



Innovative Industrial Properties Acquires Massachusetts Property and Expands Real Estate Partnership with Cresco Labs

July 01, 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 Massachusetts, which comprises approximately 118,000 square feet of industrial space in the aggregate.

The purchase price for the property was approximately \$7.8 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 wholly owned subsidiary of Cresco Labs Inc. (Cresco), which intends to operate the property as a regulated cannabis cultivation, processing and dispensing facility upon completion of redevelopment. Cresco is expected to complete additional tenant improvements for the property, for which IIP has agreed to provide reimbursement of up to \$21.0 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property will be approximately \$28.8 million.

This sale-leaseback transaction marks IIP's fifth acquisition and lease with Cresco, with prior IIP acquisitions and leases for four of Cresco's licensed cannabis cultivation and processing facilities in Illinois, Michigan and Ohio.

Earlier in the month, IIP also entered into amendments to its leases with Cresco at one of IIP's Michigan and one of IIP's Ohio properties, making available an additional \$17.0 million in funding for additional improvements of their cannabis cultivation and processing facilities at the properties. The lease amendments also adjusted the base rent under the leases to take into account the additional available funding. Assuming full payment of the additional funding, IIP's total investment in the Michigan property, which comprises 115,000 square feet of industrial space, will be \$32.0 million, and IIP's total investment in the Ohio property, which comprises 50,000 square feet of industrial space, will be approximately \$13.5 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.

"Cresco is a true leader in quality, customer experience and patient care in its core markets, and we are pleased to further expand our long-term real estate partnership with them in Massachusetts," said Paul Smithers, President and Chief Executive Officer of IIP. "The Massachusetts regulated cannabis industry is still in its early stages, and is emerging as one of the strongest medical and adult-use cannabis markets on the East Coast. Our transaction with Cresco represents our fifth property acquisition in Massachusetts, and we are firmly committed to being a strong real estate partner to the industry here for many years to come."

Founded in 2013, Cresco is one of the largest vertically-integrated cannabis companies in the United States, with licensed operations in nine states. With its pending acquisitions, Cresco has 15 licensed cannabis production facilities, 29 retail cannabis licenses and 15 operational cannabis dispensaries. Employing a consumer-packaged goods ("CPG") approach to cannabis, Cresco's house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco, Remedi and Mindy's, a line of edibles created by James Beard Award-winning chef Mindy Segal. Sunnyside*, Cresco's national

dispensary brand, is a wellness-focused retailer designed to build trust, education and convenience for both existing and new cannabis consumers.

"We are thrilled to partner with IIP on our fifth lease with them. They have been reliable partners and a consistent source of non-dilutive capital that has allowed us to expand our capacity and go deep in our strategic markets," said Cresco Labs CEO and Co-founder Charlie Bachtell.

Massachusetts, with approximately 6.9 million residents, approved cannabis for medical-use by popular vote in 2012, with first sales in 2014. The Commonwealth launched its adult-use cannabis program in 2018, with first sales in November of that year. In 2019, the first full year of the Massachusetts adult-use cannabis program, retail cannabis sales exceeded \$587 million, and are expected to reach \$1.35 billion by 2024, according to BDS Analytics. Similar to other states during this coronavirus health crisis, Massachusetts authorities ordered all businesses that are not offering essential services to close operations for a period of time. However, the Massachusetts Cannabis Control Commission deemed Medical Marijuana Treatment Centers and Certifying Health Care Providers as essential services that were permitted to remain open during this time. The adult-use cannabis program was required to close for approximately two months, but reopened in late May.

As of July 1, 2020, IIP owned 58 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Nevada, North Dakota, Ohio, Pennsylvania and Virginia, totaling approximately 4.4 million rentable square feet (including approximately 1.4 million rentable square feet under development/redevelopment), which were 99.2% leased (based on square footage) with a weighted-average remaining lease term of approximately 16.2 years. As of July 1, 2020, IIP had invested approximately \$791.3 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$190.8 million to reimburse certain tenants and sellers for completion of construction and tenant improvements at IIP's properties. These statistics do not include up to approximately \$7.0 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Illinois properties, or approximately \$19.7 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 being in receivership and its 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.

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 Massachusetts property, Cresco 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.

About Cresco Labs

Cresco Labs is one of the largest vertically-integrated multi-state cannabis operators in the United States. Cresco is built to become the most important company in the cannabis industry by combining the most strategic geographic footprint with one of the leading distribution platforms in North America. Employing a consumer-packaged goods ("CPG") approach to cannabis, Cresco's house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco, Remedi and Mindy's, a line of edibles created by James Beard Award-winning chef Mindy Segal. Sunnyside*, Cresco's national dispensary brand, is a wellness-focused retailer designed to build trust, education and convenience for both existing and new

cannabis consumers. Recognizing that the cannabis industry is poised to become one of the leading job creators in the country, Cresco has launched the industry's first national comprehensive Social Equity and Educational Development (SEED) initiative designed to ensure that all members of society have the skills, knowledge and opportunity to work in and own businesses in the cannabis industry. Learn more about Cresco Labs at www.crescolabs.com.

Cresco Forward-Looking Statements

This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Cresco's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Cresco's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as, 'may,' 'will,' 'should,' 'could,' 'would,' 'expects,' 'plans,' 'anticipates,' 'believes,' 'estimates,' 'projects,' 'predicts,' 'potential' or 'continue' or the negative of those forms or other comparable terms. Cresco's forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause Cresco's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including but not limited to those risks discussed under "Risk Factors" in Cresco's CSE Listing Statement filed with SEDAR; and other factors, many of which are beyond the control of Cresco. Readers are cautioned that the foregoing list of factors is not exhaustive. Because of these uncertainties, you should not place undue reliance on Cresco's forward-looking statements. No assurances are given as to the future trading price or trading volumes of Cresco's shares, nor as to Cresco's financial performance in future financial periods. Cresco does not intend to update any of these factors or to publicly announce the result of any revisions to any of Cresco's forward-looking statements contained herein, whether as a result of new information, any future event or otherwise. Except as otherwise indicated, this press release speaks as of the date hereof. The distribution of this press release does not imply that there has been no change in the affairs of Cresco after the date hereof or create any duty or commitment to update or supplement any information provided in this press release or otherwise.

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