Innovative Industrial Properties Acquires Illinois Property and Enters Into Long-Term Lease with Ascend Wellness

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IIP Expands Portfolio to Over One Million Square Feet in Nine 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 Barry, Illinois, which comprises approximately 75,000 square feet of industrial space situated on approximately ten acres.

The purchase price for the property was $19 million (excluding transaction costs). Concurrent with the closing of the purchase, IIP entered into a long-term, triple-net lease agreement with a wholly owned subsidiary of Ascend Wellness Holdings, LLC (Ascend), which intends to operate the property as a medical-use cannabis cultivation and processing facility in accordance with Illinois medical-use cannabis regulations. Ascend is expected to complete additional tenant improvements for the building, for which IIP has agreed to provide reimbursement of up to $6 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property will be $25 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 very pleased to close on this transaction with Ascend in Illinois, marking our ninth state where we own properties," said Paul Smithers, President and Chief Executive Officer of Innovative Industrial Properties, Inc. "We look forward to supporting Ascend as their long-term real estate partner, as they launch and continue to expand their operations in a number of states to meet the tremendous demand for patient treatment."

"The IIP team was instrumental in proposing creative solutions and closing this transaction quickly," said Abner Kurtin, Chief Executive Officer and Co-Founder of Ascend. "We are thrilled to start our work in Illinois, and to provide our patients with individualized, trusted guidance for treatment, utilizing cannabis products that are unrivaled in quality and consistency."

Ascend has raised nearly $40 million in capital to date, including from investors Poseidon Asset Management, Salveo Capital, JM10 Partners and Shire Capital Advisors, and has targeted Massachusetts, Illinois and Michigan as its initial states of operation. Ascend's experienced management team is led by Abner Kurtin, Chief Executive Officer and Founder, who is also Co-Founder, Managing Partner, Chief Investment Officer and Portfolio Manager of K Capital Partners, LLC, having previously served as Managing Director at The Baupost Group.

Illinois, with approximately 12.8 million residents, ranks as the fifth most populous state in the United States. As of November 30, 2018, there were nearly 50,000 patients with approved applications, and 55 licensed medical-use cannabis dispensaries, which generated approximately $123 million in retail sales to date. Similar to many other states, Illinois continues to expand its medical-use cannabis program's reach, including legislation in August 2018 permitting physicians to recommend medical cannabis to patients as an alternative treatment for pain, in lieu of opioids.

In addition, the Illinois Economic Policy Institute issued its report last month regarding the potential impact of legalizing cannabis for adult-use consumption, citing the support of 66% of registered voters in Illinois, the potential creation of over 23,600 new jobs, the estimated $1 billion annual increase to the state's economy and the impact that legalizing cannabis for adult-use consumption would have on reducing the illicit market. In recent weeks, governor-elect JB Pritzker also indicated his strong support for legalizing cannabis for adult-use cannabis in Illinois.

As of December 21, 2018, IIP owned eleven properties located in Arizona, Colorado, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York and Pennsylvania, totaling approximately 1,027,000 rentable square feet (including approximately 114,000 rentable square feet under development), which were 100% leased with a weighted-average remaining lease term of approximately 14.8 years. As of December 21, 2018, IIP had invested approximately $147.9 million in the aggregate (excluding transaction costs) and had committed an additional approximately $19.5 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 15.3% for these eleven properties, calculated as (a) the sum of the current base rents, supplemental rent (with respect to the lease with PharmaCann LLC at one of IIP's New York properties) and property management fees (after the expiration of applicable base rent abatement periods), divided by (b) IIP's aggregate investment in these properties (excluding transaction costs and including aggregate potential development funding and tenant reimbursements of approximately $19.5 million).

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 Illinois property, Ascend 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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