



Innovative Industrial Properties Expands Real Estate Partnership with PharmaCann at Massachusetts Property

September 25, 2019

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 amendments of the lease and development agreement with a subsidiary of PharmaCann LLC (PharmaCann) at the property located at 465 Hopping Brook Road in Holliston, Massachusetts, making available an additional \$8.0 million in funding for additional expansion of PharmaCann'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 \$26.5 million.

IIP originally acquired the Massachusetts property and entered into a long-term lease with PharmaCann in 2018, prior to commencement of construction. With this additional funding, PharmaCann expects to further enhance systems to significantly expand production capacity at the property. In addition to the Massachusetts property, IIP acquired and executed leases with PharmaCann for its medical-use cannabis cultivation and processing facilities in New York, Ohio and Pennsylvania, with the Pennsylvania transaction closing last month.

PharmaCann is a leading multi-state cannabis operator with licenses in Illinois, Maryland, Massachusetts, New York, Pennsylvania, Ohio and Virginia.

"PharmaCann is one of the leading multi-state operators, and we are very happy to continue to support them as their go-to real estate partner for their mission-critical facilities," said Paul Smithers, President and Chief Executive Officer of IIP. "We look forward to completion of our development projects with PharmaCann and continuing to support their growth in these states and beyond."

"We are extremely pleased to team again with IIP on this planned enhancement of our cultivation and processing facility in Massachusetts," said Brett Novey, PharmaCann's Chief Executive Officer. "IIP has been our long-term real estate capital partner since 2016, and has played a key role for us to grow and achieve the scale we are targeting. Massachusetts presents a tremendous opportunity, and we look forward to bringing our highest quality products to residents throughout the Commonwealth."

From December 2018 through May 2019, representing just the first six full months since Massachusetts launched its regulated adult-use cannabis program, aggregate adult-use cannabis sales approached \$140 million, including \$34 million in May sales alone, according to Marijuana Business Daily. Massachusetts regulators approved regulations earlier this week that govern cannabis cafes and delivery, providing for two additional potential drivers for continued strong growth of the industry.

As of September 25, 2019, IIP owned 31 properties located in Arizona, California, Colorado, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Nevada, Ohio and Pennsylvania, totaling approximately 2.2 million rentable square feet (including approximately 687,000 rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 15.9 years. As of September 25, 2019, IIP had invested approximately \$293.1 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$103.4 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 31 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 \$103.4 million). These statistics do not include up to \$40.0 million that may be funded in the future pursuant to IIP's lease with Trulieve Cannabis Corp. at one of IIP's Massachusetts properties, the additional \$4.0 million which may be requested by PharmaCann at one of IIP's Pennsylvania properties or \$2.0 million that may be funded in the future pursuant to IIP's lease with Holistic Industries, Inc. at one of IIP's Massachusetts properties, as the tenants at those properties may not elect to have IIP disburse those funds to them and pay IIP 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.

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 PharmaCann, the lease, the development agreement and the Massachusetts 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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