



Innovative Industrial Properties Acquires Michigan Property and Enters Into Long-Term Lease with Emerald Growth Partners

June 21, 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 the acquisition of a property in Harrison, Michigan, which comprises approximately 45,000 square feet of industrial space.

The purchase price for the Michigan property was approximately \$6.9 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease agreement with an affiliate of Emerald Growth Partners L.L.C. (EGP), which intends to operate the property as a licensed medical-use cannabis cultivation and processing facility upon completion of redevelopment. EGP is expected to complete tenant improvements for the building, for which IIP has agreed to provide reimbursement of up to approximately \$3.1 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property will be approximately \$10.0 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.

"We are pleased to add EGP and its strong management team to our premier tenant roster," said Paul Smithers, President and Chief Executive Officer of IIP. "EGP is well-positioned for success, with its depth of industry experience and expected large-scale vertical integration, and we look forward to supporting EGP through the redevelopment of the Harrison facility and the launch of its Pleasantrees retail locations throughout the state."

EGP received pre-qualification status for full vertical integration by the Michigan Marijuana Regulatory Agency for four "Class C" cultivation licenses, one "Class A" cultivation license, one processor license, and twelve provisioning center licenses. EGP has raised approximately \$20 million from investors to date as it prepares to commence fully licensed operations in the state. EGP is led by its Chief Executive Officer and Founder, Randall Buchman, an industry veteran appointed by Governor Rick Snyder last year to the state's Marijuana Advisory Panel to represent cultivators.

"The IIP team has been great to work with, providing us the efficient capital we need to complete the redevelopment of our facility in a seamless manner," said Randall Buchman, Chief Executive Officer and Founder of EGP. "We look forward to launching our operations, and bringing our high-quality products and best-in-class service to patients throughout Michigan."

Michigan first legalized medical cannabis in 2008 and is one of the largest medical-use cannabis markets in the United States, including approximately 270,000 medical-use cannabis cardholders as of the end of 2017, according to ArcView Market Research (ArcView). In November of last year, Michigan voters approved Proposition 18-1, a ballot initiative that legalizes adult-use cannabis, and Michigan regulators have indicated that they would begin

accepting adult-use cannabis business license applications later this year. ArcView projects that Michigan will be one of the top ten regulated cannabis markets by 2022, with total regulated cannabis sales of \$1.4 billion.

As of June 21, 2019, IIP owned 22 properties located in Arizona, California, Colorado, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Ohio and Pennsylvania, totaling approximately 1.7 million rentable square feet (including approximately 321,000 rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 15.3 years. As of June 21, 2019, IIP had invested approximately \$229.4 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$57.4 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 14.7% for these 22 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 \$57.4 million).

About Emerald Growth Partners

Headquartered in Detroit, Michigan, and parent company to Pleasantrees, Emerald Growth Partners is built with the mission to cultivate the highest quality cannabis and build a health and wellness culture that our community can rely on every day. For more information visit enjoypleasantrees.com.

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 Michigan property, EGP and the Michigan 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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