



Innovative Industrial Properties Acquires Massachusetts Property and Expands Real Estate Partnership with AWH

April 02, 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 Athol, Massachusetts, which comprises approximately 199,000 square feet of industrial space.

The purchase price for the Massachusetts property was approximately \$26.8 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease agreement with a subsidiary of Ascend Wellness Holdings, LLC (AWH) for continued operation as a licensed cannabis cultivation and processing facility. AWH is expected to complete tenant improvements for the property, for which IIP has agreed to provide reimbursement of up to approximately \$22.2 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property will be \$49.0 million. The lease provides for an initial annualized aggregate base rent of 13.5% of the sum of the initial purchase price and tenant improvement allowance, subject to a phase-in of the base rent associated with the tenant improvement allowance at the beginning of the term.

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 Massachusetts property represents IIP's third real estate transaction with AWH. In December 2018, IIP acquired a 75,000 square foot industrial facility in Illinois and entered into a long-term, triple-net lease agreement with AWH for use as a regulated cannabis cultivation and processing facility, with IIP's total investment in the property being \$33.0 million. In July 2019, IIP acquired a 145,000 square foot industrial facility in Michigan and entered into a long-term, triple-net lease agreement with AWH for use as a regulated cannabis cultivation and processing facility upon completion of redevelopment, with IIP's total investment in the property, assuming full reimbursement for tenant improvements, expected to be approximately \$19.8 million.

AWH is a vertically integrated cannabis company, and is operating in each of Massachusetts, Illinois, Michigan and Ohio. AWH has raised \$100 million in equity capital to date, including a \$28.2 million round of financing that closed in December of last year. AWH is expected to have its first cannabis harvest at its Athol facility this month, and in January, received its provisional license from the Massachusetts Cannabis Control Commission for what is expected to be one of the largest dispensaries on the East Coast, a 16,000 square foot retail location situated near Faneuil Hall and TD Garden in the heart of downtown Boston. The Boston location is expected to open in January 2021.

"Abner and his team have achieved a tremendous amount of success over the past year, executing on their focused business model and ramping operations, and we are thrilled to support them as their long-term real estate capital partner on this third transaction in Massachusetts," said Paul Smithers, President and Chief Executive Officer of IIP. "We are pleased that the Commonwealth of Massachusetts, in step with other state and local jurisdictions, has deemed medical cannabis an essential product, providing continued access to patients throughout the Commonwealth during this very difficult period."

"We greatly value our real estate partnership with IIP, and are very pleased to team with them for a third time on our Athol facility," said Abner Kurtin, Chief Executive Officer and Co-Founder of AWH. "With the tremendous acclaim and market success of our Ozone brand in Illinois and Michigan, we look forward to bringing our curated selection of cannabis products to the people of Boston and throughout the Commonwealth."

Similar to other states during this coronavirus health crisis, Massachusetts authorities ordered all businesses that are not offering essential services to close operations for a period of time. However, the Massachusetts Cannabis Control Commission deemed Medical Marijuana Treatment Centers and Certifying Health Care Providers as essential services that will remain open during this time, while instituting new protocols, such as certifications via telehealth, social distancing, cleaning and steps to protect populations particularly vulnerable to COVID-19 infection.

As of April 2, 2020, IIP owned 54 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Nevada, North Dakota, Ohio, Pennsylvania and Virginia, totaling approximately 4.0 million rentable square feet (including approximately 1.2 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 16.1 years. As of April 2, 2020, IIP had invested approximately \$675.5 million in the aggregate (excluding transaction costs) and had committed an additional approximately \$158.8 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 \$13.4 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Illinois properties, or the approximately \$32.5 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.

About AWH

AWH is a market leading, vertically-integrated operator with retail and production facilities in Illinois, Ohio, Massachusetts, Michigan and New Jersey. AWH is breaking down traditional walls in the cannabis marketplace to create a unique, in-store customer experience and providing exclusive brand partnerships. AWH owns and operates state of the art cultivation facilities, growing heirloom and exotic-blend strains and producing a curated selection of products with effect-based categorization. AWH operates under the retail brands Illinois Supply and Provisions (IS&P), Michigan Supply and Provisions (MS&P) and Ohio Supply and Provisions (OS&P). AWH produces and distributes Ozone products and fosters exclusive brand partnerships with brands such as Cookies. For more information about AWH, visit www.awholdings.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 acquisition and lease of the Massachusetts property, AWH and the Massachusetts 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.

Catherine Hastings

Chief Financial Officer, Chief Accounting Officer and Treasurer

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