



Innovative Industrial Properties Expands Real Estate Partnership with PharmaCann at New York Property

April 28, 2022

IIP Commits Additional \$45.0 Million for Ground-Up Development of a 98,000-Sq.-Ft. Indoor Cultivation Facility and Additional Enhancements to Existing Facilities at the Property

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 entered into an amendment of the lease with PharmaCann Inc. (PharmaCann) in Hamptonburgh, New York, making available \$45.0 million in funding for the development of a new 98,000-square-foot industrial building for cultivation and significant enhancements in production capacity and additional upgrades at the existing 127,000-square-foot facility. The lease amendment also adjusted the base rent under the lease to take into account the additional available funding for the development and qualifying improvements to the existing facilities. Assuming full payment of the additional funding, IIP's total investment in the 225,000-square-foot property will be \$108.5 million (approximately \$482 per square foot).

IIP originally acquired the New York property situated on approximately 42 acres of land for \$30.0 million (approximately \$236 per square foot) and entered into a long-term lease with PharmaCann in 2016, for a newly-constructed, 127,000-square-foot cannabis cultivation and processing facility, comprised of a 26,000-square-foot "headhouse" for processing and two 50,500-square-foot greenhouse cultivation buildings. The transaction was structured as a sale-leaseback, with the \$30.0 million total investment based on PharmaCann's cost to acquire the land and develop the 127,000-square-foot property, which included the HVAC, electrical, plumbing and other building systems infrastructure necessary to support regulated cannabis cultivation and processing.

In late 2020 and early 2021, IIP committed an additional \$33.5 million, of which approximately \$15.2 million has been disbursed to date for verified costs for specific infrastructure enhancements to the existing cultivation buildings and headhouse. Those enhancements included the addition of two trim and dry rooms, the build out of the balance of one of the greenhouse buildings for additional cultivation space and additional upgrades to the other greenhouse building. After additional review of proposed expansion plans, PharmaCann determined to move forward with the construction of an industrial cultivation building as described below, in lieu of the previously planned 40,000-square-foot additional greenhouse facility.

IIP's \$45.0 million additional capital commitment, along with the remaining unfunded proceeds from the prior allowance, is expected to be utilized for the ground-up development of an approximately 98,000-square-foot, three level indoor cultivation facility, including a subterranean level to house specialized mechanical and electrical equipment for cultivation and a penthouse level for additional cultivation support. Eligible direct costs for the project subject to reimbursement by IIP pursuant to the lease and associated development agreement for the project include site planning and preparation, base building construction and the enhanced HVAC, electrical, mechanical, fertigation and other building systems required for indoor cannabis cultivation. PharmaCann is also expected to complete additional renovations for the existing facility, including further infrastructure upgrades in the greenhouses and process optimization renovations in the headhouse, the costs of which will be eligible for reimbursement from IIP's capital commitment.

In addition to this facility in New York, IIP owns and leases to PharmaCann five regulated cannabis dispensaries and five cultivation and processing facilities in Colorado, Illinois, Massachusetts, Michigan, Ohio and Pennsylvania, comprising a total of approximately 688,000 square feet (including expected square footage under development or redevelopment). Assuming full reimbursement of funding for development and qualifying improvements under the leases, IIP's total investment in properties leased to PharmaCann is expected to be approximately \$306.2 million. PharmaCann is IIP's largest tenant partner in terms of capital investment (including commitments to fund future qualifying improvements and development) and annualized base rents.

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.

PharmaCann and LivWell Enlightened Health, another tenant partner of IIP and one of the longest tenured cannabis operators in the industry, announced the completion of their merger in late February of this year. Together, the combined company's operational footprint consists of more than 50 dispensaries and ten cannabis production facilities across eight states.

According to BDS Analytics, regulated cannabis sales in New York are expected to ramp from a projected \$200 million in 2022 to \$2.7 billion by 2026, a significant driver of overall U.S. regulated cannabis markets growth in coming years. PharmaCann is one of ten vertically-integrated medical cannabis license holders, each of which is permitted to operate up to eight dispensaries, in addition to its cultivation and processing facility. The Marijuana Regulation and Taxation Act was signed into law on March 31, 2021, legalizing adult-use cannabis, with first sales of adult-use cannabis sales in New York potentially later this year.

As of April 28, 2022, IIP owned 109 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 28, 2022, IIP had committed approximately \$2.2 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 amendment of the New York property, PharmaCann and the New York 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.

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