



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

April 16, 2019

Acquisition Represents IIP's Second Investment in California, Expanding Footprint to 18 Properties in 11 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 acquisition of a five-property portfolio in southern California, which comprises approximately 102,000 square feet of industrial space. This acquisition marks IIP's second investment in California, following on IIP's acquisition in Sacramento earlier this year.

The purchase price for the southern California portfolio was approximately \$27.1 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 licensed operator, which intends to continue to operate the properties as licensed cannabis cultivation, manufacturing, processing 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 excited to forge this new tenant relationship with one of the preeminent licensed operators in southern California," said Paul Smithers, President and Chief Executive Officer of IIP. "This operator is a true innovator in the industry, developing a strong brand that is recognized for its consistent high quality, and we are thrilled to team with them as their long-term real estate partner. The California regulated cannabis market is poised for explosive growth in the coming years, as the regulated program continues to roll out and a focus is made on transitioning illicit sales to the regulated marketplace."

The operator is licensed for cannabis cultivation, nursery, manufacturing, processing, delivery and distribution. With its advanced growing techniques, state-of-the-art facilities and research and development for the creation of new proprietary genetics, the tenant has developed a distinguishing brand in the southern California market, including botanicals, concentrates and accessories.

As of April 16, 2019, IIP owned 18 properties located in Arizona, California, Colorado, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Ohio and Pennsylvania, totaling approximately 1,230,000 rentable square feet (including approximately 159,000 rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 14.9 years. As of April 16, 2019, IIP had invested approximately \$191.3 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$34.7 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 14.9% for these 18 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, 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 \$34.7 million).

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 southern California property portfolio, the tenant 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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