



Innovative Industrial Properties Acquires Michigan Property and Expands Real Estate Partnership with Cresco Labs

April 22, 2020

Leading REIT for the Medical-Use Cannabis Industry Expands Portfolio to 55 Properties Comprising Approximately 4.1 Million Square Feet in 15 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 property in Michigan, which comprises approximately 115,000 square feet of industrial space in the aggregate.

The purchase price for the property was \$5.0 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease agreement for the property with a wholly owned subsidiary of Cresco Labs Inc. (Cresco), which intends to operate the property as a regulated cannabis cultivation and processing facility upon completion of redevelopment. Cresco is expected to complete additional tenant improvements for the property, for which IIP has agreed to provide reimbursement of up to \$11.0 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property will be \$16.0 million.

This sale-leaseback transaction marks IIP's fourth acquisition and lease with Cresco, with prior IIP acquisitions and leases for three of Cresco's licensed cannabis cultivation and processing facilities in Illinois and Ohio.

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.

"Cresco has emerged as one of the best-in-class multistate cannabis operators in the United States. We are thrilled to support their continued progress through our fourth real estate transaction with them," said Paul Smithers, President and Chief Executive Officer of IIP. "Through this difficult time, Cresco continues its absolute commitment to serving its patients and customers, while continuing to provide strong support to the local communities where they operate, including Cresco's recent announcements to hire 250 new full-time positions at its Sunnyside dispensaries in Illinois, with a focus on recently displaced hospitality and restaurant workers, the development of an essential pay program for its frontline team members, and partnerships with local restaurants to provide much-needed economic support for these local owners."

Founded in 2013, Cresco is one of the largest vertically-integrated cannabis companies in the United States, with licensed operations in eleven states. With its pending acquisitions, Cresco has 18 licensed cannabis production facilities, 31 retail cannabis licenses and 21 operational cannabis dispensaries. Employing a consumer-packaged goods ("CPG") approach to cannabis, Cresco's house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco, Remedi and Mindy's, a line of edibles created by James Beard Award-winning chef Mindy Segal. Sunnyside*, Cresco's national dispensary brand, is a wellness-focused retailer designed to build trust, education and convenience for both existing and new cannabis consumers.

"Our partnership with IIP has unlocked tremendous value from our real estate portfolio. We've been able to fund the continued growth of our cultivation footprint, without diluting our shareholders," said Charlie Bachtell, Cresco Labs' CEO and Co-founder. "This transaction allows us to introduce our popular inhouse brands into Michigan in a capital-light manner. We are continuing our track record of execution on our stated strategy of focusing on the middle two verticals, brands and wholesale, in high-potential markets."

Similar to other states during this coronavirus health crisis, Michigan authorities ordered all businesses that are not offering essential services to close operations for a period of time. However, by executive order, cannabis dispensaries are permitted to continue selling both adult-use and medical-use cannabis products, by either curbside pickup or delivery. In support of cannabis being deemed an "essential" business and remaining open during this time of crisis, Michigan Cannabis Industry Association Executive Director Robin Schneider wrote that many patients with cancer, AIDS, chronic pain, seizures and pediatric patients have reduced or replaced pharmaceuticals, including opiates, with medical cannabis, and that, more than ever, these patients need continued access to medical cannabis, and that losing access to medical cannabis for these patients would force them back to seeking traditional prescriptions, when the medical system needs to be available to prioritize the coronavirus pandemic.

As of April 22, 2020, IIP owned 55 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 1.4 million rentable square feet under development/redevelopment), which were 99.1% leased (based on square footage) with a weighted-average remaining lease term of approximately 16.0 years. As of April 22, 2020, IIP had invested approximately \$716.0 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$146.8 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 Michigan property, Cresco, the Michigan regulated cannabis market and Cresco's completion of tenant improvements, 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.

About Cresco Labs

Cresco Labs is one of the largest vertically-integrated multi-state cannabis operators in the United States. Cresco is built to become the most important company in the cannabis industry by combining the most strategic geographic footprint with one of the leading distribution platforms in North America. Employing a consumer-packaged goods ("CPG") approach to cannabis, Cresco's house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco, Remedi and Mindy's, a line of edibles created by James Beard Award-winning chef Mindy Segal. Sunnyside*, Cresco's national dispensary brand, is a wellness-focused retailer designed to build trust, education and convenience for both existing and new

cannabis consumers. Recognizing that the cannabis industry is poised to become one of the leading job creators in the country, Cresco has launched the industry's first national comprehensive Social Equity and Educational Development (SEED) initiative designed to ensure that all members of society have the skills, knowledge and opportunity to work in and own businesses in the cannabis industry. Learn more about Cresco Labs at www.crescolabs.com.

Cresco Forward-Looking Statements

This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Cresco's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Cresco's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as, 'may,' 'will,' 'should,' 'could,' 'would,' 'expects,' 'plans,' 'anticipates,' 'believes,' 'estimates,' 'projects,' 'predicts,' 'potential' or 'continue' or the negative of those forms or other comparable terms. Cresco's forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause Cresco's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including but not limited to those risks discussed under "Risk Factors" in Cresco's CSE Listing Statement filed with SEDAR; and other factors, many of which are beyond the control of Cresco. Readers are cautioned that the foregoing list of factors is not exhaustive. Because of these uncertainties, you should not place undue reliance on Cresco's forward-looking statements. No assurances are given as to the future trading price or trading volumes of Cresco's shares, nor as to Cresco's financial performance in future financial periods. Cresco does not intend to update any of these factors or to publicly announce the result of any revisions to any of Cresco's forward-looking statements contained herein, whether as a result of new information, any future event or otherwise. Except as otherwise indicated, this press release speaks as of the date hereof. The distribution of this press release does not imply that there has been no change in the affairs of Cresco after the date hereof or create any duty or commitment to update or supplement any information provided in this press release or otherwise.

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