



Innovative Industrial Properties Acquires Maryland Property and Enters Into Long-Term Lease with MCP/District Cannabis

April 13, 2022

IIP Expands Portfolio to 108 Properties Comprising 8.1 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 Maryland property comprising approximately 84,000 square feet of industrial and greenhouse space.

The purchase price for the property was \$25.0 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 Maryland Cultivation and Processing, LLC (MCP), which intends to continue to operate the property as a regulated cannabis cultivation facility.

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 thrilled to introduce District Cannabis to our tenant roster, a company that has truly distinguished itself in Maryland for its premium product quality and focus on sustainable cultivation techniques," said Paul Smithers, President and Chief Executive Officer of IIP. "The Maryland medical cannabis market continues to see healthy growth and continued program expansion, and with the potential adoption of an adult-use cannabis program by voters this November, we see tremendous continued opportunity and growth in serving patients and customers throughout the state."

MCP is one of 18 licensed cannabis cultivators in Maryland, focused on the cultivation of premium cannabis products under the brand District Cannabis. With the recent completion of a 48,000-square-foot greenhouse facility next to its existing 36,000-square-foot industrial building at the property, MCP is expected to significantly enhance its production capacity over the balance of 2022, while maintaining the consistent, premium quality District Cannabis product that drives MCP's success and reputation. At the same time, MCP is a leader in sustainable cultivation methods, utilizing closed loop hydroponic systems that use significantly less water and fertilizer than other techniques, energy efficient LED lighting, dehumidification technologies that utilize significantly less energy than conventional indoor farms, and a recently completed Dutch greenhouse expansion that effectively utilizes the sun as a lighting source. In addition to its license to cultivate in Maryland, District Cannabis has one of eight cultivation licenses in Washington, D.C., and its Gelato Cake strain was the best-selling strain in both Washington, D.C. and Maryland in 2021.

"When Ed Weidenfeld and I started District Cannabis in 2015, we committed to be a cultivation-driven company focused on producing the highest quality cannabis, at scale, and investing in state-of-the-art equipment and technology to reduce production costs," said Andras Kirschner, CEO and Co-Founder of MCP/District Cannabis. "In Maryland, we built what we believe is among the most sophisticated, state-of-the-art cultivation facilities in the country and we appreciate that IIP recognized that in this transaction. Although we did not need to sell, we are a cannabis company, not a real estate company, and this sale/leaseback transaction allows us to repay 100% of our

debt and return capital to our investors; in addition, our strong balance sheet and strong operating cash flow will allow us to take advantage of the growth opportunities we anticipate in the Maryland market.”

Maryland implemented its medical-use cannabis program in 2017, with limited licenses to cultivate, process and dispense cannabis. Qualifying medical conditions for the program include, among others, anorexia, conditions resulting in a patient receiving hospice or palliative care, PTSD, seizures, chronic pain, severe nausea and severe or persistent muscle spasms, as well as other chronic, severe medical conditions if other treatments have been ineffective and the recommending healthcare professional believes medical cannabis can provide some relief. According to the Maryland Medical Cannabis Commission, there were approximately \$45 million in medical cannabis sales in the month of March 2022 alone. In addition, according to a Goucher College poll conducted in March of this year, 62% of Maryland residents support the legalization of adult-use cannabis. Voter approval of the establishment of a regulated cannabis program for adult-use is expected to be on the ballot for Maryland residents to consider in November of this year. Including this property, IIP owns three properties in Maryland, comprising approximately 271,000 rentable square feet (including square footage under redevelopment) and representing a total investment, including commitments to fund future improvements, of approximately \$88.3 million.

As of April 13, 2022, IIP owned 108 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 8.1 million rentable square feet (including approximately 2.4 million rentable square feet under development / redevelopment). As of April 13, 2022, IIP had committed approximately \$2.1 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.

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 Maryland property, MCP and the Maryland 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.

View source version on businesswire.com: <https://www.businesswire.com/news/home/20220413005992/en/>

Catherine Hastings

Chief Financial Officer

Innovative Industrial Properties, Inc.

(858) 997-3332

Source: Innovative Industrial Properties, Inc.

