



Innovative Industrial Properties Acquires Texas Property and Enters Into Long-Term Lease with Texas Original

June 15, 2022

IIP Expands Portfolio to 111 Properties Comprising 8.4 Million Square Feet in 19 States

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 that it closed on the acquisition of a property in Texas, and entered into a long-term lease with a subsidiary of Texas Original Holdings, LLC (Texas Original).

The purchase price for the property was approximately \$12.0 million (excluding transaction costs), which was derived from costs Texas Original incurred to acquire the 25 acres of land and develop the property through the date of closing. At the time of closing, the majority of project sitework had been completed and two of the four buildings have been dried in with interior finish out under construction. Texas Original is expected to complete construction of the approximately 85,000 square foot industrial and hybrid greenhouse facility, for which IIP has agreed to provide reimbursement of up to approximately \$10.0 million, consisting of completion of building shell, interior buildout of cultivation and production rooms, and mechanical, electrical and plumbing systems. Assuming full reimbursement for the construction, IIP's total investment in the property is expected to be \$22.0 million (excluding transaction costs), or approximately \$259 per square foot. Upon completion, the property is expected to include approximately 49,000 square feet of cultivation space, with the balance of the space utilized for manufacturing, processing, testing and administrative activities.

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.

Texas Original is one of three vertically integrated cannabis license holders in Texas, is the only provider headquartered in the state, and is estimated to hold a large majority of the current market share within Texas' medical cannabis program. After raising approximately \$40.0 million to date, Texas Original currently operates a regulated cannabis production and dispensary facility in Austin as well as the state's largest distribution and delivery network. Texas Original's daily and weekly deliveries, in addition to its statewide pickup locations, provide qualifying patients across the state of Texas access to medical cannabis under the Texas Compassionate Use Program (CUP).

Texas, the second most populous state with nearly 30 million residents, passed the CUP in 2015, which is currently a limited program providing low-THC medical cannabis to qualifying patients. The program currently provides for a limited set of qualifying medical conditions, including epilepsy and seizure disorders, multiple sclerosis, PTSD, spasticity, all forms of cancer, incurable neurological disorders, autism and ALS. According to a Texas GOP Voter Survey conducted by Baseline & Associates in April 2022, 64% of Republican primary voters favor legalizing medical marijuana in Texas that is prescribed by a physician for serious medical conditions. In the same poll, 72% of Republican primary voters favor allowing physicians in Texas to prescribe medical marijuana as an alternative to opioids to treat patients with chronic pain. In May 2022, according to a University of Texas at Tyler poll, 83% of Texas voters support legalization of cannabis for medical use, and 60% of Texas voters support legalization of cannabis for adult-use. As of May 2022, the current program had approximately 26,000 registered patients and 580 physicians; however, New Frontier Data estimates annual spending on illicit cannabis sales in Texas to be \$6.0 billion.

Neighboring state New Mexico legalized cannabis for adult-use earlier this year, while Oklahoma and Louisiana have legalized cannabis for full medical-use.

As of June 15, 2022, IIP owned 111 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 8.4 million rentable square feet (including approximately 2.6 million rentable square feet under development / redevelopment). As of June 15, 2022, IIP had committed approximately \$2.3 billion across its portfolio, including capital invested to date (excluding transaction costs) and additional capital commitments to fund future construction and improvements at IIP's properties. These statistics do not include an \$18.5 million loan from IIP to a developer for construction of a regulated cannabis cultivation and processing facility in California and up to \$55.0 million that may be funded between June 15, 2022 and July 31, 2022 pursuant to IIP's lease with a tenant at one of IIP's Pennsylvania properties, as the tenant at that property may not elect to have IIP disburse those funds 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 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 Texas Original

Texas Original is the leading licensed medical cannabis producer in Texas, working alongside physicians to provide the highest quality cannabis medicine to patients and families seeking relief across the state. As fellow Texans, we are dedicated to representing the integrity of this great state with our commitment to quality, consistency, and purity in every product we produce. We remain committed to advancing safe, legal access to this powerful medicine. Texas Original is headquartered in Austin, with delivery throughout the entire state. For more information, visit www.texasoriginal.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 development and lease of the Texas property, Texas Original and the Texas 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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