



Innovative Industrial Properties Acquires Michigan Property and Enters Into Long-Term Lease with Sozo

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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 acquisition of a property in Warren, Michigan, comprising approximately 85,000 square feet of industrial space.

The purchase price for the property was approximately \$10.3 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease at the property with a subsidiary of Sozo Companies, Inc. (Sozo) for continued use as a regulated cannabis cultivation, processing and retail facility. Sozo is expected to complete additional tenant improvements for the property, for which IIP has agreed to provide reimbursement of up to approximately \$5.7 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property is expected to be \$16.0 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 welcome Sozo as the newest addition to our premier tenant roster," said Paul Smithers, President and Chief Executive Officer of IIP. "Aaron and his team at Sozo have created a strong operational platform in Michigan, and we expect this strategic transaction to unlock key capital for the Sozo team to significantly enhance their retail presence in the state, along with additional capital for the facility to drive cannabis production capacity."

Sozo, founded in 2018, is led by Aaron Rasty, Founder and Chief Executive Officer. Sozo is a vertically-integrated cannabis company with cultivation and processing operations at its Warren, Michigan headquarters and multiple cannabis dispensaries in Michigan. Sozo expects to expand operations to an additional six to eight dispensaries across the state in the coming year. Additional information regarding Sozo is available at www.sozolife.com.

"Sozo is thrilled to be working with IIP as we enter this next phase of our growth," said Aaron Rasty, Founder and Chief Executive Officer of Sozo. "This opportunity allows Sozo to continue to expand its brand and reach as a premier, vertically-integrated cannabis company."

Michigan voters originally authorized medical-use cannabis in 2008. In 2018, Michigan authorized the establishment of an adult-use cannabis program, and first sales under this program began in December 2019. According to New Frontier Data, in just the first year of the adult-use cannabis program, Michigan was one of the top ten regulated cannabis markets in 2020, with approximately \$1.0 billion in total regulated adult-use and medical-use cannabis sales. That growth trajectory has continued in 2021, with April reaching a monthly record high in total regulated cannabis sales of approximately \$153.6 million, according to the Michigan Marijuana Regulatory Agency. As of today, IIP's total investment, including committed funding for future tenant improvements, for the properties IIP owns in Michigan is approximately \$209.3 million.

As of May 17, 2021, IIP owned 71 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Texas, Virginia and Washington, representing a total of approximately 6.5 million rentable square feet (including approximately 2.4 million rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 16.8 years. As of May 17, 2021, IIP had committed approximately \$1.6 billion across its portfolio, including capital invested to date (excluding transaction costs) and additional capital commitments to fund future construction and tenant improvements at IIP's properties.

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 Michigan property, Sozo and the Michigan 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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