



Innovative Industrial Properties Expands Real Estate Partnership with AWH at Illinois 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 entered into an amendment of the lease with a subsidiary of Ascend Wellness Holdings, LLC (AWH) at the property located in Barry, Illinois, making available an additional \$8 million in funding for expansion of AWH's regulated cannabis cultivation and processing facilities at the property. The lease amendment also adjusted the base rent under the lease to take into account the additional available funding and extended the term of the lease agreement. Assuming full payment of the additional funding, IIP's total investment in the property will be \$33 million.

IIP originally acquired the Illinois property and entered into a long-term lease with AWH in December 2018. With this additional funding, AWH expects to implement systems at the property to significantly increase production, with exacting environmental and other controls for the highest product quality and consistency. In addition to the Illinois property, IIP acquired and executed a lease with AWH for its regulated cannabis cultivation and processing facilities in Michigan, with the Michigan transaction closing in July.

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.

In August, with overwhelming bipartisan support, Illinois' Compassionate Use of Medical Cannabis Program Act became a permanent program and the "pilot" designation was removed. Also in August, several medical conditions were added to the program's list of qualifying conditions for medical cannabis treatment, including chronic pain, osteoarthritis, migraines and neuropathy, among others, and nurse practitioners and physician's assistants were authorized to certify prospective patients for the program.

Earlier this year, Illinois also became the eleventh state to approve the legalization of adult-use cannabis, which is expected to launch in January 2020, and in late August, awarded the first licenses to businesses to sell adult-use cannabis when the program starts in January.

"It is heartening to see the many significant steps that Illinois officials have taken to open the medical cannabis market for patients in need, and we are excited to support AWH in the enhancement of this facility to meet that demand," said Paul Smithers, President and Chief Executive Officer of IIP. "The AWH management team is well-positioned overall to execute on tremendous opportunities in each of their states of focus."

AWH is a vertically integrated cannabis company, and expects to be operating in each of Massachusetts, Illinois, Michigan and Ohio by the end of this year. AWH has raised over \$100 million in capital to date.

"It is a great to have a real estate partner like IIP, with the flexibility and reliability we need to optimally fund our real estate needs to support our operations growth," said Abner Kurtin, Chief Executive Officer and Co-Founder of AWH. "AWH is excited to be able to double our production in the Barry facility to meet the demands of the opening of the adult-use market next year. Combined with our four recreational dispensaries (under the new brand name Illinois Provisions), we expect to be the largest player in the southwestern region of the state."

As of September 9, 2019, IIP owned 29 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 15.8 years. As of September 9, 2019, IIP had invested approximately \$275.0 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$100.8 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 29 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 LLC 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 \$100.8 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 LLC at one of IIP's Pennsylvania properties, 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 AWH

AWH is a vertically integrated cannabis company with assets in Massachusetts, Illinois, Michigan and Ohio, four of the largest cannabis markets in the Eastern United States. Assets include thirteen municipal approved dispensaries in Michigan, the sixth largest dispensary group in Illinois, and the first dispensary approved and permitted by the City of Boston. The flagship store in Boston will be just steps from Faneuil Hall and the iconic TD Garden, two of the most highly trafficked tourist destinations in the country. AWH is redefining the cannabis retail experience, offering a customer-centric environment and a curated selection of products with effect-based categorization. For more information about AWH, visit www.awholdings.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 AWH, the lease and the Illinois 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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