



Innovative Industrial Properties Acquires Florida Property and Enters Into Long-Term Lease with Parallel, a U.S. Cannabis Company

March 11, 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 closed on the acquisition of a property in Wimauma, Florida, which comprises approximately 373,000 square feet of industrial and greenhouse space, from an affiliate of Parallel, a leading multi-state cannabis company with operations in Florida, Massachusetts, Nevada and Texas. Parallel is the corporate parent company to Surterra Wellness, a market leader and one of the original licensed vertical operators in Florida, with a rapidly growing footprint that includes 39 retail dispensaries across the state and multiple industrial-scale cultivation, production and research facilities.

The purchase price for the property was \$35.3 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease agreement for the property with a subsidiary of Parallel, which intends to continue to operate the property as a regulated medical cannabis cultivation and processing facility. Parallel is expected to complete additional tenant improvements for the property, for which IIP has agreed to provide reimbursement of up to \$8.2 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property will be \$43.5 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.

"We are thrilled to execute this transaction with Parallel, and look forward to supporting Parallel as their long-term real estate capital partner in Florida and elsewhere," said Paul Smithers, President and Chief Executive Officer of IIP. "Parallel has a tremendous footprint in Florida with its 39 operating dispensary locations, and we expect the Wimauma facility to be a critical catalyst to Parallel's continued growth and expansion of operations to meet the tremendous patient need for high quality medical cannabis products throughout Florida."

Parallel is one of the largest privately-held multi-state cannabis operators in the U.S., with leading positions in several of the largest and fastest-growing markets, including Florida, Massachusetts, Nevada and Texas. Parallel's operations include 42 retail dispensaries, a robust portfolio of proprietary consumer brands and innovative products, and state-of-the-art cultivation, production and research facilities. Parallel has over 1,700 employees nationwide, and has raised more than \$300 million in capital to date. Parallel's highly accomplished management team is led by Chairman and CEO William "Beau" Wrigley, Jr., who previously served as the Chairman and CEO of global gum and confectionery leader the Wm. Wrigley Jr. Company, which was acquired by Mars, Inc. in 2008 for \$23 billion.

"We are thrilled to partner with IIP on this transaction, which enables Parallel to unlock previously untapped sources of growth capital from our real estate holdings to help drive our continued expansion in Florida as well as in other markets," said Beau Wrigley, Jr., Chairman and CEO of Parallel. "As the premier real estate capital provider for the

cannabis space, IIP is best positioned to support Parallel's continued growth to enable us to continue to meet our customers' needs by delivering a wide variety of consistent, high-quality cannabis products."

Florida represents one of the largest and one of the fastest growing medical-use cannabis markets in the United States. Floridians overwhelmingly supported the passage of the medical-use cannabis program in 2016 with 71% voter approval. Qualifying medical conditions for the program include, among others, cancer, epilepsy, PTSD, HIV/AIDS and multiple sclerosis. According to the Florida Office of Medical Marijuana Use (OMMU), as of March 6, 2020, there were over 320,000 qualified patients and over 2,500 qualified physicians in the medical-use cannabis program.

As of March 11, 2020, IIP owned 53 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Nevada, North Dakota, Ohio, Pennsylvania and Virginia, totaling approximately 3.8 million rentable square feet (including approximately 1.1 million rentable square feet under development/redevelopment), which were 99.1% leased (based on square footage) with a weighted-average remaining lease term of approximately 15.9 years. As of March 11, 2020, IIP had invested approximately \$611.0 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$168.6 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 13.2% for these 53 properties, calculated as (a) the sum of the current base rents, supplemental rent (with respect to the lease with a tenant at one of IIP's New York properties) and property management fees (after the expiration of applicable base rent abatement or deferral periods), 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 \$168.6 million). These statistics do not include up to approximately \$15.9 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Illinois properties, or the approximately \$35.7 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 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. These statistics also treat IIP's Los Angeles, California property as not leased, due to the tenant's 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.

About Parallel

Parallel (formerly Surterra Wellness) is a leading global company that is pioneering human well-being and improving quality of life for humanity through the benefits of cannabinoids. Parallel is one of the fastest growing cannabis companies in the world with vertical operations in Florida, Texas, Nevada, and Massachusetts, a developing international footprint in the European Union (EU), South America and Asia, a global retail brand, Goodblend, and a diverse portfolio of high quality, proprietary consumer brands, including Surterra Wellness, Coral Reefer, Endless Summer, and Float. Parallel's business also includes Massachusetts' New England Treatment Access (NETA), a leading vertical cannabis operation with regional retail dispensaries and consumer brands; Molecular Infusions (Mi), a cannabis based biopharmaceutical company; and Nevada's The Apothecary Shoppe, a vertical cannabis dispensary. Parallel's integrated footprint includes 42 retail dispensaries across the United States (US), including 39 in Florida, cultivation and manufacturing operations across the platform, R&D facilities in Massachusetts, Florida, and Budapest, Hungary, and an exclusive partnership with global biotechnology company Intrexon to drive its science and technology-led innovation. Parallel follows rigorous operational and business practices to ensure the quality, safety, consistency and efficacy of its products, and is building a business based on strong values to be the gold standard for the industry. For more information: www.liveParallel.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 of the Florida property, Parallel and the Florida 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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IIP Contact:

Catherine Hastings

Chief Financial Officer, Chief Accounting Officer and Treasurer

Innovative Industrial Properties, Inc.

(858) 997-3332

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