



# Innovative Industrial Properties Expands Long-Term Real Estate Partnership with Kings Garden with Acquisition of New California Property

November 16, 2020

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 a Southern California property, which comprises approximately 192,000 square feet of industrial space.

The purchase price for the property was approximately \$25.4 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease at the property with Kings Garden, which intends to operate the property as a licensed cannabis cultivation and distribution facility upon completion of redevelopment. Kings Garden is expected to complete additional tenant improvements for the property, for which IIP has agreed to provide reimbursement of up to \$25.0 million. Including this property, IIP leases six properties to Kings Garden, representing approximately 364,000 square feet of industrial space and a total commitment (including purchase prices and commitments to fund tenant improvements, but excluding transaction costs) of approximately \$95.0 million.

"Kings Garden is one of the preeminent operators in California, and has pioneered industry best practices to develop the highest quality and consistency in its cannabis products," said Paul Smithers, President and Chief Executive Officer of IIP. "We are thrilled to expand our long-term real estate partnership and support Kings Garden in significantly enhancing their capacity through redevelopment of this new facility to Kings Garden's exacting environmental controls and specifications."

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.

"IIP has been a powerful partner for us, enabling us to expand operations in the largest cannabis market in the world," said Michael King, Chairman and CEO of Kings Garden. "Kings Garden prides itself on working with only the best and IIP is on a different level from all others, working collaboratively with us to facilitate a smooth transaction. Our partnership with IIP provides us with strategic, non-dilutive capital to continue to leverage our expertise as purveyors of world-class cannabis products, to further increase our reach to patients and customers throughout California. We expect this new facility to increase our production capacity by more than double, adding approximately 50,000 pounds of finished cannabis on an annual basis."

According to BDS Analytics, through September 30, 2020, California generated over \$2.6 billion in regulated cannabis sales, which is expected to grow to nearly \$7.4 billion by 2025. Also according to Marijuana Business Daily, while only 168 of California's 540 cities and counties allow for regulated cannabis companies to operate within their borders as of June, dozens of city and county initiatives were approved by voters this month, which are expected to further increase demand for regulated cannabis products throughout the state.

As of November 16, 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 1.9 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 16.3 years. As of November 16, 2020, IIP had invested approximately \$943.2 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$293.1 million to reimburse certain tenants and sellers for completion of construction and tenant improvements at IIP's properties. These statistics do not include up to approximately \$3.2 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Massachusetts properties, as the tenant at that property may not elect to have IIP disburse those funds to the tenant and pay IIP the corresponding base rent on those funds. These statistics also 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](http://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 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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