

Terreno Realty Corp  
Form 10-Q  
November 01, 2018  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-Q**

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

**For the quarterly period ended September 30, 2018**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 001-34603**

**Terreno Realty Corporation**  
**(Exact Name of Registrant as Specified in Its Charter)**

**Maryland**  
**(State or Other Jurisdiction of**

**27-1262675**  
**(I.R.S. Employer**

**Incorporation or Organization)**

**Identification No.)**

**101 Montgomery Street, Suite 200**

**San Francisco, CA**  
**(Address of Principal Executive Offices)**

**94104**  
**(Zip Code)**

**Registrant's telephone number, including area code: (415) 655-4580**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The registrant had 59,136,072 shares of its common stock, \$0.01 par value per share, outstanding as of October 30, 2018.

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**Terreno Realty Corporation**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements of Terreno Realty Corporation****Terreno Realty Corporation****Consolidated Balance Sheets****(in thousands except share and per share data)**

	<i>September 30, 2018</i>	<i>December 31, 2017</i>
	<i>(Unaudited)</i>	
<b>ASSETS</b>		
Investments in real estate		
Land	\$ 803,148	\$ 759,659
Buildings and improvements	823,921	801,242
Construction in progress	91,055	
Intangible assets	79,414	76,029
Total investments in properties	1,797,538	1,636,930
Accumulated depreciation and amortization	(162,150)	(139,814)
Net investments in properties	1,635,388	1,497,116
Properties held for sale, net	2,538	
Net investments in real estate	1,637,926	1,497,116
Cash and cash equivalents	3,587	35,710
Restricted cash	4,466	7,090
Senior secured loan, net	54,345	
Other assets, net	30,924	27,955
Total assets	\$ 1,731,248	\$ 1,567,871
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Credit facility	\$ 21,850	\$
Term loans payable, net	149,114	148,897
Senior unsecured notes, net	248,188	247,955
Mortgage loans payable, net	63,502	64,831
Security deposits	11,340	11,058
Intangible liabilities, net	24,063	22,361
Dividends payable	14,186	12,181
Performance share awards payable	9,310	11,824
Accounts payable and other liabilities	22,666	21,270
Total liabilities	564,219	540,377

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Commitments and contingencies (Note 12)		
Equity		
Stockholders' equity		
Common stock: \$0.01 par value, 400,000,000 shares authorized, and 59,136,072 and 55,368,737 shares issued and outstanding, respectively	592	553
Additional paid-in capital	1,161,395	1,023,184
Retained earnings	5,856	4,803
Accumulated other comprehensive loss	(814)	(1,046)
Total stockholders' equity	1,167,029	1,027,494
Total liabilities and equity	\$ 1,731,248	\$ 1,567,871

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

**Table of Contents****Terreno Realty Corporation****Consolidated Statements of Operations**

(in thousands except share and per share data)

(Unaudited)

*For the Three Months Ended September 30, 2018 and 2017 and for the Nine Months Ended September 30, 2018 and 2017*

	2018		2017	
<b>REVENUES</b>				
Rental revenues	\$	29,702	\$	26,452
Tenant expense reimbursements		8,197		7,188
Total revenues		37,899		33,640
<b>COSTS AND EXPENSES</b>				
Property operating expenses		9,486		9,023
Depreciation and amortization		10,057		9,595
General and administrative		5,047		5,041
Acquisition costs		122		129
Total costs and expenses		24,712		23,659
<b>OTHER INCOME (EXPENSE)</b>				
Interest and other income		1,341		17
Interest expense, including amortization		(4,406)		(4,514)
Gain on sales of real estate investments				15,449
Total other income and expenses		(3,065)		10,952
Net income		10,122		20,933
Redemption of preferred stock				(1,767)
Preferred stock dividends				(178)
Net income, net of redemption of preferred stock and preferred stock dividends		10,122		18,988
Allocation to participating securities		(66)		(136)
Net income available to common stockholders, net of redemption of preferred stock and preferred stock dividends	\$	10,056	\$	18,852
	\$	40,061	\$	38,254

**EARNINGS PER COMMON  
SHARE - BASIC AND DILUTED:**

Net income available to common stockholders, net of redemption of preferred stock and preferred stock dividends	\$	0.17	\$	0.36	\$	0.71	\$	0.76
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**BASIC AND DILUTED  
WEIGHTED AVERAGE  
COMMON SHARES  
OUTSTANDING**

	58,369,252	52,804,611	56,743,805	50,277,432
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The accompanying condensed notes are an integral part of these consolidated financial statements.



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**Terreno Realty Corporation**  
**Consolidated Statements of Comprehensive Income (Loss)**

(in thousands)

(Unaudited)

*For the Three Months Ended September 30, 2018 and Nine Months Ended September 30,*

	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Net income	\$ 10,122	\$ 20,933	\$ 40,317	\$ 42,259
Other comprehensive income (loss):				
cash flow hedge adjustment	70	8	232	(182)
Comprehensive income	\$ 10,192	\$ 20,941	\$ 40,549	\$ 42,077

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

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**Terreno Realty Corporation**  
**Consolidated Statement of Equity**  
(in thousands except share data)  
**(Unaudited)**

	<b>Common Stock</b>		<b>Additional</b>	<b>Retained</b>	<b>Accumulated Other Comprehensive</b>	<b>Total</b>
	<b>Number of Shares</b>	<b>Amount</b>	<b>Paid- in Capital</b>	<b>Earnings</b>	<b>Loss</b>	
Balance as of December 31, 2017	55,368,737	\$ 553	\$ 1,023,184	\$ 4,803	\$ (1,046)	\$ 1,027,494
Net income				40,317		40,317
Issuance of common stock, net of issuance costs of \$2,295	3,820,687	39	140,306			140,345
Repurchase of common stock	(107,267)		(3,870)			(3,870)
Issuance of restricted stock	53,915					
Stock-based compensation			1,775			1,775
Common stock dividends				(39,264)		(39,264)
Other comprehensive income					232	232
Balance as of September 30, 2018	59,136,072	\$ 592	\$ 1,161,395	\$ 5,856	\$ (814)	\$ 1,167,029

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

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**Terreno Realty Corporation**  
**Consolidated Statements of Cash Flows**

(in thousands)

(Unaudited)

	<i>For the Nine Months Ended September 30,</i>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 40,317	\$ 42,259
Adjustments to reconcile net income to net cash provided by operating activities		
Straight-line rents	(2,937)	(2,865)
Amortization of lease intangibles	(2,678)	(1,521)
Depreciation and amortization	30,566	27,855
Gain on sales of real estate investments	(14,986)	(25,549)
Deferred financing cost amortization	1,081	866
Deferred senior secured loan fee amortization	(245)	
Stock-based compensation	6,022	7,261
Changes in assets and liabilities		