



Innovative Industrial Properties Expands Long-Term Real Estate Partnership with Kings Garden in California

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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 is extending its long-term real estate relationship with Kings Garden Inc. (Kings Garden), one of California's top cannabis producers, with the acquisition of approximately 3.5 acres in Southern California adjacent to one of IIP's properties leased to Kings Garden, where IIP and Kings Garden will partner on the development of two additional buildings totaling approximately 180,000 square feet of industrial space.

The purchase price for the land was approximately \$1.4 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP amended its existing lease at the adjacent property to incorporate this new project, and Kings Garden intends to operate the two new buildings as licensed cannabis cultivation facilities upon completion of development. IIP is expected to provide reimbursement to Kings Garden for the construction of the two buildings of up to approximately \$51.4 million. IIP leases six properties to Kings Garden, representing approximately 544,000 square feet of industrial space (including space under development/redevelopment) and a total commitment (including purchase prices and commitments to fund tenant improvements and development/redevelopment, but excluding transaction costs) of approximately \$147.7 million.

"Kings Garden is truly a market-leading innovator in the cannabis industry, and we are thrilled to partner with them once again to grow their footprint and capacity here in California," said Paul Smithers, President and Chief Executive Officer of IIP. "With state-of-the-art production facilities and a dedicated team of world-class experts in cannabis growing and processing, Kings Garden's future is a very bright one, and we are proud to support them in their growth as their go-to real estate partner."

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 greatly value the long-term relationship we've built with our industry leading partners at IIP over the past years," said Michael King, Chairman and CEO of Kings Garden. "Between the deal we closed in November 2020 and

this one, IIP is expected to provide reimbursement to Kings Garden for construction for just over \$76 million. This is significant as it sets the path to 665,000 square feet of indoor operations and over \$300 million in revenue for 2023. Once all of the facilities are completed, we expect to be producing approximately 140,000 pounds of finished cannabis product annually, enabling us to continue to grow our market share in the single largest regulated cannabis market in the world.”

According to New Frontier Data, California’s regulated cannabis sales in 2020 were approximately \$5.6 billion, more than double the sales of any other state with a regulated cannabis program, with an estimated 6.7 million cannabis consumers. With U.S. regulated cannabis sales expected to reach \$41.5 billion in 2025, New Frontier estimates that California will continue to dominate in terms of market share at 20% of the total market, constituting \$8.2 billion in regulated sales.

“Kings Garden is excited to announce the significant expansion of our indoor cannabis cultivation operations. We are proud to maintain our status as the number one indoor flower brand in California – the largest and most discerning cannabis market in the world,” said Charlie Kieley, COO of Kings Garden. “Using advanced technologies and employing best practices, we will increase operational efficiencies and decrease our carbon footprint while maintaining the quality we are known for. As we continue to execute our growth strategy, we will be responsible stewards of the environment and be thoughtful in the utilization of our resources.”

As of February 8, 2021, IIP owned 67 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Virginia and Washington, totaling approximately 5.8 million rentable square feet (including approximately 2.2 million rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 16.7 years. As of February 8, 2021, IIP had committed approximately \$1.4 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.

About Kings Garden

Based in Coachella Valley, Kings Garden Inc. is California’s predominant cannabis cultivation, processing and manufacturing company, specializing in the world of premium grade boutique products at an unsurpassed

commercial scale. Now one of the largest producers in California, Kings Garden prides itself on having organized a highly experienced cannabis management and operations team, while being fully compliant and licensed across the state of California. From its inception, Kings Garden has held unwavering values focused on superior quality of end products, its team of management and employees who are considered family, giving back to local communities, and the advancement of the cannabis industry as a whole. For more information visit <https://kingsgarden.com/> or <https://www.instagram.com/kingsgarden.ca/>.

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 and redevelopment of the California property, Kings Garden and the California 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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IIP Contact:

Catherine Hastings

Chief Financial Officer

Innovative Industrial Properties, Inc.

(858) 997-3332

Kings Garden Contact:

Courtney Greenberg

Kings Garden

(917) 439-8009

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