Innovative Industrial Properties Acquires Pennsylvania Property and Enters Into Long-Term Lease with Vireo Health

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SAN DIEGO--(BUSINESS WIRE)-- Innovative Industrial Properties, Inc. (the "Company") (NYSE: IIPR), the leading provider of creative real estate capital solutions to the medical-use cannabis industry, announced today that it closed on the acquisition of a property located at 2000 Rosanna Avenue in Scranton, Pennsylvania, which comprises approximately 89,000 square feet of industrial space.

The purchase price for the property was approximately $5.8 million. A subsidiary of Vireo Health, Inc. ("Vireo Health"), the tenant at the property, is also expected to complete additional tenant improvements for the building, for which the Company has agreed to provide reimbursement of up to approximately $2.8 million (the "TI Allowance"). Assuming full reimbursement for the tenant improvements, the Company's total investment in the property will be $8.6 million. In addition to its cultivation and processing of medical-use cannabis in Pennsylvania at the property, Vireo Health operates one cultivation and processing facility and four registered medical-use cannabis dispensaries in Minnesota, and one cultivation and processing facility and four registered medical-use cannabis dispensaries in New York.

Concurrent with the closing of the purchase, the Company entered into a long-term, triple-net lease agreement with the Vireo Health subsidiary, which intends to continue to operate the property as a medical-use cannabis cultivation and processing facility in accordance with Pennsylvania medical-use cannabis regulations. The initial term of the lease is 15 years, with two options to extend the term for two additional five-year periods. The lease provides for an initial annualized aggregate base rent equal to 15% of the sum of the purchase price of the property and the TI Allowance. The aggregate base rent is subject to annual increases of 3.5% during the term of the lease.

The Company previously executed two sale-leaseback transactions with Vireo Health for its cultivation and processing facilities in New York and Minnesota in 2017, representing a total investment by the Company of approximately $8.4 million, including a $1.0 million tenant improvement allowance available at each property to fund future tenant improvements. These leases were also for 15 year initial terms, with initial annualized aggregate base rent equal to 15% of the sum of the purchase price and tenant improvement allowance made available for each property.

Pennsylvania, the fifth largest state in the country with nearly 13 million residents, enacted medical-use cannabis legislation in May 2016, and dispensaries made their first sales in February of this year. Twelve grower/processor licenses were issued in the first phase of this program, including the license to Vireo Health, with a total of 25 grower/processor licenses potentially issuable pursuant to the legislation. Although in its very early stages, as of early March, more than 21,000 patients were registered to participate in the medical cannabis program. In recognition of the large market potential, the strong support of the state's residents and the significant range of qualifying medical conditions under the program, ArcView Market Research projects Pennsylvania's total medical-use cannabis spending to grow rapidly, with $227 million in sales by 2021.

"We are very pleased to close on this third transaction with Vireo Health in Pennsylvania, projected by many to become one of the largest medical-use cannabis markets in the country," said Ben Regin, Director of Investments and Finance of the Company. "We believe our transactions with Vireo Health clearly illustrate the value of our platform, partnering long-term with our tenants to opportunistically unlock the value of their real estate and redeploy that capital into their expanding operations."

"Innovative Industrial Properties has proven to be a great real estate partner in addressing our capital needs, allowing us to move forward effectively and efficiently with our expansion plans through our series of real estate transactions with them," said Kyle Kingsley, M.D., Chairman and Chief Executive Officer of Vireo Health. "We are thrilled to execute on this latest transaction in Pennsylvania with IIP, and look forward to watching the momentum build for the Pennsylvania market and expansion of the program to serve our patients."

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. intends to elect to be taxed as a real estate investment trust. Additional information is available at **www.innovativeindustrialproperties.com**.

About Vireo Health

Vireo Health is a physician-led company dedicated to providing patients with best-in-class cannabis-based products and high-quality care. Vireo Health is the parent company of two vertically integrated, seed-to-sale, medical-cannabis subsidiaries — Vireo Health of New York and Minnesota Medical Solutions. Vireo Health also runs Pennsylvania Medical Solutions, a cultivation, manufacturing and wholesale medical cannabis distribution company that has just begun operations in the Keystone State. Additional information is available at **www.vireohealth.com**.

Innovative Industrial Properties Forward-Looking Statements

This press release contains statements that the Company 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 Pennsylvania property, Vireo Health and the Pennsylvania medical-use 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. The Company 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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