



Innovative Industrial Properties Acquires California Property Portfolio and Enters into Long-Term Leases with Vertical

September 12, 2019

Acquisition Expands Footprint to 2.2 Million Square Feet in Twelve 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 today that it closed on the final parcel of a four-property portfolio in southern California, which comprises approximately 79,000 square feet of industrial space in total.

The purchase price for the southern California portfolio was approximately \$17.3 million in the aggregate (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease at each property with a subsidiary of Medical Investor Holdings LLC (d/b/a Vertical) for continued operation as licensed cannabis cultivation, extraction, manufacturing and distribution facilities in accordance with California regulations.

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 add Vertical and its strong management team to our tenant roster," said Paul Smithers, President and Chief Executive Officer of IIP. "With its breadth of cannabis brands and highly experienced team, Vertical is well-positioned to capitalize on the tremendous growth of the California regulated cannabis industry in the many years to come, and we look forward to continuing to support Vertical and its long-term growth initiatives."

Vertical is a multi-state operator licensed for cannabis cultivation, extraction, manufacturing and distribution in California and cultivation operations in Arizona and Ohio, with an extensive portfolio of branded cannabis products. Vertical's management team has decades of experience in starting, building and running highly successful businesses in the alcohol, agriculture, consumer product goods, distribution, entertainment, food healthcare and medical industries.

"This strategic transaction with IIP allows us to unlock our capital tied to our real estate and redeploy those proceeds into the tremendous opportunities we see ahead in the cannabis industry, in California and beyond," said Bill Sutman, CFO of Vertical.

Smoke Wallin, Vertical's Vice Chairman and CEO of Vertical Wellness, added, "With our vertical integration in California and the strength of our brand portfolio across all form factors, we believe our brands will emerge as the preferred products across a broad spectrum of retail customers and target consumers. We look forward to exploring additional ways to partner with IIP as a real estate capital partner as our company continues scale our operations."

As of September 12, 2019, IIP owned 30 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 685,000 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 12, 2019, IIP had invested approximately \$287.2 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$98.8 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 30 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 LLC 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 \$98.8 million). These statistics do not include \$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 or the additional \$4.0 million which may be requested by PharmaCann LLC at one of IIP's Pennsylvania properties, as the tenants at those properties may not elect to have us disburse those funds to them and pay us 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.

About Vertical™

Vertical is a leading vertically integrated multi-state operator and brand and distribution company in the medical and adult-use cannabis and hemp-based CBD industries. With have operations in Arizona, California and Ohio which position Vertical well to take advantage of the legalization and normalization of cannabis globally. Vertical is led by an executive team of entrepreneurs and business leaders from the alcohol beverage, agriculture, CPG, distribution, entertainment, food, healthcare, and medical industries.

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 southern California property portfolio, Vertical 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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