Innovative Industrial Properties (IIPR)

Updated November 3rd, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$55	**5 Year Annual Expected Total Return:**	16.4%	**Market Cap:**	$1.52 B
Fair Value Price:	$61	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	12/31/26[1]
% Fair Value:	91%	**5 Year Valuation Multiple Estimate:**	1.9%	**Dividend Payment Date[2]:**	01/15/27
Dividend Yield:	13.7%	**5 Year Price Target**	$78	**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 $1.52 billion REIT owned 108 properties in 19 states at the end of September and has expanded into life-science investments. 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, Innovative Industrial Properties is a truly unique REIT.

On November 2nd, 2026, IIPR posted Q3 results for the period ending September 30th, 2026. Revenue rose 0.4% to $64.9 million, supported by $3.8 million of security deposits applied to defaulted leases, versus $0.8 million a year earlier, and partly offset by property sales and lease terminations. Operating income was broadly flat at $29.4 million. Interest and other income rose to $14.3 million from $4.4 million, including $10.4 million from IQHQ investments. AFFO/share increased 14.6% to $1.96 from $1.71; nine-month AFFO/share was $5.66.

During Q3, IIPR terminated 16 leases and signed six new leases. All PharmaCann leases had been terminated by quarter-end, and tenant defaults continued to weigh on rent collections. In September, IIPR committed $245 million to an Alewife Park life-science mezzanine loan, funding $111 million at closing, and invested another $30 million in IQHQ preferred equity. Net debt was 18.7% of gross assets and liquidity was $142.4 million. After quarter-end, IIPR recovered its $49 million Perth seller-financing balance, raised $54.2 million through 9.25% preferred stock, and extended its $87.5 million revolver to January 21st, 2027. We now expect FY2026 AFFO/share of $7.60.

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	***$7.60***	***$9.70***
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***

Innovative Industrial 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. Over the medium term, re-leasing vacant properties and selectively expanding life-science investments should support growth, although cannabis tenant distress remains a constraint. During its earlier expansion, management frequently raised the dividend. 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 set our

[1]Upcoming ex-dividend and payment dates are estimated based on historical cadence.

[2] Estimated dates based on past dividend dates.

[3] Share count is in millions.

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dividend per share growth estimate at 2%, due to the recent deceleration in dividend growth. The regular rate has not increased since 2024; higher aggregate payments in 2025 reflected that prior increase.

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	***7.3***	***8.0***
Avg. Yld.	---	3.4%	3.3%	2.8%	2.8%	2.6%	4.4%	9.0%	7.5%	13.3%	***13.7%***	***10.8%***

IIPR's shares have undergone a violent valuation multiple compression since 2021. The stock's P/FFO now stands at 7.3x our FY2026 expected AFFOs. We believe the stock is modestly 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 13.7%, which remains a massive tangible return given IIPR's track record.

Safety, Quality, Competitive Advantage, & Recession Resiliency

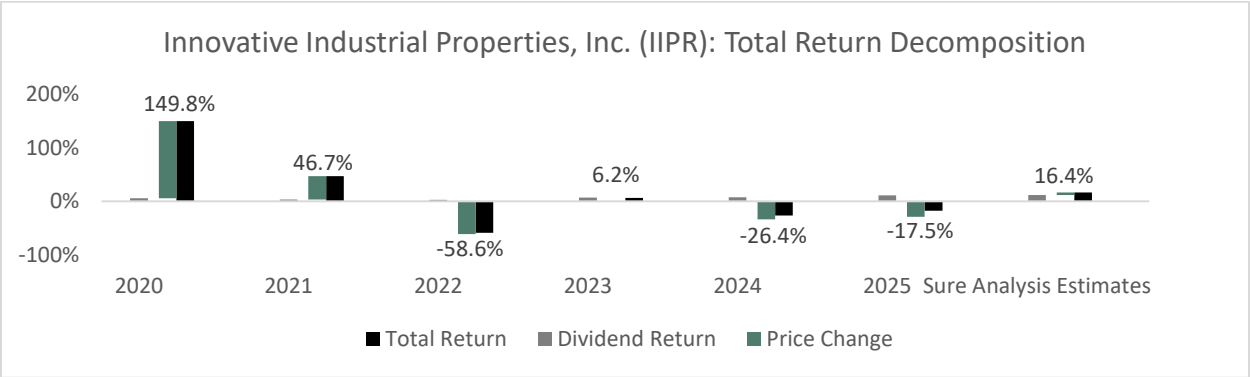
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	0%	82%	90%	87%	89%	86%	84%	80%	84%	105%	***100%***	***87%***

The dividend represents 100% of our expected AFFO, leaving limited room for tenant setbacks. A dividend cut remains a risk. As an early publicly listed cannabis REIT, the company benefits from its established operating platform. 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 10.8 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's expanding investment income is offsetting pressure on its cannabis rental portfolio. We forecast an annualized return of 16.4% until 2031 driven by our growth estimates, the starting yield, and potential valuation upside. 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	—	—	—	—	---	---	---	---	---	---

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	11
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	1,848
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.

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