Innovative Industrial Properties Acquires Florida Property and Expands Real Estate Partnership with Parallel, a U.S. Cannabis Company

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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 Lakeland, Florida from an affiliate of Parallel, one of the largest privately-held multi-state cannabis operators in the U.S. Parallel is the corporate parent company to Surterra Wellness, its market leading retail brand in Florida and one of the original licensed vertical operators in the Sunshine State, which has a rapidly growing footprint that includes 39 retail dispensaries across the state and multiple industrial-scale cultivation, production, kitchen and research facilities.

The purchase price for the property was approximately $19.6 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 subsidiary of Parallel, which intends to continue to operate the property as a regulated medical cannabis cultivation and processing facility. The property consists of approximately 65,000 square feet of industrial and greenhouse indoor cultivation and production space currently in operation, and Parallel expects to develop an additional approximately 155,000 square feet, resulting in a total of approximately 220,000 square feet of industrial and indoor cultivation space. IIP has agreed to provide reimbursement for this development of up to approximately $36.8 million; assuming full reimbursement, IIP's total investment in the property will be $56.4 million.

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.

"We are pleased to expand our relationship with Beau and Parallel's strong team of dedicated professionals with this newest long-term real estate partnership," said Paul Smithers, President and Chief Executive Officer of IIP. "With its footprint of 39 operating dispensaries in Florida, Parallel has established a presence of physical access for patients to the large majority of Florida residents. We expect the significant enhancements to Parallel's Wimauma and Lakeland facilities to drive Parallel's continued strong growth and enable them to continue to produce high quality medical cannabis products for patients throughout Florida, spanning the range of products now permissible

in the state."

Parallel is one of the largest privately-held multi-state cannabis operators in the U.S., with leading positions in several of the largest and fastest-growing markets, including Florida, Massachusetts, Nevada and Texas. Parallel's operations include 42 retail dispensaries, a robust portfolio of proprietary consumer brands and innovative products, and state-of-the-art cultivation, production and research facilities. Parallel has over 1,600 employees nationwide, and has raised more than $400 million in capital to date. Parallel's highly accomplished management team is led by Chairman and CEO William "Beau" Wrigley, Jr., who previously served as the Chairman and CEO of global gum and confectionery leader the Wm. Wrigley Jr. Company, which was acquired by Mars, Inc. in 2008 for $23 billion.

"We are thrilled to team once again with IIP as our long-term real estate partner, as we continue to significantly enhance our production capacity and product diversity in Lakeland to meet the tremendous demand from Florida patients throughout the state. This transaction opens up additional significant capital for us to reinvest in our growth and commercial expansion across our five markets," said Beau Wrigley, Jr., Chairman and CEO of Parallel. "While we have multiple cultivation and production facilities in Florida, this Lakeland facility stands out as a state of the art indoor, environmentally controlled facility, which helps us achieve our goal of consistent, high quality, high yield flower throughout the year. In addition, Lakeland houses our commercial-grade kitchen for producing our cannabis edibles to meet our patients' demand for more variety of products in the expanding Florida market."

Florida represents one of the largest and one of the fastest growing medical-use cannabis markets in the U.S. After authorizing the sale of flower in 2019, Florida authorities further expanded its medical cannabis program last month by allowing the sale of edibles, which is expected to account for an additional $250 million in sales in 2021, according to Marijuana Business Daily. According to the Florida Office of Medical Marijuana Use (OMMU), as of September 11, 2020, there were over 410,000 qualified patients and nearly 2,600 qualified physicians in the medical-use cannabis program. Including this property, IIP owns three properties in Florida, comprising approximately 713,000 rentable square feet (including square footage under development) and representing a total investment, including commitments to fund future development and tenant improvements, of approximately $116.9 million.

As of September 21, 2020, IIP owned 63 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, Nevada, North Dakota, Ohio, Pennsylvania and Virginia, totaling approximately 4.9 million rentable square feet (including approximately 1.9 million rentable square feet under development/redevelopment), which were 99.3% leased (based on square footage) with a weighted-average remaining lease term of approximately 16.1 years. As of September 21, 2020, IIP had invested approximately $877.3 million in the aggregate (excluding transaction costs) and had committed an additional approximately $274.2 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 $10.0 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 tenant at that property may not elect to have IIP disburse those funds to the tenant 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 Parallel

Parallel is one of the largest privately held, vertically integrated, multi-state cannabis companies in the world with a mission to pioneer well-being and improve the quality of life through cannabinoids. Parallel owns and operates retail dispensaries in four medical and adult-use markets: Surterra Wellness in Florida and Texas; New England Treatment Access (NETA) in Massachusetts, and The Apothecary Shoppe in Nevada. Parallel also has a license under its Goodblend brand in Pennsylvania for vertically-integrated operations and up to six retail locations, in addition to a medical cannabis research partnerships with the University of Pittsburgh**School of Medicine**. The Company has a diverse portfolio of high quality, proprietary and licensed consumer brands and products including Surterra Wellness, Coral Reefer, and Float. Parallel operates over 40 retail stores nationwide, including cultivation and manufacturing sites across the four states. The Company conducts advanced cannabis science through Molecular Infusions (Mi), a cannabis-based biopharmaceutical company, and conducts R&D for new product development in its facilities in Texas, Massachusetts, Florida, and Budapest, Hungary. Parallel follows rigorous operations and business practices to ensure the quality, safety, consistency and efficacy of its products and is building its business by following strong values and putting the well-being of its customers and employees first. Find more information at **www.liveparallel.com**, or on **Instagram** and **LinkedIn**.

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 Florida property, Parallel and the Florida 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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