



Innovative Industrial Properties Acquires Massachusetts Property and Enters Into Long-Term Lease with Holistic Industries

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SAN DIEGO--(BUSINESS WIRE)-- Innovative Industrial Properties, Inc. (the "Company") (NYSE: IIPR), the leading provider of creative real estate capital solutions to the medical-use cannabis industry, announced today that it closed on the acquisition of a property located at 96 Palmer Road in Monson, Massachusetts, which comprises approximately 55,000 square feet of industrial space situated on approximately 5.4 acres.

The purchase price for the property was \$12.75 million. Concurrent with the closing of the purchase, the Company entered into a long-term, triple-net lease agreement with Holistic Industries, Inc. ("Holistic"), which intends to continue to operate the property as a medical-use cannabis cultivation and processing facility in accordance with Massachusetts medical-use cannabis regulations. The initial term of the lease is 20 years, with three options to extend the term for three additional five-year periods. The lease provides for an initial annualized aggregate base rent of \$1,912,500, which is equal to 15% of the purchase price of the property. The aggregate base rent is subject to 3.25% annual increases during the term of the lease, and Holistic is also responsible for paying the Company a property management fee equal to 1.5% of the then-current aggregate base rent. As a part of its medical cannabis license, Holistic is allowed up to three registered marijuana dispensaries, which are in varying stages of development.

Massachusetts, with approximately 6.9 million residents, approved cannabis for medical-use by popular vote in 2012, with first sales in 2014. As of June 30, 2018, there were 36 registered marijuana dispensaries and over 51,000 active patients in the medical-use cannabis program, treating a wide variety of qualifying medical conditions, including cancer, HIV/AIDS, anxiety, depression, chronic back pain and multiple sclerosis. Massachusetts voters also approved cannabis for adult-use in November 2016, with first sales under the regulated adult-use cannabis program expected to take place in 2018. ArcView Market Research projects Massachusetts' total regulated cannabis spending to grow rapidly, from approximately \$380 million in sales in 2018 to approximately \$1.2 billion by 2022.

"We are very pleased to close on this transaction with Holistic in Massachusetts, whose seasoned management team has operated in regulated medical-use cannabis markets for many years," said Paul Smithers, President and Chief Executive Officer of the Company. "We look forward to supporting Holistic as their long-term real estate



partner, as they continue to expand their operations and develop their dispensary locations to address compelling patient needs."

"The IIP team was great to work with throughout this transaction, making the process smooth and accelerating our timeframe to close, which provides us the funds to reinvest into our program expansion in Massachusetts," said Josh Genderson, Chief Executive Officer of Holistic. "We are singularly focused on creating the highest quality product with exacting specifications for our patients, and this facility provides us the state-of-the-art environment to do just that. We look forward to delivering that level of quality to our Massachusetts patients for many years to come."

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. intends to elect to be taxed as a real estate investment trust. Additional information is available at www.innovativeindustrialproperties.com.

Innovative Industrial Properties Forward-Looking Statements

This press release contains statements that the Company 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 Massachusetts property, Holistic and the Massachusetts 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. The Company 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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