



# Innovative Industrial Properties (IIPR)

Updated February 27<sup>th</sup>, 2026, by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$53	<b>5 Year Annual Expected Total Return:</b>	15.7%	<b>Market Cap:</b>	\$1.54 B
<b>Fair Value Price:</b>	\$55	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	03/31/26 <sup>1</sup>
<b>% Fair Value:</b>	97%	<b>5 Year Valuation Multiple Estimate:</b>	0.7%	<b>Dividend Payment Date<sup>2</sup>:</b>	04/15/26
<b>Dividend Yield:</b>	14.2%	<b>5 Year Price Target</b>	\$71	<b>Years Of Dividend Growth:</b>	7
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Real Estate	<b>Rating:</b>	Hold

## Overview & Current Events

Innovative Industrial Properties is a specialized real estate investment trust (REIT) that focuses on owning and leasing properties used for the cultivation and production of cannabis. Given the industry's evolving legal landscape, cannabis businesses face significant constraints on access to traditional financing. IIPR went public during a period that allowed its listing, establishing itself as a leader in the space. While other cannabis-focused REITs have since entered the market, IIPR continues to benefit from its first-mover advantage, strong portfolio growth, and ongoing demand for real estate capital within the industry. The \$1.54 billion REIT owned 111 properties in 19 states at the end of December. Due to the cannabis boom over the past few years, as well as its exclusivity in terms of the listing giving the trust access to public markets, Innovate Industrial Properties is a truly unique REIT.

On February 23<sup>rd</sup>, 2026, IIPR posted its Q4 results for the period ending December 31<sup>st</sup>, 2025. Revenues and AFFO per share were \$66.7 million and \$1.88, down 13% and 15% year-over-year, respectively. The year-over-year revenue decline was primarily driven by an \$8.5 million decrease in rental revenue and a \$1.6 million decrease in tenant reimbursements, largely attributable to tenant defaults related to PharmaCann, TILT and 4Front. Interest and other income increased to \$6.7 million, primarily reflecting \$5.0 million of interest and dividend income from financial investments in IQHQ.

During the quarter, the company executed new leases totaling 70,000 square feet in North Palm Springs, California and 58,000 square feet in Holliston, Massachusetts, and in January 2026 executed a 204,000 square foot lease in Desert Hot Springs, California. As of year-end, IIPR had funded \$150.0 million of its strategic IQHQ investment, consisting of a fully funded \$100.0 million revolving credit facility and \$50.0 million of preferred equity, with a remaining commitment of up to \$120.0 million. The balance sheet remains conservatively levered at 14% debt to total gross assets and total liquidity of \$107.6 million. For FY2025, AFFO/share was \$7.24. We forecast AFFO/share of \$6.91 for FY2026.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>AFFO</b>	(\$0.62)	\$0.67	\$1.34	\$3.27	\$5.01	\$6.66	\$8.45	\$9.08	\$8.98	\$7.24	<b>\$6.91</b>	<b>\$8.82</b>
<b>DPS</b>	---	\$0.55	\$1.20	\$2.83	\$4.47	\$5.72	\$7.10	\$7.22	\$7.52	\$7.60	<b>\$7.60</b>	<b>\$8.39</b>
<b>Shares<sup>3</sup></b>	1.0	3.4	7.3	10.7	19.4	23.9	27.3	28.0	28.2	28.0	<b>28.0</b>	<b>35.0</b>

Industrial Innovating Properties has seen AFFO/share grow dramatically since the trust's IPO. To capitalize on the growth of the cannabis sector, IIPR acquired 37 and nine properties in 2021 and 2022, respectively. With the schedule-1 drug being decriminalized in one state after the other, we expect to see the current growth rates sustained in the medium term. In line with its AFFO growth, management has consistently raised the dividend, often on a sequential basis. Payouts grew by just 1.7% in FY2023 and 4.2% in FY2024. We have set our AFFO/share growth estimate to 5%. This is due to starting off a low AFFO/share base, while also being prudent against rising interest rates and the possibility of

<sup>1</sup> Estimated dates based on past dividend dates.

<sup>2</sup> Estimated dates based on past dividend dates.

<sup>3</sup> Share count is in millions.

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some of its tenants being unable to pay rent. We have also set our dividend per share growth estimate at 2%, reflecting the recent deceleration in dividend growth. The dividend didn't grow in 2025, but due to the prior-year hike the streak remains alive.

## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/FFO	---	47.8	12.2	16.6	30.2	33.0	18.9	8.9	11.2	7.9	<b>7.7</b>	<b>8.0</b>
Avg. Yld.	---	3.4%	3.3%	2.8%	2.8%	2.6%	4.4%	9.0%	7.5%	13.3%	<b>14.2%</b>	<b>11.9%</b>

IIPR's shares have undergone a violent valuation multiple compression since 2021. The stock's P/FFO now stands at 7.7x our FY2026 expected AFFOs. We believe the stock is undervalued here. The REIT's financials remain robust, but we remain wary of the intricacies of its tenant base and higher interest rates. We have set our fair valuation multiple at 8X through 2031. Shares are now yielding 14.2%, which remains a massive tangible return given IIPR's track record.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

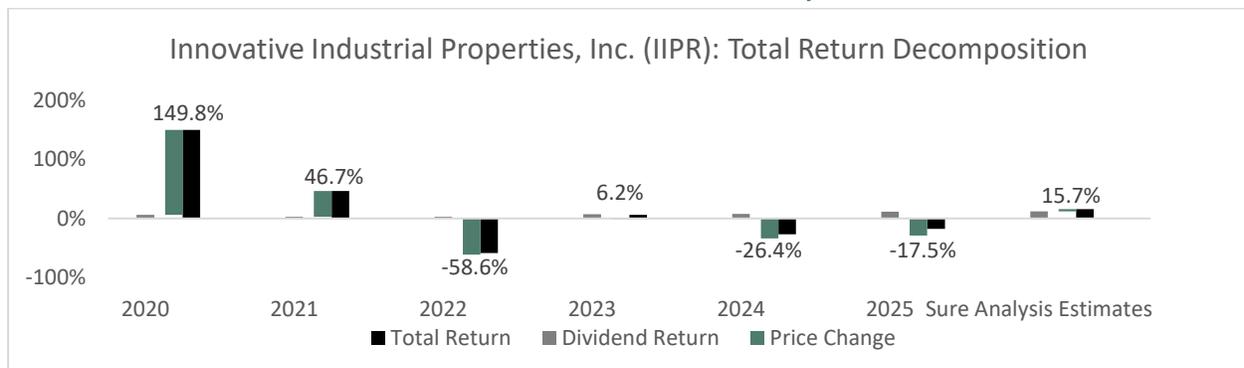
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	82%	90%	87%	89%	86%	84%	80%	84%	105%	<b>110%</b>	<b>95%</b>

Despite its elevated payout ratio, we do not view a dividend cut as inevitable. Management has guided toward a rebound in profitability that could support the current distribution, although a near-term reduction remains a risk. As the only publicly listed pure-play cannabis REIT, the company benefits from a substantial competitive moat. Access to public capital markets allows it to raise debt and equity at a lower cost than private competitors, reinforcing its acquisition-driven growth strategy and strengthening tenant relationships through greater transparency and credibility. Continued state-level legalization provides a compelling medium- to long-term growth runway, and the business demonstrated resilience during COVID-19, with minimal operational disruption. That said, the cannabis sector remains relatively young, and its performance through a prolonged recession is unproven. While the portfolio's weighted average lease term of 12.8 years is attractive, tenant credit risk warrants close monitoring given intense competition and structurally thin margins across the industry.

## Final Thoughts & Recommendation

Innovative Industrial Properties is a genuinely unique investment case. Instead of guessing which cannabis-producing stock will be a long-term winner, investors can profit off of what every producer needs, which is specialized property. This way, the sector's growth can be taken advantage of while benefiting from the consistent rental cash flows from IIPR's facilities. While most cannabis producers still struggle to make money, IIPR continues to post robust results. We forecast an annualized return of 15.7% until 2031 driven by our growth estimates, the massive yield, and the potential of a valuation tailwind. Shares earn a hold rating. We believe the dividend can remain covered, but don't blindly trust it.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	---	\$0.32	\$6.42	\$14.79	\$44.67	\$116.90	\$204.6	276.4	310	309
Gross Profit	---	\$0.23	\$6.30	\$14.34	\$43.35	\$111.94	\$200.1	266	285	280
Gross Margin	---	72.9%	98.2%	97.0%	97.1%	95.7%	97.8%	96.2%	91.9%	90.6%
SG&A Exp.	---	\$0.83	\$5.50	\$6.38	\$9.82	\$14.18	\$22.96	38.52	43	37
D&A Exp.	---	\$0.03	\$0.92	\$2.63	\$8.60	\$28.02	\$41.78	61.30	67	71
Operating Profit	---	-\$0.69	-\$0.11	\$5.34	\$24.94	\$69.74	\$135.37	166	175	172
Operating Margin	---	-213.4%	-1.7%	36.1%	55.8%	59.7%	66.2%	60.1%	56.5%	55.7%
Net Profit	---	-\$4.39	-\$0.07	\$6.99	\$23.48	\$65.73	\$113.99	154	166	162
Net Margin	---	-1368.2%	-1.1%	47.2%	52.6%	56.2%	55.7%	55.7%	53.5%	52.4%
Free Cash Flow	---	-\$28.34	\$5.02	\$15.69	\$44.93	\$110.81	\$188.75	234	256	258
Income Tax	---	\$0.32	\$6.42	\$14.79	\$44.67	---	---	---	---	---

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	---	\$63.33	\$80.03	\$281.47	\$745.86	\$1,768	\$2,085	2,415	2,391	2,378
Cash & Equivalents	---	\$33.00	\$11.76	\$13.05	\$82.24	\$126.01	\$81.10	87	140	146
Total Liabilities	---	\$2.89	\$6.48	\$17.17	\$197.85	\$243.11	\$472.9	453	438	442
Accounts Payable	---	\$0.07	\$1.08	\$4.40	\$28.39	\$41.14	\$53.99	40	21	21
Long-Term Debt	---	\$0.00	\$0.00	\$0.00	\$134.65	\$136.69	\$326.09	302	301	298
Shareholder's Equity	---	\$60.44	\$59.54	\$250.28	\$534.00	\$1,511	\$1,598	1,948	1,939	1,912
LTD/E Ratio	---	0.00	0.00	0.00	0.25	0.09	0.20	0.15	0.15	0.15

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	---	---	-0.1%	3.9%	4.6%	5.2%	5.9%	6.9%	6.9%	6.8%
Return on Equity	---	-14.5%	-0.1%	4.5%	6.0%	6.4%	7.3%	8.7%	8.5%	8.3%
ROIC	---	---	-0.1%	4.1%	5.0%	5.6%	6.3%	7.4%	7.3%	7.2%
Shares Out.	---	0.96	3.38	7.29	10.68	19.56	26.26	27.66	28.3	28.5
Revenue/Share	---	\$0.33	\$1.90	\$2.03	\$4.18	\$5.98	\$7.79	9.99	10.95	9.06
FCF/Share	---	-\$29.43	\$1.49	\$2.15	\$4.21	\$5.67	\$7.19	8.46	9.04	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

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