



Innovative Industrial Properties Acquires California Property and Expands Long-Term Real Estate Partnership with Kings Garden

May 12, 2020

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 southern California, which comprises approximately 70,000 square feet of industrial space.

The purchase price for the property was \$17.5 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease at the property with Kings Garden Inc., for continued operation as a licensed cannabis cultivation, manufacturing and distribution facility. Including this property, IIP leases five properties to Kings Garden, which includes the four-property industrial portfolio comprising an aggregate of approximately 102,000 square feet that IIP acquired in April of last year in southern California.

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.

"Kings Garden has truly differentiated itself in the California market over the past five-plus years by its dedication to developing the highest quality cannabis products, which has translated to its consistent strong growth and success throughout that time," said Paul Smithers, President and Chief Executive Officer of IIP. "We are thrilled to expand our long-term real estate partnership with a proven operator dedicated to excellence in product quality and operations."

Kings Garden 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, Kings Garden has developed a distinguishing brand in the southern California market, including botanicals, concentrates and accessories. Kings Garden has over 200 employees, and has raised approximately \$55 million in capital since inception.

"We are excited to partner again with the IIP team on this transaction," said Michael King, Chairman and Chief Executive Officer of Kings Garden. "IIP has been a great long-term real estate partner, providing flexible real estate solutions, being highly responsive and moving quickly to address our needs, while enabling us to retain full operational control over our state-of-the-art facilities, where we plan to continue to develop the highest quality cannabis products for our California customers in the many years to come."

Similar to other states during this coronavirus health crisis, California authorities ordered all businesses that are not offering essential services to close operations for a period of time. However, regulated cannabis operators are permitted to continue selling both adult-use and medical-use cannabis products, and have been categorized as essential. Despite stay-at-home restrictions, according to Marijuana Business Daily, regulated adult-use cannabis sales in California were approximately \$248 million for April, representing a 17% increase from one year ago. Also according to Marijuana Business Daily, while only 180 of California's 482 municipalities and 29 of its 58 counties

allow for regulated cannabis companies to operate within their borders, the current coronavirus pandemic and associated severe economic disruption are causing localities to reevaluate their positions on banning cannabis operations, in consideration of much-needed job creation and tax revenue.

As of May 12, 2020, IIP owned 56 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Nevada, North Dakota, Ohio, Pennsylvania and Virginia, totaling approximately 4.1 million rentable square feet (including approximately 1.3 million rentable square feet under development/redevelopment), which were 99.2% leased (based on square footage) with a weighted-average remaining lease term of approximately 16.0 years. As of May 12, 2020, IIP had invested approximately \$739.7 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$140.6 million to reimburse certain tenants and sellers for completion of construction and tenant improvements at IIP's properties. These statistics do not include up to approximately \$10.7 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Illinois properties, or approximately \$23.8 million that may be funded in the future pursuant to IIP's lease with a tenant 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. These statistics also treat IIP's Los Angeles, California property as not leased, due to the tenant being in receivership and its ongoing default in its obligation to pay rent at that location.

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 California property, Kings Garden 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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