# Innovative Industrial Properties Acquires Property in Ohio and Enters Into Long-Term Lease with Cresco Labs

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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 Ohio, which comprises approximately 50,000 square feet of industrial space in the aggregate.

The purchase price for the property was approximately $10.6 million in total (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 continue to operate the property as a regulated cannabis cultivation and processing facility. Cresco is expected to complete additional tenant improvements for the property, for which IIP has agreed to provide reimbursement of up to approximately $1.9 million. Assuming full reimbursement for the tenant improvements, IIP's total investment in the property will be approximately $12.5 million.

This sale-leaseback transaction mark IIP's third acquisition and lease with Cresco, with prior IIP acquisitions and leases for two of Cresco's licensed cannabis cultivation and processing facilities in Illinois.

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 excited to expand our real estate partnership with Cresco and its strong management team," said Paul Smithers, President and Chief Executive Officer of Innovative Industrial Properties, Inc. "Cresco continues to execute well on its business plan and has created a truly nationwide reach in its operations, benefiting patients and consumers across the United States, while creating jobs and contributing meaningfully to the local communities where they operate. We are thrilled to partner with them again in Ohio, a state that we believe represents a tremendous market opportunity, where Cresco can bring its high quality, trusted products to patients in need."

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.

"Teaming again with IIP as our long-term real estate partner enables us to further bolster our balance sheet, and redeploy that additional liquidity into higher yielding opportunities," said Joe Caltabiano, President and Co-Founder of Cresco. "We are thrilled with the footprint we have established, and look forward to deepening even further our presence in those states, with IIP as one of our trusted capital providers."

Ohio's licensed medical cannabis program is in its early stages, with first sales occurring at the beginning of this year. In less than one year of sales, however, there were nearly 80,000 patients and over 8,000 caregivers registered under the program as of the end of December.

As of January 27, 2020, IIP owned 48 properties located in Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Nevada, North Dakota, Ohio, Pennsylvania and Virginia, totaling approximately 3.1 million rentable square feet (including approximately 850,000 rentable square feet under development/redevelopment), which were 98.9% leased (based on square footage) with a weighted-average remaining lease term of approximately 15.6 years. As of January 27, 2020, IIP had invested approximately $529.3 million in the aggregate (excluding transaction costs) and had committed an additional approximately $128.3 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 13.3% for these 48 properties, calculated as (a) the sum of the current base rents, supplemental rent (with respect to the lease with a tenant at one of IIP's New York properties) and property management fees (after the expiration of applicable base rent abatement or deferral periods), divided by (b) IIP's aggregate investment in these properties (excluding transaction costs and including aggregate potential development/redevelopment funding and tenant reimbursements of approximately $128.3 million). These statistics do not include up to approximately $16.4 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Illinois properties, approximately $35.7 million that may be funded in the future pursuant to IIP's lease with a tenant at one of IIP's Massachusetts properties, or the additional $4.0 million which may be requested by a tenant at one of IIP's Pennsylvania 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's default in its obligation to pay rent at that location in January 2020.

## 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 Ohio property, Cresco, the Ohio 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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