



Innovative Industrial Properties Expands Real Estate Partnership with PharmaCann at New York Property

2020-12-14

IIP Commits Additional \$31.0 Million for Future Redevelopment, Extending Lease Term Through 2040

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 PharmaCann Inc. (PharmaCann) in Hamptonburgh, New York, making available \$31.0 million in funding for significant enhancements in production capacity and additional upgrades at the 127,000 square foot facility. 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 \$61.0 million. IIP originally acquired the New York property and entered into a long-term lease with PharmaCann in 2016.

In addition to this facility in New York, IIP owns and leases to PharmaCann regulated cannabis cultivation and processing facilities in Illinois, Massachusetts, Ohio and Pennsylvania, comprising a total of approximately 363,000 square feet. Assuming full reimbursement of tenant improvements under the leases, IIP's total investment in properties leased to PharmaCann is expected to be \$167.5 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.

PharmaCann is a leading multi-state cannabis operator with licenses in Illinois, Maryland, Massachusetts, New York, Pennsylvania and Ohio. Founded in 2014 with dispensaries operating under the brand Verilife, PharmaCann has raised over \$200 million in equity to date, and has over 650 employees.

"We are thrilled to partner once again with PharmaCann in its expansion of the New York facility, the first property in our portfolio that now spans 64 properties across 16 states," said Paul Smithers, President and Chief Executive Officer of IIP. "Since 2016, we have progressively supported PharmaCann as its go-to long-term real estate partner, and we are excited to take this next step with the PharmaCann team to significantly upgrade and enhance production capability at their New York facility, in a market experiencing tremendous and growing patient demand

for high quality products.”

“IIP has been a strong, reliable, flexible real estate partner since we initially sold and leased back our New York property to them in 2016,” said Brett Novey, PharmaCann’s Chief Executive Officer. “The New York regulated cannabis market is still in its early stages, and in conjunction with IIP’s unwavering support as our primary real estate capital provider, we expect the significant enhancements to our New York facility to preserve our strategic positioning as we continue to scale our operations to meet the anticipated demand for customers throughout the state.”

According to BDS Analytics, medical cannabis sales in the New York market totaled approximately \$77 million in 2019 and are expected to grow to over \$150 million in 2020 and to nearly \$250 million by 2021. As of December 11, 2020, there were over 3,000 registered practitioners and over 130,000 certified patients in the program. In addition, Governor Cuomo continues to express support for the introduction of a regulated adult-use cannabis program in New York, having included this program initiative in the past two budget proposals. It is expected that Governor Cuomo will include this proposal again in the January 2021 budget, driven in part to assist in addressing the state’s budget deficit stemming from the ongoing pandemic.

As of December 14, 2020, IIP owned 64 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New York, North Dakota, Ohio, Pennsylvania and Virginia, totaling approximately 5.2 million rentable square feet (including approximately 2.0 million rentable square feet under development/redevelopment), which were 99.3% leased (based on square footage) with a weighted-average remaining lease term of approximately 16.5 years. As of December 14, 2020, IIP had invested approximately \$972.4 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$298.1 million to reimburse certain tenants and sellers for completion of construction and tenant improvements at IIP’s properties. These statistics treat IIP’s Los Angeles, California property as not leased, due to the tenant being in receivership and its ongoing default in its obligation to pay rent at that location.

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 amendment of the New York property, PharmaCann and the New York 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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