



Innovative Industrial Properties Acquires Illinois Property and Expands Real Estate Partnership with PharmaCann

October 30, 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 a sale-leaseback transaction with PharmaCann LLC (PharmaCann) for a property located in Dwight, Illinois, which is currently improved with approximately 48,000 square feet of industrial space.

The purchase price for the property was \$18.0 million (excluding transaction costs). Concurrent with the closing of the acquisition, IIP entered into a long-term, triple-net lease agreement for the property with PharmaCann, which intends to continue to operate the property as a licensed cannabis cultivation and processing facility. PharmaCann is also expected to complete additional tenant improvements for the property, including an approximately 18,000 square foot expansion and other improvements that are expected to more than double production capacity, and for which IIP has agreed to provide reimbursement of up to \$7.0 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property will be \$25.0 million. Founded in 2014, PharmaCann is a multi-state cannabis operator with licenses in Illinois, Maryland, Massachusetts, New York, Pennsylvania and Ohio, and is licensed for up to 26 retail locations and five cultivation and processing facilities.

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.

This sale-leaseback transaction marks IIP's fifth property acquisition and lease with PharmaCann as PharmaCann continues its nationwide expansion and penetration into existing markets, with prior IIP acquisitions and leases for PharmaCann's licensed cannabis cultivation and processing facilities in Massachusetts, New York, Ohio and Pennsylvania.

"We have been the preferred real estate capital partner for PharmaCann since our initial acquisition and lease of PharmaCann's New York cultivation and processing facility in 2016," said Paul Smithers, President and Chief Executive Officer of Innovative Industrial Properties, Inc. "In the past three years of our relationship, PharmaCann has made tremendous strides in executing on its business plan and has developed a tremendous reputation for the quality of its products and strength of its team of dedicated employees throughout the organization. We are excited about what the future holds for PharmaCann, and look forward to supporting them in Illinois with continued enhancements to their facility to meet the tremendous demand for medical-use cannabis and the introduction of an adult-use cannabis program next year."

PharmaCann currently operates four medical-use cannabis dispensaries in Illinois, and expects to add four additional retail store locations in 2020 in connection with Illinois' expected commencement of adult-use cannabis sales on January 1, 2020.

"As we start a new chapter in the evolution of our business, we are thrilled to team once again with IIP as our long-term real estate partner in Illinois," said Brett Novey, Chief Executive Officer of PharmaCann. "With our expected doubling of production capacity at our Dwight facility and doubling of our retail presence in high-traffic locations across greater Chicago, we are extremely well-positioned to both continue to maximize our product reach to

patients in need through Illinois' medical cannabis program and to meet the tremendous demand anticipated in connection with the roll-out of the adult-use cannabis program in just a few months' time."

As of October 30, 2019, IIP owned 38 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Nevada, Ohio and Pennsylvania, totaling approximately 2.8 million rentable square feet (including approximately 903,000 rentable square feet under development/redevelopment), which were 100% leased with a weighted-average remaining lease term of approximately 15.6 years. As of October 30, 2019, IIP had invested approximately \$403.3 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$139.7 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 13.8% for these 38 properties, calculated as (a) the sum of the current base rents, supplemental rent (with respect to the lease with PharmaCann 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 \$139.7 million). These statistics do not include up to \$17.7 million that may be funded in the future pursuant to IIP's lease with GR Companies Inc. (Grassroots) at one of IIP's Illinois properties, \$40.0 million that may be funded in the future pursuant to IIP's lease with Trulieve Cannabis Corp. at one of IIP's Massachusetts properties, the additional \$4.0 million which may be requested by PharmaCann at one of IIP's Pennsylvania properties or \$2.0 million that may be funded in the future pursuant to IIP's lease with Holistic Industries, Inc. at one of IIP's Massachusetts 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.

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 Illinois property, PharmaCann and the Illinois 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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