Innovative Industrial Properties Acquires Virginia Property and Enters Into Long-Term Lease with Green Leaf Medical

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Leading REIT for the Medical-Use Cannabis Industry Expands Portfolio to 47 Properties Comprising Approximately 3.1 Million Square Feet in 15 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 Richmond, Virginia, which is expected to comprise approximately 82,000 square feet of industrial space upon completion of development.

The purchase price for the Virginia property was approximately $11.8 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease agreement with a subsidiary of Green Leaf Medical, LLC (Green Leaf Medical), which intends to operate the property as a licensed medical-use cannabis cultivation, processing and dispensing facility upon completion of development. IIP has also agreed to provide reimbursement of up to approximately $8.0 million in connection with the completion of development of the property. Assuming full reimbursement, IIP's total investment in the property will be approximately $19.8 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.

This transaction marks IIP's second property acquisition and lease with Green Leaf Medical, with IIP's prior sale-leaseback transaction for Green Leaf Medical's 266,000 square foot licensed medical cannabis cultivation and processing facility in Pennsylvania, of which 103,000 square feet is operational and an additional 163,000 square feet of industrial space is available for future redevelopment and expansion.

"We are excited to team again with multi-state operator Green Leaf Medical as our tenant partner in Virginia," said Paul Smithers, President and Chief Executive Officer of IIP. "Green Leaf Medical continues to execute well on its business, dramatically expanding patient access in the Northeast. We look forward to working closely with them as

they complete development of this state-of-the-art facility to meet the patient demand of the greater Richmond area."

Green Leaf Medical, which produces a variety of cannabis products under the gLeaf brand, conducts licensed medical-use cannabis operations in multiple states, holding cultivation, extraction and retail licenses in Maryland, Pennsylvania, Ohio and Virginia. Green Leaf Medical holds one of five vertically integrated licenses to cultivate, process and dispense medical cannabis in Virginia. The Virginia medical cannabis market is in its very early stages, with first sales by dispensaries expected later this year. In a state-wide survey conducted in September 2019 by University of Mary Washington, 61% of Virginians also supported legalization of adult-use cannabis.

"Partnering again with IIP allows us to free up our capital and redeploy across our multi-state operating platform, including our anticipated launch of operations in Virginia this year," said Philip Goldberg, Chief Executive Officer of Green Leaf Medical. "Our Richmond location will serve patients directly through our onsite retail dispensary and will act as a hub for our statewide home delivery service."

As of January 15, 2020, IIP owned 47 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New York, North Dakota, Ohio, Pennsylvania and Virginia, totaling approximately 3.1 million rentable square feet (including approximately 850,000 rentable square feet under development/redevelopment), which were approximately 98.9% leased (based on square footage) with a weighted-average remaining lease term of approximately 15.5 years. As of January 15, 2020, IIP had invested approximately $510.6 million in the aggregate (excluding transaction costs) and had committed an additional approximately $130.6 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 13.3% for these 47 properties, calculated as (a) the sum of the current base rents, supplemental rent (with respect to 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 $130.6 million). These statistics do not include up to approximately $16.4 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Illinois properties, approximately $37.4 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Massachusetts properties, or an additional $4.0 million which may be requested by a tenant at one of IIP's Pennsylvania 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. These statistics also treat IIP's Los Angeles, California property as not leased, due to the tenant's default in its obligation to pay rent at that location in January 2020.

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 Virginia property, Green Leaf Medical and the Virginia 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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