



Innovative Industrial Properties Acquires Property in California and Executes Long-Term Lease with Gold Flora

October 18, 2021

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 201,000 square foot industrial property in Desert Hot Springs, California, and entered into a long-term lease with Gold Flora, LLC (Gold Flora).

The purchase price for the property was \$51.0 million (excluding transaction costs). Gold Flora is expected to complete additional tenant improvements for the property as a regulated cannabis cultivation and processing facility, for which IIP has agreed to provide reimbursement of up to \$9.0 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property is expected to be \$60.0 million.

As the pioneering real estate investment trust (REIT) for the regulated cannabis industry, IIP partners with experienced, regulated 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 excited to welcome Laurie and the Gold Flora team as our newest tenant partner," said Paul Smithers, President and Chief Executive Officer of IIP. "Gold Flora has established a strong reputation and presence in the largest regulated cannabis market in the world, California, and we look forward to supporting them as a long-term real estate capital partner for many years to come, as they continue to expand the breadth of their operations and reach throughout the state."

Founded in 2017, Gold Flora is a vertically integrated operator in California, including cultivation, manufacturing, distribution and retail. Gold Flora is led by a seasoned management team with a track record of success in the regulated cannabis industry and developing and leading the execution of company strategy, including Chief Executive Officer Laurie Holcomb, Chief Operations Officer Greg Gamet, Chief Financial Officer Chris Martin and Chief Cultivation Officer Phillip Hague. Earlier this year, Gold Flora announced a strategic partnership with Stately Brands, including the establishment of an advisory board to Gold Flora and financing to further expand Gold Flora's retail operations, brands and distribution network.

"Teaming with IIP on this transaction strategically unlocks capital for us as we focus on our continued growth in California, and we look forward to working with the IIP team for many years to come as our go-to real estate capital provider," said Laurie Holcomb, Chief Executive Officer of Gold Flora. "In a few short years, I am proud of what our team at Gold Flora has accomplished, with our best-in-class line of products and strategic relationships that I believe will continue to distinguish us in the California marketplace, as we look to expand our footprint and distribution throughout the state."

California is the largest regulated cannabis market in the United States, generating approximately \$4.4 billion in regulated cannabis sales in 2020, versus \$2.8 billion in 2019, representing an annual growth rate well in excess of 50%, according to Marijuana Business Daily. While many cities and counties initially banned regulated cannabis businesses in their jurisdictions, that approach has shifted over time: in early 2019, about a year after the regulated adult-use market launched, only 161 of California's 482 cities and 24 of 58 counties permitted any type of regulated cannabis business; as of July 2021, those numbers had grown to 182 cities and 31 counties. According to the

California Department of Tax and Fee Administration, taxable sales of regulated cannabis products in California totaled approximately \$1.4 billion in the second quarter of 2021 alone, continuing a strong growth trajectory.

As of October 18, 2021, IIP owned 76 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Texas, Virginia and Washington, representing a total of approximately 7.5 million rentable square feet (including approximately 2.8 million rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 16.7 years. As of October 18, 2021, IIP had committed approximately \$1.9 billion across its portfolio, including capital invested to date (excluding transaction costs) and additional capital commitments to fund future construction and tenant improvements at IIP's properties, but excluding an \$18.5 million loan from IIP to a developer for construction of a regulated cannabis cultivation and processing facility in California.

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 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 of the California property, Gold Flora and the California regulated cannabis market, are forward-looking statements. When used in this press release, words such as IIP "expects," "intends," "plans," "estimates," "anticipates," "believes" 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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