



Innovative Industrial Properties Acquires Illinois Properties and Enters Into Long-Term Leases with Cresco Labs

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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 acquisitions of two properties in Joliet and Kankakee, Illinois, which comprise approximately 90,000 square feet of industrial space in the aggregate.

The purchase prices for the properties were \$32.8 million in total (excluding transaction costs). Concurrent with the closing of the purchases, IIP entered into a long-term, triple-net lease agreement for each property with a wholly owned subsidiary of Cresco Labs Inc. (Cresco), which intends to continue to operate the properties as regulated cannabis cultivation and processing facilities. Cresco is expected to complete additional tenant improvements for the properties, for which IIP has agreed to provide reimbursement of up to approximately \$13.8 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the two properties will be approximately \$46.6 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 very pleased to introduce Cresco to our premier tenant roster," said Paul Smithers, President and Chief Executive Officer of Innovative Industrial Properties, Inc. "Cresco has created a tremendously valuable footprint in the cannabis industry throughout their states of operation. We look forward to our long-term real estate partnership, and continuing to support them in their strategic growth for many years to come."

Founded in 2013, Cresco is one of the largest vertically-integrated cannabis companies in the United States, with licensed operations in Arizona, California, Illinois, Ohio, Pennsylvania, Nevada, Michigan, Maryland and New York, and pending transactions in Florida, Utah and Massachusetts. With its pending acquisitions, Cresco has 23 licensed cannabis production facilities, 66 retail cannabis licenses and 34 operational cannabis dispensaries. Employing a consumer-packaged goods ("CPG") approach to cannabis, Cresco's house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco,

Remedi and Mindy's, a line of edibles created by James Beard Award-winning chef Mindy Segal. Sunnyside*, Cresco's national dispensary brand, is a wellness-focused retailer designed to build trust, education and convenience for both existing and new cannabis consumers. Cresco is well-positioned for the Illinois recreational market, having recently received the first adult-use cannabis dispensary and cultivation approvals in Illinois, which includes the properties in Joliet and Kankakee.

"We look forward to beginning our long-term real estate partnership with IIP, and working closely with them to address our future real estate capital needs as we continue to execute on our strategic initiatives," said Joe Caltabiano, President and Co-Founder of Cresco. "With the continued expansion of Illinois' medical-use cannabis program and the introduction of the regulated adult-use cannabis program next year, we are very well-positioned, with state-of-the-art cultivation and processing facilities and support from IIP to continue to enhance productive capacity of these facilities, to play a key role in the continued strong growth of the Illinois regulated cannabis industry."

As of October 22, 2019, IIP owned 34 properties located in Arizona, California, Colorado, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Nevada, Ohio and Pennsylvania, totaling approximately 2.5 million rentable square feet (including approximately 832,000 rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 15.8 years. As of October 22, 2019, IIP had invested approximately \$354.6 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$133.0 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 13.9% for these 34 properties, calculated as (a) the sum of the current base rents, supplemental rent (with respect to the lease with a tenant at one of IIP's New York properties) and property management fees (after the expiration of applicable base rent abatement or deferral periods), 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 \$133.0 million). These statistics do not include up to \$40.0 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Massachusetts properties, the additional \$4.0 million which may be requested by a tenant at one of IIP's Pennsylvania properties or \$2.0 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Massachusetts properties, as the tenants at those properties may not elect to have IIP disburse those funds to them and pay IIP the corresponding base rent on those funds.

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 leases of the Illinois properties, Cresco and the Illinois 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.

About Cresco Labs:

Cresco Labs is one of the largest vertically-integrated multi-state cannabis operators in the United States. Cresco is built to become the most important company in the cannabis industry by combining the most strategic geographic footprint with one of the leading distribution platforms in North America. Employing a consumer-packaged goods (“CPG”) approach to cannabis, Cresco’s house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco, Remedi and Mindy’s, a line of edibles created by James Beard Award-winning chef Mindy Segal. Sunnyside*, Cresco’s national dispensary brand, is a wellness-focused retailer designed to build trust, education and convenience for both existing and new cannabis consumers. Recognizing that the cannabis industry is poised to become one of the leading job creators in the country, Cresco has launched the industry’s first national comprehensive Social Equity and Educational Development (SEED) initiative designed to ensure that all members of society have the skills, knowledge and opportunity to work in and own businesses in the cannabis industry. Learn more about Cresco Labs at www.crescolabs.com.

Cresco Forward-Looking Statements

This press release contains “forward-looking information” within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Cresco’s beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Cresco’s control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as,

'may,' 'will,' 'should,' 'could,' 'would,' 'expects,' 'plans,' 'anticipates,' 'believes,' 'estimates,' 'projects,' 'predicts,' 'potential' or 'continue' or the negative of those forms or other comparable terms. Cresco's forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause Cresco's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including but not limited to those risks discussed under "Risk Factors" in Cresco's CSE Listing Statement filed with SEDAR; and other factors, many of which are beyond the control of Cresco. Readers are cautioned that the foregoing list of factors is not exhaustive. Because of these uncertainties, you should not place undue reliance on Cresco's forward-looking statements. No assurances are given as to the future trading price or trading volumes of Cresco's shares, nor as to Cresco's financial performance in future financial periods. Cresco does not intend to update any of these factors or to publicly announce the result of any revisions to any of Cresco's forward-looking statements contained herein, whether as a result of new information, any future event or otherwise. Except as otherwise indicated, this press release speaks as of the date hereof. The distribution of this press release does not imply that there has been no change in the affairs of Cresco after the date hereof or create any duty or commitment to update or supplement any information provided in this press release or otherwise.

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