock and preferred stock dividends	$ 6,484	$ 1,877	$ 2,161	S
ings per Common Share Basic and Diluted:				
ncome available to common stockholders, net of nption of preferred stock and preferred stock dividends [1]	$ 0.15	$ 0.04	$ 0.05	S
and Diluted Weighted Average Common Shares tanding	42,995,106	43,839,910	45,762,761	

The above quarterly income per share calculations are based on the weighted average number of common shares outstanding during ea
The income per share calculation for the years ended December 31, 2017 and 2016 in the consolidated statements of operations is base

weighted average number of common shares outstanding for the years ended December 31, 2017 and 2016. The sum of the quarterly f
may vary from the years ended December 31, 2017 and 2016 data due to rounding.

13. Commitments and Contingencies

***ation*.** The Company is not involved in any material litigation nor, to its knowledge, is any material litigation threatened against it. In the
e of business, from time to time, the Company may be involved in legal actions relating to the ownership and operations of its propertie
gement does not expect that the liabilities, if any, that may ultimately result from such legal actions will have a material effect on the co
cial position, results of operations or cash flows of the Company.

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

ermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. F
n exposed to asbestos at one of the Company s properties may seek to recover damages if he or she suffers injury from the asbestos. La
environmental laws restrict the use of a property or place conditions on various activities. An example would be laws that require a bus
icals to manage them carefully and to notify local officials that the chemicals are being used.

Company could be responsible for any of the costs discussed above. The costs to clean up a contaminated property, to defend against a c
ly with environmental laws could be material and could adversely affect the funds available for distribution to its stockholders. The Co
rally obtains Phase I environmental site assessments , or ESAs, on each property prior to acquiring it. However, these ESAs may not r
onmental costs that might have a material adverse effect on the Company s business, assets, results of operations or liquidity and may r
tial environmental liabilities.

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

result, the Company may become subject to material environmental liabilities of which it is unaware. The Company can make no assura
ture laws or regulations will not impose material environmental liabilities on it, or (2) the environmental condition of the Company s i
erties will not be affected by the condition of the properties in the vicinity of its industrial properties (such as the presence of leaking un
ge tanks) or by third parties unrelated to the Company. The Company was not aware of any significant or material exposures as of Dece
16.

ral Uninsured Losses. The Company carries property and rental loss, liability and terrorism insurance. The Company believes that the
tions, limits and deductibles are adequate and appropriate under the circumstances, given the relative risk of loss, the cost of such cover
nt industry practice. In addition, the Company s properties are located, or may in the future be located, in areas that are subject to earth
ty. As a result, the Company has obtained, as applicable, limited earthquake and flood insurance on those properties. There are, howeve
of extraordinary losses, such as those due to acts of war that may be either uninsurable or not economically insurable. Although the Co
ned coverage for certain acts of terrorism, with policy specifications and insured limits that it believes are commercially reasonable, the
ance that the Company will be able to collect under such policies. Should an uninsured loss occur, the Company could lose its investme
pated profits and cash flows from, a property. The Company was not aware of any significant or material exposures as of December 31

ractual Commitments. As of February 7, 2018, the Company had three outstanding contracts with third-party sellers to acquire three in
erties consisting of approximately 526,000 square feet. There is no assurance that the Company will acquire the properties under contrac
osed acquisitions are

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ct to the completion of satisfactory due diligence and various closing conditions. The following table summarizes certain information w
roperties the Company has under contract:

ket	Number of Buildings	Square Feet	Purchase Price (in thousands)
Angeles			
hern New Jersey/New York City	1	83,294	25,170
Francisco Bay Area			
e	2	442,720	67,410
ni			
ington, D.C.			
	3	526,014	$ 92,580

February 7, 2018, the Company has two outstanding contracts with third-party purchasers to sell two properties consisting of three bui
gate sales price of approximately $39.3 million (aggregate net book value of approximately $29.4 million). There is no assurance the C
he properties under contract because the proposed dispositions are subject to the purchaser s completion of satisfactory due diligence a
g conditions.

14. Subsequent Events

nuary 31, 2018, the Company acquired one industrial building located in Torrance, CA containing approximately 100,000 square feet f
ase price of approximately $17.5 million. The property was acquired from an unrelated third-party using existing cash on hand.

ebruary 6, 2018, the Company s board of directors declared a cash dividend in the amount of $0.22 per share of its common stock paya
to the stockholders of record as of the close of business on March 28, 2018.

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Terreno Realty Corporation

Schedule III

Real Estate Investments and Accumulated Depreciation

As of December 31, 2017

(in thousands)

				Initial Cost to Company		Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at December 31, 2017				
erty Name	No. of Bldgs.	Location	Encumbrances	Land	Buildings & Improvements		Land	Buildings & Improvements	Total	Accumulated Depreciation	Year Acquired
Angeles											
Street	1	Los Angeles, CA	$	$ 3,701	$ 976	$	$ 3,701	$ 976	$ 4,677	$ 5	2017
Street	2	Carson, CA		21,236	15,783		21,236	15,783	37,019	17	2017
Glasgow	1	Inglewood, CA	2,165	2,245	1,855	385	2,245	2,240	4,485	501	2011
Glasgow	1	Inglewood, CA		1,759	1,555	205	1,759	1,760	3,519	216	2014
Walnut	1	Compton, CA		6,130	2,522	10	6,130	2,532	8,662	32	2017
5 Miller Ave	1	Fontana, CA		8,695	12,945	8	8,695	12,953	21,648	1,042	2014
1 Broadway	1	Gardena, CA		4,757	1,243	974	4,757	2,217	6,974	597	2013
1 Hamilton	1	Torrance, CA		7,409	4,072	671	7,409	4,743	12,152	734	2011
Hindry	1	Inglewood, CA		2,105	2,972	32	2,105	3,004	5,109	104	2016
ia	1	Compton, CA		5,143	1,985	625	5,143	2,610	7,753	120	2017
ornia	1	Corona, CA		3,225	4,416	464	3,225	4,880	8,105	474	2014
nguez		Los Angeles, CA		11,370	1,535		11,370	1,535	12,905	8	2017
eld	5	Commerce, CA	22,723	27,539	22,694	3,347	27,539	26,041	53,580	5,127	2012
horne	8	Hawthorne, CA		17,226	10,069		17,226	10,069	27,295	11	2017
Hermanas	1	Compton, CA		3,330	751	208	3,330	959	4,289	148	2014
vood	3	Lynwood, CA		43,885			43,885		43,885		2017
hattan Beach	1	Redondo Beach, CA		7,874	5,641	340	7,874	5,981	13,855	906	2012
Main	2	Carson, CA		16,371	7,045	17,028	16,371	24,073	40,444	4,932	2012/2014
Main III	1	Gardena, CA		11,521	12,467		11,521	12,467	23,988	181	2017
graph gs	2	Santa Fe Springs, CA		7,063	7,236	62	7,063	7,298	14,361	87	2017
hern New y/ York City											
dge Drive	1	West Caldwell, NJ		3,819	2,982	1,439	3,819	4,421	8,240	901	2013
adison	1	Fairfield, NJ		974	1,647	468	974	2,115	3,089	370	2013
ılaski	1	Bayonne, NJ		4,003	4,946	1,134	4,003	6,080	10,083	742	2014
adison	1	Fairfield, NJ		1,365	1,607	104	1,365	1,711	3,076	112	2015

ero	2	Carlstadt, NJ	10,343	3,876	141	10,343	4,017	14,360	43	2017
North en	1	North Bergen, NJ	2,933	1,817	353	2,933	2,170	5,103	71	2016
Michele	1	Carlstadt, NJ	2,372	4,798	485	2,372	5,283	7,655	628	2013
nghuysen		Newark, NJ	16,728		629	16,728	629	17,357		2017
Meadow	1	Carlstadt, NJ	713	1,618	229	713	1,847	2,560	223	2013

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				Initial Cost to Company		Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at December 31, 2017				
erty Name	No. of Bldgs.	Location	Encumbrances	Land	Buildings & Improvements		Land	Buildings & Improvements	Total	Accumulated Depreciation	Year Acquired
Delancy	1	Newark, NJ		9,230	4,855	1,053	9,230	5,908	15,138	656	2013
Division	1	Elizabeth, NJ	5,910	6,491	3,568	2,995	6,491	6,563	13,054	1,983	2011
West Side	1	North Bergen, NJ		4,525	8,856		4,525	8,856	13,381	161	2017
Hart	1	Piscataway, NJ		3,202	3,866	887	3,202	4,753	7,955	620	2014
North		Elizabeth, NJ		8,035	913	822	8,035	1,735	9,770	145	2016
ue A	4	Carlstadt, NJ		7,516	4,660	262	7,516	4,922	12,438	102	2017
ville	1	Kearny, NJ	12,570	12,845	18,041	1,323	12,845	19,364	32,209	3,174	2011
	1	Carlstadt, NJ		6,641	771	170	6,641	941	7,582	150	2011
	2	Piscataway, NJ		2,748	3,801	1,217	2,748	5,018	7,766	743	2013
state	2	South Brunswick, NJ		13,686	12,135	10,286	13,686	22,421	36,107	3,796	2010/2013
Airgate	4	Queens, NY		18,282	32,933	3,893	18,282	36,826	55,108	4,383	2013
or	1	East Rutherford, NJ		4,076	5,262	1,685	4,076	6,947	11,023	411	2015
nie Lane	3	East Hanover, NJ		5,931	13,178	1,894	5,931	15,072	21,003	2,059	2013
lebrook	18	Bound Brook, NJ		16,442	10,241	10,254	16,442	20,495	36,937	5,696	2010
Dutch	1	Fairfield, NJ		4,773	2,004		4,773	2,004	6,777	3	2017
son Plank	1	Carlstadt, NJ		4,127	455	118	4,127	573	4,700	21	2016
olhouse	1	Somerset, NJ		2,375	5,705		2,375	5,705	8,080	195	2016
ton		Newark, NJ		12,327	1,282	222	12,327	1,504	13,831	45	2017
inal Way	2	Avenel, NJ		3,537	3,598	38	3,537	3,636	7,173	294	2014
on	1	Newark, NJ		2,016	484	776	2,016	1,260	3,276	84	2016
Francisco Area											
42											
ence	2	South San Francisco, CA		6,674	2,655	1,111	6,674	3,766	10,440	1,014	2010
Littlefield	1	South San Francisco, CA		5,107	3,293	2,852	5,107	6,145	11,252	661	2013
Lawrence	1	South San Francisco, CA		1,352	1,198	416	1,352	1,614	2,966	477	2010
Brennan	1	San Jose, CA		1,932	2,245	503	1,932	2,748	4,680	535	2012
n	2	Union City, CA	3,124	3,246	2,749	665	3,246	3,414	6,660	854	2010
n II	1	Union City, CA		2,467	4,527	201	2,467	4,728	7,195	388	2015
oughs	3	San Leandro, CA		5,400	7,092	659	5,400	7,751	13,151	770	2014
bean	3	Sunnyvale, CA		17,483	14,493	1,721	17,483	16,214	33,697	2,634	2012
on Court	1	South San Francisco, CA		2,036	1,475	162	2,036	1,637	3,673	296	2012
iter	1	Hayward, CA	4,308	5,964	1,159	23	5,964	1,182	7,146	178	2011
nkiss	1	Fremont, CA		4,163	3,152	419	4,163	3,571	7,734	25	2017
Michele	1	South San Francisco, CA		2,710	2,540	132	2,710	2,672	5,382	148	2016
140th	2	San Leandro, CA		9,578	6,297	3,617	9,578	9,914	19,492	269	2016
ral Pacific ness Park I	3	Union City, CA		8,468	14,165	678	8,468	14,843	23,311	1,297	2014
ral Pacific ness Park II	4	Union City, CA		13,642	23,658	5,132	13,642	28,790	42,432	2,001	2015

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erty Name	No. of Bldgs.	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at December 31, 2017			Accumulated Depreciation	Year Acquire
				Land	Buildings & Improvements		Land	Buildings & Improvements	Total		
le											
ve South	1	Kent, WA		1,267	1,503	380	1,267	1,883	3,150	277	2014
Lind	1	Renton, WA		2,999	6,707	383	2,999	7,090	10,089	568	2014
2nd Avenue	1	Seattle, WA		4,236	4,049	2,009	4,236	6,058	10,294	359	2015
3rd Avenue South	1	Seattle, WA		3,984	2,424	12	3,984	2,436	6,420	121	2016
0 West Valley way	1	Tukwila, WA		3,361	5,260	960	3,361	6,220	9,581	1,121	2012
rn 1307	1	Auburn, WA		4,253	5,034	181	4,253	5,215	9,468	507	2014
son	1	Seattle, WA		3,902	278		3,902	278	4,180	4	2017
er	1	Seattle, WA		3,203	1,345	480	3,203	1,825	5,028	71	2016
ord	1	Seattle, WA		3,821	2,250	215	3,821	2,465	6,286	43	2017
188	1	Kent, WA	4,757	3,251	4,719	1,248	3,251	5,967	9,218	1,337	2010
190	1	Kent, WA		4,560	5,561	271	4,560	5,832	10,392	426	2015
202	1	Kent, WA		5,761	9,114	2,806	5,761	11,920	17,681	644	2015
216	1	Kent, WA		3,672	5,408	299	3,672	5,707	9,379	693	2014
Corporate Park	4	Kent, WA		5,032	6,916	1,164	5,032	8,080	13,112	644	2015
e	1	Seattle, WA		4,498	3,504	1,334	4,498	4,838	9,336	126	2017
	1	Auburn, WA		2,573	4,399	56	2,573	4,455	7,028	214	2016
npic	1	Tukwila, WA		1,499	1,431	491	1,499	1,922	3,421	189	2015
ac 8th Avenue	1	Burien, WA		2,501	4,020	491	2,501	4,511	7,012	751	2013
4th	1	Renton, WA		2,912	3,289	478	2,912	3,767	6,679	360	2014
y Corporate	2	Kent, WA	7,713	5,264	9,096	1,279	5,264	10,375	15,639	1,745	2011
ni											
Avenue	1	Hialeah, FL		6,376	2,624	2,884	6,376	5,508	11,884	1,648	2010
Street	1	Doral, FL		4,454	4,889	68	4,454	4,957	9,411	395	2015
Street	2	Miami, FL		4,569	6,183	46	4,569	6,229	10,798	876	2012
Avenue	2	Miami Gardens, FL		4,322	2,187	372	4,322	2,559	6,881	395	2011
Avenue	1	Miami Lakes, FL		6,203	1,567	6,582	6,203	8,149	14,352	2,292	2010
Avenue	1	Miami, FL		1,434	2,333	198	1,434	2,531	3,965	440	2011
Avenue II	1	Miami, FL		2,152	3,418	33	2,152	3,451	5,603	142	2016
Avenue III	1	Miami, FL		2,543	3,167		2,543	3,167	5,710	91	2016
Avenue IV	1	Miami, FL		1,119	1,456		1,119	1,456	2,575	14	2017
Avenue V	1	Miami, FL		5,036	3,419	10	5,036	3,429	8,465	19	2017
Avenue	1	Miami, FL		2,327	3,538	293	2,327	3,831	6,158	99	2016
Avenue	1	Doral, FL		2,445	1,755	1,913	2,445	3,668	6,113	755	2012
Street	2	Medley, FL		2,938	5,242	776	2,938	6,018	8,956	569	2015
Avenue	1	Doral, FL		3,000	3,580	40	3,000	3,620	6,620	19	2017
Avenue	1	Medley, FL	1,793	2,787	2,036	491	2,787	2,527	5,314	392	2013
Road	1	Medley, FL		2,647	3,258	161	2,647	3,419	6,066	467	2013

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				Initial Cost to Company		Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at December 31, 2017			
Name	No. of Bldgs.	Location	Encumbrances	Land	Buildings & Improvements		Land	Buildings & Improvements	Total	Accumulated Depreciation
et	1	Medley, FL		2,903	5,729	430	2,903	6,159	9,062	568
y										
er	1	Medley, FL		1,971	4,029	400	1,971	4,429	6,400	219
	6	Doral, FL		11,152	11,721	2,174	11,152	13,895	25,047	2,044
nal										
nter	4	Medley, FL		5,063	10,958	654	5,063	11,612	16,675	799
ton,										
	5	Landover, MD		10,658	18,615	2,931	10,658	21,546	32,204	1,944
treet	1	Washington, D.C.		2,248	1,670	987	2,248	2,657	4,905	28
nsy	1	Landover, MD		2,331	4,375	499	2,331	4,874	7,205	582
oes	1	Lanham, MD		1,736	2,395	372	1,736	2,767	4,503	287
sey	1	Jessup, MD		2,263	3,200	765	2,263	3,965	6,228	407
ction	1	Annapolis Junction, MD		3,538	6,670	2,638	3,538	9,308	12,846	1,004
	1	Lanham, MD		3,038	3,007		3,038	3,007	6,045	90
	1	Capitol Heights, MD		5,095	11,672	830	5,095	12,502	17,597	1,198
	3	Capitol Heights, MD		4,602	7,521	328	4,602	7,849	12,451	334
	1	Annapolis Junction, MD		2,526	10,419	236	2,526	10,655	13,181	873
ge		Hanover, MD		5,689	1,567		5,689	1,567	7,256	74
	1	Hanover, MD		4,543	12,094	193	4,543	12,287	16,830	1,299
	1	Elkridge, MD		1,409	5,033	60	1,409	5,093	6,502	812
	6	Washington, D.C.		67,132	41,299	6,522	67,132	47,821	114,953	4,259
	196		65,063	759,659	667,292	133,950	759,659	801,242	1,560,901	90,234
zed net										
zed net										
costs			(232)							
e assets									76,029	49,580
	196		$ 64,831	$ 759,659	$ 667,292	$ 133,950	$ 759,659	$ 801,242	$ 1,636,930	$ 139,814

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Terreno Realty Corporation

Schedule III

Real Estate Investments and Accumulated Depreciation (Continued)

As of December 31, 2017

(in thousands)

nmary of activity for real estate and accumulated depreciation for the years ended December 31, 2017 and 2016 is as follows:

	2017
vestment in Properties	
ance at beginning of year	$ 1,343,038
quisition of properties	319,666
sposition of properties	(49,471)
nstruction in progress	
perties held for sale	
provements, net of write-offs	23,697
ance at end of year	$ 1,636,930

	2017
cumulated Depreciation	
ance at beginning of year	$ 109,357
nortization of lease intangible assets	8,597
preciation expense	27,241
cumulated depreciation on properties held for sale	
sposition of properties and write-offs	(5,381)
ance at end of year	$ 139,814

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Exhibit Index

ibit ber	Exhibit Description
	Articles of Amendment and Restatement of Registrant, as amended (previously filed as Exhibit 3.1 to Amendment No. 2 t Registrant s Registration Statement on Form S-11 on January 6, 2010 and incorporated herein by reference).
	Articles Supplementary for Registrant s 7.75% Series A Cumulative Redeemable Preferred Stock (previously filed as Exh Registrant s Current Report on Form 8-K on July 19, 2012 and incorporated herein by reference).
	Articles Supplementary (previously filed as Exhibit 3.1 to the Registrant s Current Report on Form 8-K on February 9, 20 incorporated herein by reference).
	Amended and Restated Bylaws of Registrant (previously filed as Exhibit 3.2 to Amendment No. 2 to the Registrant s Reg Statement on Form S-11 on January 6, 2010 and incorporated herein by reference).
	First Amendment to Amended and Restated Bylaws of Registrant (previously filed as Exhibit 3.2 to the Registrant s Curre Form 8-K on February 9, 2017 and incorporated herein by reference).
	Specimen Common Stock Certificate of Registrant (previously filed as Exhibit 4.1 to Amendment No. 3 to the Registrant Registration Statement on Form S-11 on January 15, 2010 and incorporated herein by reference).
-	Amended and Restated Severance Agreement between Registrant and W. Blake Baird, dated as of February 18, 2014 (pre as Exhibit 10.1 to the Registrant s Current Report on Form 8-K on February 19, 2014 and incorporated herein by referenc
-	Amended and Restated Severance Agreement between Registrant and Michael A. Coke dated as of February 18, 2014 (pre filed as Exhibit 10.2 to the Registrant s Current Report on Form 8-K on February 19, 2014 and incorporated herein by refe
-	Severance Agreement between Registrant and Jaime J. Cannon dated as of February 18, 2014 (previously filed as Exhibit Registrant s Current Report on Form 8-K on February 19, 2014 and incorporated herein by reference).
-	Amended and Restated 2010 Equity Incentive Plan of Registrant (previously filed as Appendix A to the Registrant s Defi Statement on Schedule 14A on March 19, 2014 and incorporated herein by reference).
-	Form of Restricted Stock Award Agreement for Executive Officers and Employees (previously filed as Exhibit 10.4 to Am No. 2 to the Registrant s Registration Statement on Form S-11 on January 6, 2010 and incorporated herein by reference).
-	Form of Restricted Stock Award Agreement for Non-Employee Directors (previously filed as Exhibit 10.5 to Amendment Registrant s Registration Statement on Form S-11 on January 6, 2010 and incorporated herein by reference).
-	Form of Indemnification Agreement between Registrant and its Directors and Executive Officers (previously filed as Exhi Amendment No. 2 to the Registrant s Registration Statement on Form S-11 on January 6, 2010 and incorporated herein by
-	Amended and Restated Long-Term Incentive Plan of Registrant (previously filed as Exhibit 10.4 to the Registrant s Curre Form 8-K on February 19, 2014 and incorporated by reference herein).
-	Form of Award Notice under the Long-Term Incentive Plan of Registrant (previously filed as Exhibit 10.8 to Amendment Registrant s Registration Statement on Form S-11 on January 6, 2010 and incorporated herein by reference).

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)	Fourth Amended and Restated Senior Credit Agreement, dated as of August 1, 2016, among Terreno Realty LLC, KeyBar Association, both individually as a Lender and as Administrative Agent , MUFG Union Bank, N.A., PNC Capital Ma Regions Capital Markets as joint lead arrangers and the several banks, financial institutions and other entities which may fr time become parties as additional Lenders (previously filed as Exhibit 10.1 to the Company s Current Report on Form August 2, 2016 and incorporated herein by reference).
	Note Purchase Agreement, dated as of June 7, 2017, among Terreno Realty LLC and the institutions named in Schedule B purchasers (previously filed as Exhibit 10.1 to the Company s Current Report on Form 8-K on June 12, 2017 and incorpo by reference).
	Note Purchase Agreement, dated as of June 2, 2016, among Terreno Realty LLC and the institutions named in Schedule B purchasers (previously filed as Exhibit 10.1 to the Company s Current Report on Form 8-K on June 7, 2016 and incorpora reference).
	Note Purchase Agreement, dated as of September 1, 2015, among Terreno Realty LLC and the institutions named in Sche thereto as purchasers (previously filed as Exhibit 10.1 to the Company s Current Report on Form 8-K on September 8, 20 incorporated herein by reference).
+	Severance Agreement between the Company and Andrew T. Burke, dated as of February 18, 2014 (previously filed as Exh to the Company s Annual Report on Form 10-K on February 8, 2017 and incorporated herein by reference).
+	Severance Agreement between the Company and John T. Meyer, dated as of February 18, 2014 (previously filed as Exhib the Company s Annual Report on Form 10-K on February 8, 2017 and incorporated herein by reference).
	Statement of Computation of Ratios.
	Subsidiaries of Registrant.
	Consent of Independent Registered Public Accounting Firm.
	Power of Attorney (included on the signature page to this Annual Report on Form 10-K).
	Certification of Chief Executive Officer, pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
	Certification of Chief Financial Officer, pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
	Certification of President, pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes- of 2002.
*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarb Act of 2002.
*	Certification of President, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley A
	The following materials from Terreno Realty Corporation s Annual Report on Form 10-K for the year ended December 31 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Stateme Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Equity, (v) Consolida Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements and (vii) Schedule III-Real Estate Investments Accumulated Depreciation.

Filed herewith.
Furnished herewith.
Exhibit is a management contract or compensatory plan or arrangement.

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SIGNATURES

ant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be si
f by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California, on February 7, 2018.

Terreno Realty Corporation

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

Power of Attorney

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

ant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the re
pacities and on the dates indicated.

Signature	Title	Dat
. Blake Baird lake Baird	Chairman, Chief Executive Officer and Director (principal executive officer)	February
ichael A. Coke ael A. Coke	President and Director	February
ime J. Cannon e J. Cannon	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)	February
Roy E. Carlson y E. Carlson	Director	February

ter J. Merlone	Director	February
J. Merlone		
ouglas M. Pasquale	Director	February
las M. Pasquale		
ennis Polk	Director	February
is Polk		