



Innovative Industrial Properties Acquires California Property and Enters Into Long-Term Lease with Experienced Operator

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Marks IIP's First Investment in California, Expanding Footprint to Ten U.S. States

SAN DIEGO--(BUSINESS WIRE)-- Innovative Industrial Properties, Inc. (IIP), the first and only real estate company on the New York Stock Exchange (NYSE: IIPR) focused on the regulated U.S. cannabis industry, announced today that it closed on the acquisition of a property in Sacramento, California, which comprises approximately 43,000 square feet of industrial space. This acquisition marks IIP's first investment in California and expands its portfolio to ten U.S. states.

The purchase price for the Sacramento property was approximately \$6.7 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease agreement with an experienced operator, which intends to operate the property as a licensed cannabis cultivation facility in accordance with California regulations. The seller of the property is expected to complete redevelopment of the building, for which IIP has agreed to provide reimbursement of up to \$4.8 million. Assuming full reimbursement for the redevelopment, IIP's total investment in the property will be approximately \$11.5 million.

As the pioneering real estate investment trust (REIT) for the medical-use cannabis industry, IIP partners with experienced medical-use cannabis operators and serves as a source of capital by acquiring and leasing back their real estate assets, in addition to offering other creative real estate-based capital solutions.

"We are excited to add California to our portfolio," said Paul Smithers, President and Chief Executive Officer of Innovative Industrial Properties, Inc. "The tenant has a long track record of success serving patients in need in California, and we look forward to completing the redevelopment of the property with their team, which will enable them to significantly expand their reach."

The tenant has operated in the California cannabis industry for ten years, including seven years at the property, having received its permanent adult-use and medical-use cannabis retailer license for its dispensary in Sacramento, as well as temporary licenses for distribution and cultivation. The tenant expects to be issued its permanent cannabis cultivation license at the property upon completion of the property redevelopment.

California, with nearly 40 million residents, was the first state to permit the use of cannabis for medicinal purposes, adopting the Compassion Care Act in 1996. In November 2016, California voters approved the Adult Use of Marijuana Act (Proposition 64), which permits the sale of cannabis for adult-use, with first licenses issued in 2018. ArcView Market Research estimates that California regulated cannabis spending will grow from approximately \$2.5 billion in 2018 to \$5.6 billion in 2022, just modestly below Canada's total estimated regulated cannabis spending in that year of \$5.9 billion.

As of February 8, 2019, IIP owned twelve properties located in Arizona, California, Colorado, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York and Pennsylvania, totaling approximately 1,070,000 rentable square feet (including approximately 101,000 rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 14.3 years. As of February 8, 2019, IIP had invested approximately \$156.3 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$22.6 million to reimburse certain tenants and sellers for completion of construction and tenant improvements at IIP's properties. IIP's average current yield on invested capital is approximately 15.2% for these twelve properties, calculated as (a) the sum of the current base rents, supplemental rent (with respect to the lease with PharmaCann LLC at one of IIP's New York properties) and property management fees, divided by (b) IIP's aggregate investment in these properties (excluding transaction costs and including aggregate potential development/redevelopment funding and tenant reimbursements of approximately \$22.6 million).

About Innovative Industrial Properties

Innovative Industrial Properties, Inc. is a self-advised Maryland corporation focused on the acquisition, ownership and management of specialized industrial properties leased to experienced, state-licensed operators for their regulated medical-use cannabis facilities. Innovative Industrial Properties, Inc. has elected to be taxed as a real estate investment trust, commencing with the year ended December 31, 2017. Additional information is available at www.innovativeindustrialproperties.com.

Innovative Industrial Properties Forward-Looking Statements

This press release contains statements that IIP believes to be "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than historical facts, including, without limitation, statements regarding the lease of the California property, the tenant and the California regulated cannabis market, are forward-looking statements. When used in this press release, words such as we "expect," "intend," "plan," "estimate," "anticipate," "believe" or "should" or the negative thereof or similar terminology are generally intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements. Investors should not place undue reliance upon forward-looking statements. IIP

disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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