Innovative Industrial Properties Acquires Illinois Property and Enters Into Long-Term Lease with Grassroots

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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 a sale-leaseback transaction with a subsidiary of GR Companies Inc. (Grassroots) for a property located in Litchfield, Illinois, which comprises approximately 70,000 square feet of industrial space.

The purchase price for the property was $10.5 million(excluding transaction costs). Concurrent with the closing of the acquisition, IIP entered into a long-term, triple-net lease agreement for the property with Grassroots, which intends to continue to operate the property as a licensed cannabis cultivation and processing facility. Grassroots is also expected to complete additional tenant improvements for the property, including a 50,000-square-foot planned expansion, for which IIP has agreed to provide reimbursement of up to approximately $17.7 million, which funding is subject to reduction at Grassroots' option within the first nine months of the lease term. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property will be approximately $28.2 million.

Grassroots is one of the leading multi-state cannabis operators, with operations in Illinois, Pennsylvania, Maryland, Ohio, North Dakota, Nevada, Michigan, Oklahoma, Vermont, Connecticut and Arkansas. Mitch Kahn, Founder and Chief Executive Officer of Grassroots, leads a highly experienced management team with a strong track record of founding, building and managing highly successful companies in a broad range of industries, including cannabis, consumer products, merchandising, real estate and finance.

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.

"Through Grassroots' reputation for premium products and leveraging its management team's deep expertise and proven entrepreneurship, Grassroots has emerged as one of the top companies in the regulated cannabis industry today, and we are thrilled to enter into this real estate partnership with them," said Paul Smithers, President and Chief Executive Officer of Innovative Industrial Properties, Inc. "In the past five years, they have developed a

tremendous strategic footprint, with vertical integration in several states with high barriers to entry, and in a very short time have established themselves as a preeminent operator in several markets. We look forward to supporting them in the many years to come as a trusted, reliable real estate capital partner, as they continue to grow their business in both existing and new states."

"Partnering with a proven real estate capital provider was a logical choice for us, freeing up our capital to be redeployed into our operations, while at the same time securing funding for our expansion at the Litchfield property in anticipation of the introduction in Illinois of the adult-use cannabis program in a few short months," said Mitchell Kahn, Chief Executive Officer and Founder of Grassroots. "We thank the IIP team for moving quickly to address our real estate capital needs with a solution that works well for us, and we look forward to completing the significant expansion of our production capacity at the property to address the tremendous demand of patients and consumers of Illinois."

As of October 30, 2019, IIP owned 38 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Nevada, Ohio and Pennsylvania, totaling approximately 2.8 million rentable square feet (including approximately 903,000 rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 15.6 years. As of October 30, 2019, IIP had invested approximately $403.3 million in the aggregate (excluding transaction costs) and had committed an additional approximately $139.7 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 13.8% for these 38 properties, calculated as (a) the sum of the current base rents, supplemental rent (with respect to the lease with PharmaCann 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 $139.7 million). These statistics do not include up to approximately $17.7 million that may be funded in the future pursuant to IIP's lease with Grassroots at the Illinois property, $40.0 million that may be funded in the future pursuant to IIP's lease with Trulieve Cannabis Corp. at one of IIP's Massachusetts properties, the additional $4.0 million which may be requested by PharmaCann LLC at one of IIP's Pennsylvania properties or $2.0 million that may be funded in the future pursuant to IIP's lease with Holistic Industries, Inc. 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**.

About Grassroots Cannabis:

GR Companies Inc. (dba Grassroots Cannabis) is a cannabis company dedicated to serving, advancing and respecting the cannabis movement. Through its unique, vertically integrated business model, Grassroots grows, processes and sells trusted cannabis products that enhance life's moments for people from all backgrounds. Its retail brand, Herbology, offers a unique, wellness and education-focused dispensary experience.

Grassroots Cannabis has built its portfolio at an unprecedented pace, with facilities in highly competitive markets, including Illinois, Nevada, Pennsylvania, Michigan, Maryland, Oklahoma, Ohio, Vermont, North Dakota, Arkansas and Connecticut. The company is pursuing acquisitions in additional markets. The executive management team is composed of a group of highly skilled business leaders united by a common belief: Cannabis inspires us to live deeply. For more information, visit **www.grassrootscannabis.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 property, Grassroots 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.

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