Innovative Industrial Properties (IIPR)

Updated August 7th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$58	**5 Year Annual Expected Total Return:**	13.9%	**Market Cap:**	$1.61 B
Fair Value Price:	$56	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	09/30/26[1]
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.8%	**Dividend Payment Date[2]:**	10/15/26
Dividend Yield:	13.0%	**5 Year Price Target**	$71	**Years Of Dividend Growth:**	7
Dividend Risk Score:	F	**Sector:**	Real Estate	**Rating:**	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 $1.61 billion REIT owned 108 properties in 19 states at the end of June. 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 August 3rd, 2026, IIPR posted its Q2 results for the period ending June 30th, 2026. Revenues and AFFO per share were $63.3 million and $1.83, up 0.7% and 7.0% year-over-year, respectively. Revenue growth was driven by new leases and contractual rent escalations, substantially offset by property sales, tenant defaults, and lease terminations. Interest and other income increased to $10.8 million from $1.6 million, primarily reflecting $8.5 million of interest and dividend income from its IQHQ investments.

During Q2, IIPR signed a 58,000-square-foot lease with Curaleaf in Buckeye Lake, Ohio, immediately after PharmaCann surrendered the property. The company also reached tentative arrangements with prospective tenants for all four properties previously leased to 4Front, subject to licensing approvals and the completion of receivership proceedings. IIPR sold its Perth, New York, property for $88.5 million, including $49.0 million of seller financing, and fully funded its $270.0 million strategic investment in IQHQ. The balance sheet remains conservatively levered, with net debt equal to 14.2% of gross assets and total liquidity of $299.7 million. IIPR also issued $402.5 million of exchangeable notes, repaid its $291 million notes due in 2026, and repurchased $89.0 million of stock. We forecast AFFO/share of $7.00for FY2026.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
AFFO	($0.62)	$0.67	$1.34	$3.27	$5.01	$6.66	$8.45	$9.08	$8.98	$7.24	***$7.00***	***$8.93***
DPS	---	$0.55	$1.20	$2.83	$4.47	$5.72	$7.10	$7.22	$7.52	$7.60	***$7.60***	***$8.39***
Shares[3]	1.0	3.4	7.3	10.7	19.4	23.9	27.3	28.0	28.2	28.0	***28.0***	***35.0***

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 and the possibility of some of its tenants being unable to pay rent. We have

[1] Estimated dates based on past dividend dates.
[2] Estimated dates based on past dividend dates.
[3] Share count is in millions.

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set our dividend per share growth estimate at 2%, due to the recent deceleration in dividend growth. The payout 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	***8.3***	***8.0***
Avg. Yld.	---	3.4%	3.3%	2.8%	2.8%	2.6%	4.4%	9.0%	7.5%	13.3%	***13.0%***	***11.7%***

IIPR's shares have undergone a violent valuation multiple compression since 2021. The stock's P/FFO now stands at 8.3x our FY2026 expected AFFOs. We believe the stock is slightly overvalued 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 13.0%, which remains a massive tangible return given IIPR's track record.

Safety, Quality, Competitive Advantage, & Recession Resiliency

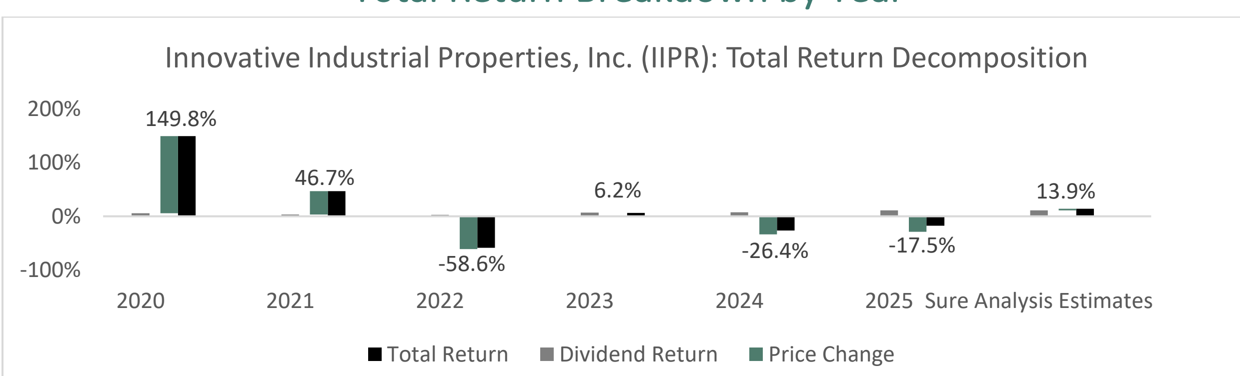
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	82%	90%	87%	89%	86%	84%	80%	84%	105%	***109%***	***94%***

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 11.9 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 13.9% until 2031 driven by our growth estimates, the starting yield, offset by the potential of a valuation headwind. Shares earn a hold rating. We recommend you don't blindly trust the dividend.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$0.32	$6.42	$14.79	$44.67	$116.90	$204.6	276.4	310	309	266
Gross Profit	$0.23	$6.30	$14.34	$43.35	$111.94	$200.1	266	285	280	162
Gross Margin	72.9%	98.2%	97.0%	97.1%	95.7%	97.8%	96.2%	91.9%	90.6%	60.9%
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	74
Operating Profit	-$0.69	-$0.11	$5.34	$24.94	$69.74	$135.37	166	175	172	128
Operating Margin	-213.4%	-1.7%	36.1%	55.8%	59.7%	66.2%	60.1%	56.5%	55.7%	48.1%
Net Profit	-$4.39	-$0.07	$6.99	$23.48	$65.73	$113.99	154	166	162	115
Net Margin	-1368.2%	-1.1%	47.2%	52.6%	56.2%	55.7%	55.7%	53.5%	52.4%	43.2%
Free Cash Flow	-$28.34	$5.02	$15.69	$44.93	$110.81	$188.75	234	256	258	175
Income Tax	$0.32	$6.42	$14.79	$44.67	---	---	---	---	---	---

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	$63.33	$80.03	$281.47	$745.86	$1,768	$2,085	2,415	2,391	2,378	2,371
Cash & Equivalents	$33.00	$11.76	$13.05	$82.24	$126.01	$81.10	87	140	146	48
Total Liabilities	$2.89	$6.48	$17.17	$197.85	$243.11	$472.9	453	438	442	523
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	393
Shareholder's Equity	$60.44	$59.54	$250.28	$534.00	$1,511	$1,598	1,948	1,939	1,912	1,9800
LTD/E Ratio	0.00	0.00	0.00	0.25	0.09	0.20	0.15	0.15	0.15	0.21

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	---	-0.1%	3.9%	4.6%	5.2%	5.9%	6.9%	6.9%	6.8%	4.9%
Return on Equity	-14.5%	-0.1%	4.5%	6.0%	6.4%	7.3%	8.7%	8.5%	8.3%	6.1%
ROIC	---	-0.1%	4.1%	5.0%	5.6%	6.3%	7.4%	7.3%	7.2%	5.2%
Shares Out.	0.96	3.38	7.29	10.68	19.56	26.26	27.66	28.3	28.5	28.4
Revenue/Share	$0.33	$1.90	$2.03	$4.18	$5.98	$7.79	9.99	10.95	9.06	9.37
FCF/Share	-$29.43	$1.49	$2.15	$4.21	$5.67	$7.19	8.46	9.04		6.16

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