



Innovative Industrial Properties Expands Partnership with PharmaCann with Acquisition and Long-Term Lease of Pennsylvania Property

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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 Scott Township, Pennsylvania, and entered into a long-term lease and development agreement with a subsidiary of PharmaCann LLC ("PharmaCann") for an approximately 23,000-square-foot industrial facility and an approximately 31,000-square-foot greenhouse facility on the property.

The contract purchase price for the property was \$942,000. PharmaCann is also expected to construct the project at the property, for which IIP has agreed to provide reimbursement of up to approximately \$29.1 million, which includes up to an additional \$4.0 million which may be requested by PharmaCann within nine months following the closing, subject to the satisfaction of certain conditions. Assuming full reimbursement for the construction, including the additional potential funding, IIP's total investment in the property will be \$30.0 million (excluding transaction costs). PharmaCann is a multi-state cannabis operator with licenses in Illinois, Maryland, Massachusetts, New York, Pennsylvania, Ohio and Virginia.

This acquisition and lease marks IIP's fourth transaction with PharmaCann as PharmaCann continues its nationwide expansion, with prior IIP acquisitions and leases for PharmaCann's medical-use cannabis cultivation and processing facilities in New York, Massachusetts and Ohio.

Medical-use cannabis dispensaries in Pennsylvania made their first sales in 2018, and last month, the Pennsylvania Department of Health (DOH) announced that there were more than 110,000 active certified patients and more than 1,600 physicians in the medical cannabis program. Similar to other medical-use cannabis states, the DOH has expanded patient access to the program over time, including recently approving anxiety disorders and Tourette syndrome to its program's list of medical conditions that qualify for treatment with medical cannabis. The DOH also recently launched a clinical research program for medical cannabis, providing for partnerships with clinical registrants and universities to conduct research on the efficacy of cannabis in treating the state's listed medical conditions.

"PharmaCann has demonstrated very clearly over time its dedication to patients in providing the highest quality

products in a compassionate environment, and we are excited to partner with them again as they bring their program to the people of Pennsylvania,” said Paul Smithers, President and Chief Executive Officer of IIP. “We look forward to working closely with the PharmaCann team in the development of this new facility that will provide them the highly controlled environment to meet their exacting product specifications.”

“Innovative Industrial Properties has been our real estate partner since 2016, and we are excited to partner with them once again in Pennsylvania,” said Teddy Scott, Chief Executive Officer of PharmaCann. “We are focused on the development of this property, and look forward to bringing our expertise and standard of product quality to patients throughout the state.”

As of August 12, 2019, IIP owned 27 properties located in Arizona, California, Colorado, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Nevada, Ohio and Pennsylvania, totaling approximately 2.1 million rentable square feet (including approximately 685,000 rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 15.5 years. As of August 12, 2019, IIP had invested approximately \$264.2 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$96.5 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 14.5% for these 27 properties, calculated as (a) the sum of the current base rents (after the expiration of applicable base rent abatement or deferral periods), supplemental rent (with respect to the lease with PharmaCann at one of IIP’s New York properties) and property management fees, 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 \$96.5 million). These statistics do not include any amounts that may be funded in the future pursuant to IIP’s lease with Trulieve Cannabis Corp. at one of IIP’s Massachusetts properties or the additional \$4.0 million which may be requested by PharmaCann at the Scott Township, Pennsylvania property, as the tenants at those properties may not elect to have us disburse those funds to them and pay us 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 PharmaCann

PharmaCann LLC is one of the largest medical cannabis providers in the nation, with nine dispensary locations and three production facilities currently operating across multiple states. Focused on elevating the role of cannabinoid-

based therapies in the healthcare industry, PharmaCann offers pharmaceutical grade cannabis products to patients looking for relief from qualifying medical conditions. For more information about PharmaCann, please visit www.pharmacann.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 and development of the Pennsylvania property, PharmaCann and the Pennsylvania medical-use 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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