



Innovative Industrial Properties Acquires Properties in Pennsylvania and North Dakota and Enters Into Long-Term Leases with Grassroots

December 23, 2019

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 two sale-leaseback transactions with subsidiaries of GR Companies Inc. (Grassroots) for two properties in Pennsylvania and North Dakota, which comprise approximately 105,000 square feet of industrial space in the aggregate.

The purchase prices for the properties were approximately \$24.1 million in total (excluding transaction costs). Concurrent with the closings of the purchases, IIP entered into a long-term, triple-net lease agreement for each property with a subsidiary of Grassroots, which intends to continue to operate the properties as regulated cannabis cultivation and processing facilities. Grassroots is expected to complete additional tenant improvements for the properties, including an approximately 35,000 square foot redevelopment at the Pennsylvania property, for which IIP has agreed to provide aggregate reimbursement of up to approximately \$13.2 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the two properties will be approximately \$37.3 million.

These sale-leaseback transactions mark IIP's second and third acquisitions and leases with Grassroots, with a prior sale-leaseback transaction for Grassroots' licensed cannabis cultivation and processing facilities in Illinois completed in October.

Grassroots is one of the leading multi-state cannabis operators, with operations in Illinois, Pennsylvania, Maryland, Ohio, North Dakota, Nevada, Michigan, Oklahoma, Vermont, Connecticut and Arkansas. Mitch Kahn, Founder and Chief Executive Officer of Grassroots, leads a highly experienced management team with a strong track record of founding, building and managing highly successful companies in a broad range of industries, including cannabis, consumer products, merchandising, real estate and finance.

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 partner again with Grassroots as their real estate capital partner in Pennsylvania and North Dakota, on the heels of our transaction with Grassroots' Illinois facility in October," said Paul Smithers, President and Chief Executive Officer of Innovative Industrial Properties, Inc. "Grassroots is an operator with a proven track record of bringing the highest quality products to market, resulting in tremendous brand recognition and patient and consumer loyalty. We are proud to team with them once again on these two facilities, providing an efficient capital solution for them to focus on expanding their presence in both states."

"IIP moved quickly and effectively addressed a key part of our capital plan, reinforcing their industry reputation as a reliable, long-term real estate capital partner," said Mitchell Kahn, Chief Executive Officer and Founder of Grassroots. "In a short time period, Grassroots has made tremendous strides in Pennsylvania, with its flower and

concentrate products among the highest rated in the state and selling to 100% of state-wide dispensaries. With our anticipated expansion plans and capital improvements at both the Pennsylvania and North Dakota properties, we expect to significantly ramp production in both facilities to meet the tremendous and growing demand for our products by patients in these states.”

Medical-use cannabis dispensaries in Pennsylvania made their first sales in 2018. Partly through just its second year, as of August 2019, over 180,000 patients had been registered for the state’s medical cannabis program. In addition, in a September 2019 joint press conference, Governor Tom Wolf and Lt. Governor John Fetterman announced the final report of Lt. Governor Fetterman’s statewide adult-use cannabis tour, with Governor Wolf being in favor of legalizing cannabis for adult-use consumption, in line with the large majority of Pennsylvanians. Grassroots currently operates nine medical-use cannabis dispensaries in Pennsylvania.

The North Dakota regulated medical cannabis program is in its early stages. Significant steps were taken by the North Dakota regulatory authorities to expand patient access in April of this year, including adding twelve new qualifying medical conditions that may be treated with medical cannabis and providing that physician assistants are permitted to issue medical cannabis certifications. Grassroots is one of two licensed cannabis cultivation and processing operators in the state of North Dakota.

As of December 23, 2019, IIP owned 46 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New York, North Dakota, Ohio and Pennsylvania, totaling approximately 3.1 million rentable square feet (including approximately 913,000 rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 15.3 years. As of December 23, 2019, IIP had invested approximately \$489.3 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$144.9 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 13.6% for these 46 properties, calculated as (a) the sum of the current base rents, supplemental rent (with respect to the lease with PharmaCann LLC at one of IIP’s New York properties) and property management fees (after the expiration of applicable base rent abatement or deferral periods), 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 \$144.9 million). These statistics do not include up to \$16.4 million that may be funded in the future pursuant to IIP’s lease with Grassroots at one of IIP’s Illinois properties, \$37.4 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 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 IIP disburse those funds to them 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 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 Grassroots Cannabis:

GR Companies Inc. (dba Grassroots Cannabis) is a cannabis company dedicated to serving, advancing and respecting the cannabis movement. Through its unique, vertically integrated business model, Grassroots grows, processes and sells trusted cannabis products that enhance life’s moments for people from all backgrounds. Its retail brand, Herbology, offers a unique, wellness and education-focused dispensary experience.

Grassroots Cannabis has built its portfolio at an unprecedented pace, with facilities in highly competitive markets, including Illinois, Nevada, Pennsylvania, Michigan, Maryland, Oklahoma, Ohio, Vermont, North Dakota, Arkansas and Connecticut. The company is pursuing acquisitions in additional markets. The executive management team is composed of a group of highly skilled business leaders united by a common belief: Cannabis inspires us to live deeply. For more information, visit www.grassrootscannabis.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 leases of the properties, Grassroots and the Pennsylvania and North Dakota regulated cannabis markets, 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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IIP Contact:

Catherine Hastings

Chief Financial Officer, Chief Accounting Officer and Treasurer

Innovative Industrial Properties, Inc.

(858) 997-3332

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