



Innovative Industrial Properties Plans to Close Pending Sale-Leaseback Transaction with PharmaCann in December 2016

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SAN DIEGO--(BUSINESS WIRE)-- Innovative Industrial Properties, Inc. (the "Company") (NYSE: IIPR) announced today that it plans to close its previously-announced sale-leaseback transaction with PharmaCann LLC ("PharmaCann") in December 2016. In the sale-leaseback transaction, the Company will acquire PharmaCann's state-of-the-art, newly-constructed 127,000 square foot medical-use cannabis cultivation and processing facility in New York.

"We are excited to have PharmaCann and its highly regarded management team as our first tenant," said Alan D. Gold, Executive Chairman of the Company. "PharmaCann's New York facility is truly a blueprint for an institutional-grade medical-use cannabis cultivation and processing facility. The PharmaCann team, as the holder of one of five licenses in New York and multiple licenses in Illinois, is laser-focused on developing the highest quality products to treat patients in those states for a wide array of medical conditions, including chronic pain, which New York health regulators recently added to its list of qualifying medical conditions."

The Company previously entered into a purchase agreement with PharmaCann to acquire PharmaCann's New York facility for \$30 million in a sale-leaseback transaction. Upon the closing of the acquisition, the Company is expected to lease the property back to PharmaCann for an initial term of 15 years, with two five-year lease extension options. The lease provides that the initial base rent will be approximately \$319,580 per month, subject to annual increases of the greater of 4% or 75% of the consumer price index. The lease also provides that the Company will receive a property management fee equal to 1.5% of the then-current base rent throughout the term, and supplemental base rent for the first five years of the term at a rate of \$105,477 per month. Together, the expected annualized initial base rent, property management fee and supplemental base rent equate to approximately 17.2% of the purchase price of the New York facility.

Teddy Scott, Chief Executive Officer of PharmaCann, commented, "Innovative Industrial Properties is the ideal partner for us for our real estate needs. They have the real estate business acumen and creative flexibility that we need as we continue to develop our business in this dynamic and rapidly growing industry. We are thrilled to be entering into this transaction with them and forging a long-term relationship."

PharmaCann operates two medical-use cannabis cultivation and processing facilities and four registered medical-

use cannabis dispensaries in Illinois, in addition to the cultivation and processing facility that is the subject of this transaction and four registered medical-use cannabis dispensaries in New York.

The transaction is subject to customary closing conditions, and the Company cannot provide assurances that the Company will close on the transaction on the terms described herein, or at all.

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 intends to elect to be taxed as a real estate investment trust.

Forward-Looking Statements

This press release contains statements that we believe 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 consummation of the sale-leaseback transaction with PharmaCann and the terms thereof, 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.

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