UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2026**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _________ TO _________**

Commission file number: 001-37949

Innovative Industrial Properties, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**81-2963381**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1389 Center Drive, Suite 200 **Park City, UT 84098**	**(858) 997-3332**
(Address of principal executive offices)	(Registrant's telephone number)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**IIPR**	**New York Stock Exchange**
Series A Preferred Stock, par value $0.001 per share	**IIPR-PA**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company	☐
				Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐·No ☑

As of August 4, 2026 there were 27,571,349 shares of common stock outstanding.

INNOVATIVE INDUSTRIAL PROPERTIES, INC.

FORM 10-Q – QUARTERLY REPORT
June 30, 2026
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PART I

ITEM 1. *FINANCIAL STATEMENTS*

Innovative Industrial Properties, Inc.

Consolidated Balance Sheets
(Unaudited)
(In thousands, except share and per share amounts)

Assets	**June 30, 2026**	**December 31, 2025**
Real estate, at cost:		
Land	$ 141,289	$ 146,320
Buildings and improvements	2,189,885	2,269,597
Construction in progress	34,769	40,593
Total real estate, at cost	2,365,943	2,456,510
Less accumulated depreciation	(369,450)	(343,062)
Net real estate held for investment	1,996,493	2,113,448
Life science investments	275,888	152,665
Loans receivable	71,800	22,800
Cash and cash equivalents	204,734	47,597
Restricted cash	2,903	—
In-place lease intangible assets, net	5,515	6,366
Other assets, net	24,308	27,982
Total assets	$ 2,581,641	$ 2,370,858
Liabilities and stockholders' equity		
Liabilities:		
Notes due 2026, net	$ —	$ 290,602
Exchangeable notes, net	391,163	—
Term loans, net	125,370	—
Revolving credit facilities	92,500	102,500
Building improvements and construction funding payable	789	2,964
Accounts payable and accrued expenses	8,354	10,870
Dividends payable	56,314	54,913
Rent received in advance and tenant security deposits	44,710	50,307
Other liabilities	10,842	10,698
Total liabilities	730,042	522,854
Commitments and contingencies (Notes 6, 7 and 13)		
Stockholders' equity:		
Preferred stock, par value $0.001 per share, 50,000,000 shares authorized: 9.00% Series A cumulative redeemable preferred stock, liquidation preference of $25.00 per share, 5,666,082 and 2,019,525 shares issued and outstanding at June 30, 2026 and December 31, 2025, respectively	128,995	47,780
Common stock, par value $0.001 per share, 50,000,000 shares authorized: 27,571,349 and 28,022,975 shares issued and outstanding at June 30, 2026 and December 31, 2025, respectively	28	28
Additional paid-in capital	2,072,317	2,113,184
Dividends in excess of earnings	(349,741)	(312,988)
Total stockholders' equity	1,851,599	1,848,004
Total liabilities and stockholders' equity	$ 2,581,641	$ 2,370,858

See the accompanying notes to the consolidated financial statements.

Innovative Industrial Properties, Inc.

Consolidated Statements of Income
(Unaudited)
(In thousands, except share and per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Revenues:				
Rental (including tenant reimbursements)	$ 62,890	$ 62,866	$ 131,810	$ 134,563
Other	425	25	501	50
Total revenues	63,315	62,891	132,311	134,613
Expenses:				
Property expenses	7,196	6,867	14,772	14,246
General and administrative expense	7,719	8,626	18,068	17,087
Depreciation and amortization expense	18,799	18,500	37,383	36,891
Impairment loss on real estate	—	—	—	3,527
Total expenses	33,714	33,993	70,223	71,751
Gain (loss) on sale of real estate, net	11,847	—	12,269	—
Income from operations	41,448	28,898	74,357	62,862
Interest and other income	10,752	1,570	17,083	3,183
Interest expense	(8,348)	(4,444)	(14,779)	(8,944)
Net income	43,852	26,024	76,661	57,101
Preferred stock dividends	(3,187)	(878)	(5,841)	(1,659)
Net income attributable to common stockholders	$ 40,665	$ 25,146	$ 70,820	$ 55,442
Net income attributable to common stockholders per share (Note 10):				
Basic	$ 1.39	$ 0.87	$ 2.43	$ 1.92
Diluted	$ 1.36	$ 0.86	$ 2.39	$ 1.90
Weighted-average shares outstanding:				
Basic	28,443,143	27,924,092	28,218,773	28,098,850
Diluted	29,992,248	28,317,693	29,233,929	28,452,111

See accompanying notes to the consolidated financial statements.

Innovative Industrial Properties, Inc.

Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands, except share amounts)

	Three Months Ended June 30, 2026						
	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Dividends in Excess of Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances at beginning of period	4,718,048	$ 108,081	28,314,520	$ 28	$ 2,123,710	$ (337,279)	$ 1,894,540
Net income	—	—	—	—	—	43,852	43,852
Issuance of unvested restricted stock	—	—	44,529	—	—	—	—
Issuance of preferred stock, net of issuance costs	948,034	20,914	—	—	—	—	20,914
Issuance of common stock, net of issuance costs	—	—	680,842	1	34,749	—	34,750
Repurchase of common stock	—	—	(1,468,542)	(1)	(88,968)	—	(88,969)
Preferred stock dividends	—	—	—	—	—	(3,187)	(3,187)
Common stock dividends	—	—	—	—	—	(53,127)	(53,127)
Stock-based compensation	—	—	—	—	2,826	—	2,826
Balances at end of period	5,666,082	$ 128,995	27,571,349	$ 28	$ 2,072,317	$ (349,741)	$ 1,851,599

	Six Months Ended June 30, 2026						
	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Dividends in Excess of Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances at beginning of period	2,019,525	$ 47,780	28,022,975	$ 28	$ 2,113,184	$ (312,988)	$ 1,848,004
Net income	—	—	—	—	—	76,661	76,661
Issuance of unvested restricted stock, net of forfeitures	—	—	139,786	—	(962)	—	(962)
Issuance of preferred stock, net of issuance costs	3,646,557	81,215	—	—	—	—	81,215
Issuance of common stock, net of issuance costs	—	—	859,497	1	44,030	—	44,031
Repurchase of common stock	—	—	(1,468,542)	(1)	(88,968)	—	(88,969)
Preferred stock dividends	—	—	—	—	—	(5,841)	(5,841)
Common stock dividends	—	—	—	—	—	(107,573)	(107,573)
Conversion of restricted stock units into common stock, net of forfeitures	—	—	17,633	—	(377)	—	(377)
Stock-based compensation	—	—	—	—	5,410	—	5,410
Balances at end of period	5,666,082	$ 128,995	27,571,349	$ 28	$ 2,072,317	$ (349,741)	$ 1,851,599

	Three Months Ended June 30, 2025						
	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Dividends in Excess of Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances at beginning of period	1,387,820	$ 32,818	28,378,181	$ 28	$ 2,125,109	$ (235,791)	$ 1,922,164
Net income	—	—	—	—	—	26,024	26,024
Issuance of unvested restricted stock, net of forfeitures	—	—	6,291	—	—	—	—
Issuance of preferred stock, net of issuance costs	173,834	4,025	—	—	—	—	4,025
Repurchase of common stock	—	—	(366,952)	—	(19,818)	—	(19,818)
Preferred stock dividends	—	—	—	—	—	(878)	(878)
Common stock dividends	—	—	—	—	—	(53,783)	(53,783)
Stock-based compensation	—	—	—	—	2,672	—	2,672
Balances at end of period	1,561,654	$ 36,843	28,017,520	$ 28	$ 2,107,963	$ (264,428)	$ 1,880,406

	Six Months Ended June 30, 2025						
	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Dividends in Excess of Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances at beginning of period	1,002,673	$ 23,632	28,331,833	$ 28	$ 2,124,113	$ (211,713)	$ 1,936,060
Net income	—	—	—	—	—	57,101	57,101
Issuance of unvested restricted stock, net of forfeitures	—	—	57,225	—	(792)	—	(792)
Issuance of preferred stock, net of issuance costs	558,981	13,211	—	—	—	—	13,211
Repurchase of common stock	—	—	(371,538)	—	(20,108)	—	(20,108)
Preferred stock dividends	—	—	—	—	—	(1,659)	(1,659)
Common stock dividends	—	—	—	—	—	(108,246)	(108,246)
Forfeiture of unvested restricted stock units	—	—	—	—	—	89	89
Stock-based compensation	—	—	—	—	4,750	—	4,750
Balances at end of period	1,561,654	$ 36,843	28,017,520	$ 28	$ 2,107,963	$ (264,428)	$ 1,880,406

See accompanying notes to the consolidated financial statements.

Innovative Industrial Properties, Inc.

Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	For the Six Months Ended June 30,	
	2026	**2025**
Cash flows from operating activities		
Net income	$ 76,661	$ 57,101
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	37,383	36,891
Impairment loss on real estate	—	3,527
Loss (gain) on sale of real estate, net	(12,269)	—
Paid-in-kind dividends and interest income on life science investments	(2,548)	—
Stock-based compensation	5,410	4,750
Amortization of debt discount and issuance costs	1,787	946
Other non-cash adjustments	(1,847)	5
Changes in assets and liabilities		
Other assets, net	2,915	3,719
Accounts payable, accrued expenses and other liabilities	(947)	1,281
Rent received in advance and tenant security deposits	(5,597)	(5,529)
Net cash provided by (used in) operating activities	100,948	102,691
Cash flows from investing activities		
Investments in real estate	—	(7,857)
Investments in life science financial instruments	(120,000)	—
Proceeds from sale of real estate assets	45,192	1,750
Funding of draws for improvements and construction	(3,591)	(16,547)
Purchases of short-term investments	—	(5,258)
Maturities of short-term investments	—	5,000
Net cash provided by (used in) investing activities	(78,399)	(22,912)
Cash flows from financing activities		
Issuance of common stock, net of issuance costs	44,031	—
Repurchase of common stock	(88,969)	(20,108)
Issuance of preferred stock, net of issuance costs	81,215	13,211
Proceeds from issuance of exchangeable notes	402,500	—
Proceeds from term loans	148,660	—
Principal payments on debt and term loans	(311,274)	(8,697)
Draws on revolving credit facilities	125,000	—
Repayments on revolving credit facilities	(135,000)	—
Payment of deferred financing costs	(15,320)	—
Dividends paid to common stockholders	(108,223)	(108,716)
Dividends paid to preferred stockholders	(3,790)	(1,345)
Taxes paid related to net share settlement of equity awards	(1,339)	(703)
Net cash provided by (used in) financing activities	137,491	(126,358)
Net increase (decrease) in cash, cash equivalents and restricted cash	160,040	(46,579)
Cash and cash equivalents, beginning of period	47,597	146,245
Cash, cash equivalents and restricted cash, end of period	$ 207,637	$ 99,666
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest, net of interest capitalized	$ 13,085	$ 8,058
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for current-period additions to real estate	$ 140	$ 4,402
Accrual for common and preferred stock dividends declared	56,314	54,661

See accompanying notes to the consolidated financial statements.

Innovative Industrial Properties, Inc.

Notes to the Consolidated Financial Statements
June 30, 2026
(Unaudited)

1. Organization

As used herein, the terms “we”, “us”, “our” or the “Company” refer to Innovative Industrial Properties, Inc., a Maryland corporation, and any of our subsidiaries, including IIP Operating Partnership, LP, a Delaware limited partnership (our “Operating Partnership”).

We are an internally-managed real estate investment trust (“REIT”) focused on the acquisition, ownership and management of specialized industrial properties and investments in the life science industry. Our properties are primarily leased to experienced, state-licensed operators for their regulated cannabis facilities. We have acquired and intend to continue to acquire our properties through sale-leaseback transactions and third-party purchases. We have leased and expect to continue to primarily lease our properties on a triple-net lease basis, where the tenant is responsible for all aspects of and costs related to the property and its operation during the lease term, including structural repairs, maintenance, real estate taxes and insurance.

We were incorporated in Maryland on June 15, 2016. We conduct our business through a traditional umbrella partnership real estate investment trust, or UPREIT structure, in which our properties are owned by our Operating Partnership, directly or through subsidiaries. We are the sole general partner of our Operating Partnership and own, directly or through subsidiaries, 100% of the limited partnership interests in our Operating Partnership.

2. Summary of Significant Accounting Policies and Procedures and Recent Accounting Pronouncements

Basis of Presentation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements.

This interim financial information should be read in conjunction with the audited consolidated financial statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025. Any references to square footage or occupancy percentage, and any amounts derived from these values in these notes to the consolidated financial statements, are outside the scope of our independent registered public accounting firm’s review.

Management believes that all adjustments of a normal, recurring nature considered necessary for a fair statement have been included. This interim financial information does not necessarily represent or indicate what the operating results will be for the year ending December 31, 2026.

Use of Estimates. The preparation of the consolidated financial statements in conformity with GAAP requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ materially from these estimates and assumptions. The most significant estimates and assumptions made include determination of lease accounting and fair value of acquisition of real estate properties.

Reclassification. Certain prior period amounts have been reclassified to conform to the current period presentation. The reclassification had no impact on previously reported net income attributable to common stockholders.

Going Concern. As of June 30, 2026, management believes the substantial doubt about the Company's ability to continue as a going concern has been resolved. The going concern conditions that caused substantial doubt no longer exist as the Company repaid in full the $291.2 million principal amount of its Notes due 2026 upon their maturity in May 2026.

Significant Accounting Policies. The consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the SEC on February 24, 2026, contain a discussion of significant accounting policies. There have been no material changes to our significant accounting policies other than as listed below.

Exchangeable Notes. Our exchangeable notes are classified as convertible debt instruments recorded as liabilities in accordance with Accounting Standards Codification ("ASC") 470-20 and are initially recognized at their principal amount, net of issuance costs. Issuance costs are amortized to interest expense over the term of the instrument using the effective interest method. We evaluate each instrument to determine its classification as debt or equity and assess whether embedded features, such as conversion options, require bifurcation and separate accounting as derivatives under ASC 815-15. Bifurcation is required if these features are not clearly and closely related to the host contract and do not meet the scope exception criteria under ASC 815-40. Upon conversion, the carrying amount of the debt is reduced, and the settlement is accounted for based on the terms of the instrument, which may include issuance of common stock, cash payment, or a combination thereof. Interest expense includes the contractual coupon rate and amortization of issuance costs.

Restricted Cash. At June 30, 2026, restricted cash relates to interest and other reserves required by one of our term loans. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets to the total amount shown in the consolidated statements of cash flows (in thousands):

	June 30, 2026	December 31, 2025
Cash and cash equivalents	$ 204,734	$ 47,597
Restricted cash	2,903	—
Cash, cash equivalents and restricted cash	$ 207,637	$ 47,597

Concentration of Credit Risk.

Real Estate Investments

Tenant Concentration

As of June 30, 2026, we owned 108 properties located in 19 states and leased to 37 tenants. The ability of any of our tenants to honor the terms of their leases is dependent upon the economic, regulatory, competitive, natural and social factors affecting the community in which that tenant operates.

The following tables set forth the five tenants in our portfolio that represented the largest percentage of our total rental revenues for the three and six months ended June 30, 2026 and 2025, including tenant reimbursements:

	For the Three Months Ended June 30, 2026	
	Number of Leases	Percentage of Rental Revenue
Ascend Wellness Holdings, Inc. ("Ascend")	4	14 %
Green Thumb Industries, Inc. ("Green Thumb")	3	10 %
Curaleaf Holdings, Inc. ("Curaleaf")	8	9 %
Trulieve Cannabis Corp. ("Trulieve")	6	9 %
Cresco Labs Inc.	5	8 %

	For the Six Months Ended June 30, 2026	
	Number of Leases	Percentage of Rental Revenue
Ascend	4	13 %
Green Thumb	3	9 %
Curaleaf	8	9 %
Trulieve	6	8 %
Cresco Labs Inc.	5	7 %

	For the Three Months Ended June 30, 2025	
	Number of Leases	Percentage of Rental Revenue
Ascend	4	13 %
Green Thumb	3	10 %
Curaleaf	8	9 %
Trulieve	6	8 %
The Cannabist Company	21	8 %

	For the Six Months Ended June 30, 2025	
	Number of Leases	Percentage of Rental Revenue
Ascend	4	12 %
Green Thumb	3	9 %
Curaleaf	8	8 %
Trulieve	6	8 %
The Cannabist Company	21	7 %

In each of the tables above, these leases include leases with affiliates of each entity, for which the entity has provided a corporate guaranty.

Geographic Concentration

As of June 30, 2026 and December 31, 2025, our largest property was located in New York and accounted for 5.7% and 5.5% of our net real estate held for investment, respectively. No other properties accounted for more than 5% of our net real estate held for investment as of June 30, 2026 and December 31, 2025.

Financial Instruments

Financial instruments that potentially subject us to a concentration of credit risk are cash and cash equivalents, notes and interest receivable, and investments in preferred stock and warrants. Concentration of credit risks relating to notes and interest receivable and preferred stock investments are managed by the Company through portfolio monitoring and performing due diligence prior to origination or acquisition. As of June 30, 2026, the Company had invested $100.0 million into the IQHQ Credit Facility (as defined in Note 7) and $170.0 million into the IQHQ Preferred Stock and IQHQ Warrant (each as defined in Note 7), cumulatively. As of December 31, 2025, the Company had invested $100.0 million into the IQHQ Credit Facility and $50.0 million into the IQHQ Preferred Stock and IQHQ Warrant. These investments represent a significant concentration of credit risk. The Company monitors IQHQ's (as defined in Note 7) credit quality and enforces collateral rights under the credit agreement.

We have deposited cash with financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. As of June 30, 2026, we had cash accounts in excess of FDIC insured limits. We have not experienced any losses in such accounts.

3. Common Stock

As of June 30, 2026, the Company was authorized to issue up to 50,000,000 shares of common stock, par value $0.001 per share, and there were 27,571,349 shares of common stock issued and outstanding.

We have entered into equity distribution agreements with six sales agents, pursuant to which we may offer and sell from time to time through an "at-the-market" offering program (the "ATM Program"), including on a forward basis, shares of our common stock and 9.00% Series A Cumulative Redeemable Preferred Stock, $0.001 par value per share (the "Series

A Preferred Stock”), up to an aggregate offering price of $500.0 million. See Note 4 “Preferred Stock” for information regarding the sale of Series A Preferred Stock under the ATM Program.

During the three and six months ended June 30, 2026, we sold 680,842 shares and 859,497 shares of common stock pursuant to the ATM Program for net proceeds of $34.7 million and $44.0 million, respectively. No shares of common stock were issued pursuant to the ATM Program during the three and six months ended June 30, 2025.

In March 2025, our Board of Directors authorized a share repurchase program (the "Prior Share Repurchase Program") of up to $100.0 million of the Company’s common stock. In March 2026, the Board of Directors authorized a new share repurchase program (the "New Share Repurchase Program”) of up to $100.0 million of the Company's common stock. The New Share Repurchase Program replaces the Company's Prior Share Repurchase Program, which expired on March 17, 2026. The New Share Repurchase Program expires on March 4, 2027, and may be extended, suspended, modified or discontinued at any time at the Company’s discretion. During three months ended June 30, 2026, we repurchased and retired 1,468,542 shares of common stock under the New Share Repurchase Program for $89.0 million. During three and six months ended June 30, 2025, we repurchased and retired 366,952 and 371,538 shares of common stock under the Prior Share Repurchase Program for $19.8 million and $20.1 million, respectively.

4. Preferred Stock

As of June 30, 2026, the Company was authorized to issue up to 50,000,000 shares of preferred stock, par value $0.001 per share, and there were 5,666,082 shares issued and outstanding of Series A Preferred Stock. The Company may, at its option, redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus all accrued and unpaid dividends on such Series A Preferred Stock up to, but excluding, the redemption date. Holders of the Series A Preferred Stock generally have no voting rights except for limited voting rights if the Company fails to pay dividends for six or more quarterly periods (whether or not consecutive) and in certain other circumstances.

During the three and six months ended June 30, 2026, we sold 948,034 and 3,646,557 shares of our Series A Preferred Stock pursuant to the ATM Program for net proceeds of $20.9 million and $81.2 million, respectively.

During the three and six months ended June 30, 2025, we sold 173,834 and 558,981 shares of our Series A Preferred Stock pursuant to the ATM Program for net proceeds of $4.0 million and $13.2 million, respectively.

5. Dividends

The following table describes the dividends declared by the Company during the six months ended June 30, 2026:

Declaration Date	Security Class	Amount Per Share	Record Date	Dividend Paid Date	Dividend Amount
					(In thousands)
March 13, 2026	Common stock	$ 1.90	March 31, 2026	April 15, 2026	$ 54,446
March 13, 2026	Series A preferred stock	$ 0.5625	March 31, 2026	April 15, 2026	$ 2,654
June 15, 2026	Common stock	$ 1.90	June 30, 2026	July 15, 2026	$ 53,127
June 15, 2026	Series A preferred stock	$ 0.5625	June 30, 2026	July 15, 2026	$ 3,187

6. Investments in Real Estate

Certain acquisitions of real estate did not satisfy the requirements for sale-leaseback accounting and therefore as of both June 30, 2026 and December 31, 2025, acquisitions of $16.8 million have been recognized as notes receivable and are included in other assets, net on our consolidated balance sheets.

No impairment losses were recognized during the three and six months ended June 30, 2026. During the six months ended June 30, 2025, we recognized an impairment loss on real estate of $3.5 million related to one of our properties in Palm Springs, California which was under contract for sale and sold in June 2025.

Acquired In-Place Lease Intangible Assets

In-place lease intangible assets and related accumulated amortization as of June 30, 2026 and December 31, 2025 is as follows (in thousands):

	June 30, 2026	December 31, 2025
In-place lease intangible assets	$ 8,965	$ 9,757
Accumulated amortization	(3,450)	(3,391)
In-place lease intangible assets, net	$ 5,515	$ 6,366

Amortization of in-place lease intangible assets classified in depreciation and amortization expense in our consolidated statements of income was $0.6 million and $0.8 million for the three and six months ended June 30, 2026, respectively, and $0.2 million and $0.4 million for the three and six months ended June 30, 2025, respectively. The weighted-average remaining amortization period of the acquired in-place leases was 7.4 years, and the estimated annual amortization of the value of the acquired in-place leases as of June 30, 2026 is as follows (in thousands):

Year	Amount
2026 (six months ending December 31)	$ 382
2027	764
2028	764
2029	764
2030	764
Thereafter	2,077
Total	$ 5,515

Above-Market Lease

The above-market lease and related accumulated amortization included in other assets, net on our consolidated balance sheets as of June 30, 2026 and December 31, 2025 is as follows (in thousands):

	June 30, 2026	December 31, 2025
Above-market lease	$ 1,054	$ 1,054
Accumulated amortization	(417)	(371)
Above-market lease, net	$ 637	$ 683

The above-market lease is amortized on a straight-line basis as a reduction to rental revenues over the remaining lease term of 7.0 years. Amortization of the above-market lease was $23,000 for each of the three-month periods ended June 30, 2026 and 2025, and $46,000 for each of the six-month periods ended June 30, 2026 and 2025.

Lease Amendments, Terminations and New Leases

In January 2024, the lease modifications for two of our leases to extend the initial term of each lease changed the lease classification from operating lease to sales-type lease that did not satisfy all the criteria for recognition as a completed sale. Accordingly, we continue to recognize the underlying assets within net real estate held for investment and all lease payments received, as well as any future lease payments, will be recognized as a deposit liability and will be included in other liabilities on our consolidated balance sheet until certain criteria are met. As of June 30, 2026, we have received lease payments of $5.7 million that have been included in other liabilities on our consolidated balance sheet. The underlying assets' land and building and improvements had a gross carrying value of $4.1 million and $28.9 million, respectively, and accumulated depreciation of $4.8 million as of June 30, 2026.

In January 2026, the leases with Gold Flora, LLC for the properties located in Desert Hot Springs and Palm Springs, California were terminated in connection with the receivership and concurrent with the lease terminations, we executed new leases with a new tenant for both properties.

In March 2026, we executed a new lease with a new tenant for one of our properties located in Illinois, which was previously leased to PharmaCann.

In April 2026, we executed a new lease with an existing tenant for one of our properties located in Ohio, which was previously leased to PharmaCann.

In April 2026, we terminated a lease related to one of our properties located in Pennsylvania and took back possession of the property.

Capitalized Costs

During the six months ended June 30, 2026, we capitalized costs of $1.5 million relating to improvements and construction activities at our properties.

Property Dispositions

In April 2025, we sold a property in Michigan for $9.0 million (excluding transaction costs) and provided a secured loan for $8.5 million to the buyer of the property. The loan matures on April 24, 2028 with an option to extend the maturity for twelve months, conditional on the payment of an extension fee. The loan is interest only and payments are payable monthly in advance. The transaction did not qualify for recognition as a completed sale under GAAP since not all of the criteria were met. Accordingly, we have not derecognized the assets transferred on our consolidated balance sheets. All consideration received, as well as any future payments, from the buyer will be recognized as a deposit liability and will be included in other liabilities on our consolidated balance sheet until such time the criteria for recognition as a sale have been met. As of June 30, 2026, we have received a total of $2.1 million for a loan origination fee and interest. In addition, as we have not met all of the held-for-sale criteria, land and building and improvements with a gross carrying value of $0.4 million and $9.6 million, respectively, and accumulated depreciation of $2.3 million as of June 30, 2026, remain on the consolidated balance sheet, and the buildings and improvements continue to be depreciated.

In February 2026, we sold a property in Arizona for net proceeds of $2.6 million and recognized a gain on sale of real estate of $0.5 million.

In May 2026, we sold a property in Texas for net proceeds of $3.1 million and recognized a loss on sale of real estate of $4.9 million.

In May 2026, we sold a property in New York for a contractual sales price of $88.5 million and recognized a gain on sale of real estate of $16.7 million. At closing, the Company received $39.5 million in cash and provided a secured loan for $49.0 million to the buyer of the property (see Note 8 “Loans Receivable”).

Future Contractual Minimum Rent

Future contractual minimum rent (including base rent and property management fees) to be received on our leases as of June 30, 2026 for future periods is summarized as follows (in thousands):

Year	Contractual Minimum Rent
2026 (six months ending December 31)	$ 138,254
2027	286,947
2028	293,634
2029	299,187
2030	302,872
Thereafter	2,628,324
Total	$ 3,949,218

Future contractual minimum rent includes payments to be received on two sales-type leases, which will be recognized as a deposit liability and will be included in other liabilities on our consolidated balance sheet until certain criteria are met.

7. Life Science Investments

In August 2025, the Company entered into a Securities Purchase Agreement (the “Securities Purchase Agreement”) with IQHQ, Inc., a private life science real estate investment trust, and certain of its affiliates (collectively "IQHQ"). The Securities Purchase Agreement, together with certain exhibits thereto, set forth the terms under which the Company agreed to: (i) purchase up to $170 million of 15.0% Series G Cumulative Redeemable Preferred Stock of IQHQ (the “IQHQ Preferred Stock”) at a price of $1,000 per share, together with corresponding warrants to purchase common equity units of IQHQ at an exercise price of $0.01 per unit, subject to the satisfaction of certain funding milestones of the IQHQ Preferred Stock; and (ii) provide a $100 million commitment to IQHQ as a member of a lender syndicate under an Amended and Restated Credit Agreement (the “IQHQ Credit Facility”) with an initial term of three years, extendable by an additional 12 months upon payment of an extension fee and satisfaction of certain other conditions.

On September 30, 2025, the Company completed the initial purchase of an aggregate of 5,000 shares of IQHQ Preferred Stock for a total investment of $5.0 million. On October 31, 2025, the Company purchased an additional 45,000 shares of IQHQ Preferred Stock for $45.0 million. During the three months ended June 30, 2026, the Company purchased an additional 120,000 shares of IQHQ Preferred Stock for $120.0 million, fulfilling its $170.0 million purchase commitment. The IQHQ Preferred Stock accrues cumulative dividends comprised of (i) a 10.0% annual cash dividend and (ii) a 5.0% paid-in-kind (“PIK”) dividend, with dividends payable quarterly in arrears. The PIK dividend rate increases by 1.25% on each of the fourth and fifth anniversaries of issuance. In the event of a failure by IQHQ to make required redemptions or cash dividend payments, the PIK dividend rate increases by an additional 5.0%, until the failure is cured, subject to a cap on the increase. The IQHQ Preferred Stock ranks senior to IQHQ's common equity and any junior securities, pari passu with its Series E Preferred Stock and other parity securities, and junior to its Series A and Series D-1 Preferred Stock with respect to dividends and liquidation preferences. The IQHQ Preferred Stock is not convertible and carries limited voting rights, except as required by law or with respect to charter amendments that are materially adverse to holder rights. The IQHQ Preferred Stock may be redeemed by IQHQ at any time at the greater of $1,560 per share or the then-current base amount and may also be subject to holder redemption upon a change of control or sale transaction.

In connection with the purchase of the IQHQ Preferred Stock, the Company also received a warrant (the “IQHQ Warrant”) to purchase common equity units of IQHQ. The IQHQ Warrant is exercisable for a number of common equity units representing 5% of the fully diluted outstanding common equity of IQHQ (after giving effect to all previously issued warrants) at the time of exercise.

Pursuant to the terms of the Securities Purchase Agreement, upon the initial closing, the Company obtained the right to appoint one voting member to IQHQ’s board of directors, subject to certain ownership thresholds, and designated Paul Smithers, the Company’s President and Chief Executive Officer, for this role. The Company also entered into a right of first offer letter with IQHQ, granting the Company a contractual right of first offer on certain real estate asset sales of IQHQ.

Additionally, in connection with the initial closing under the Securities Purchase Agreement, on September 30, 2025, the Company became a lender under the IQHQ Credit Facility and fully funded its $100.0 million commitment. The IQHQ Credit Facility bears interest at a fixed annual rate of 13.5%, consisting of 12.0% payable in cash and 1.5% PIK, with interest payable quarterly. The IQHQ Credit Facility has an initial maturity on September 30, 2028, with a one-time extension option of up to 12 months, subject to the satisfaction of certain conditions and payment of a facility extension fee. All obligations under the IQHQ Credit Facility are unconditionally guaranteed by IQHQ and secured by a first priority pledge of certain of IQHQ's assets. The Company is subject to a rate reduction penalty of up to 3.0% in the event it fails to make required purchases of IQHQ Preferred Stock under the Securities Purchase Agreement. The IQHQ Credit Facility includes customary representations, warranties, and covenants, as well as major decision rights requiring lender approval. IQHQ is required to prepay loans with proceeds from certain asset or equity sales and may voluntarily prepay or reduce commitments subject to specified conditions.

The following table details the carrying value of our life science investments, including the value of the forward contract to purchase the remaining minimum commitment of IQHQ Preferred Stock (in thousands):

	June 30, 2026	December 31, 2025
Investment in IQHQ Preferred Stock	$ 159,730	$ 47,430
Investment in IQHQ Warrant	15,654	5,321
Forward contract for the purchase of IQHQ Preferred Stock	—	2,562
PIK dividend	2,220	444
Investment in IQHQ Credit Facility	97,121	96,493
PIK interest	1,163	415
Total	$ 275,888	$ 152,665

As of June 30, 2026 and December 31, 2025, there were no impairments or adjustments to the carrying value of the investments in the equity securities of IQHQ as a result of observable price changes and there were no allowance for credit losses with respect to our investment in the IQHQ Credit Facility.

8. Loans Receivable

Seller Financed Note

In May 2026, we sold a property in New York for a contractual sales price of $88.5 million. At closing, the Company received $39.5 million in cash and provided a secured loan for $49.0 million to the buyer of the property (the "Seller Financed Note"). The Seller Financed Note requires monthly interest-only payments and matures on May 25, 2027, subject to two one-year extensions with payment of an extension fee of 1% of the then outstanding principal balance. The Seller Financed Note is recorded at the amount of the loan outstanding and no allowance for credit losses has been recorded as of June 30, 2026. Interest income on the Seller Financed Note is recognized on an accrual basis and is included in interest and other income in our consolidated statements of income.

Construction Loan

In June 2021, we executed a construction loan agreement with a developer, pursuant to which we agreed to lend up to $23.0 million for the development of a regulated cannabis cultivation and processing facility in California (the "Construction Loan"). We have an option to purchase the property, and may execute a negotiated lease with an affiliate of the developer or with another third party, if we determine to exercise our purchase option. As of both June 30, 2026 and December 31, 2025, we had funded $22.8 million of the Construction Loan. The Construction Loan is recorded at the amount funded and no allowance for credit losses has been recorded as of June 30, 2026. Interest income on the Construction Loan is recognized on a cash basis and is included in interest and other income in our consolidated statements of income. The borrower exercised the option to extend the maturity date to December 31, 2026.

9. Debt

Notes due 2026

In May 2021, our Operating Partnership issued $300.0 million aggregate principal amount of its 5.50% Senior Notes due 2026 (the “Notes due 2026”). In connection with the issuance of the Notes due 2026, we recorded $6.8 million of issuance costs, which were amortized using the effective interest method and recognized as non-cash interest expense over the term of the Notes due 2026. The effective interest rate including amortization of issuance costs was 6.03%.

The following table details our interest expense related to the Notes due 2026 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
Cash coupon	$ 2,383	$ 4,004	$ 6,387	$ 8,085
Amortization of issuance cost	231	362	610	726
Capitalized interest	(44)	(39)	(94)	(95)
Total interest expense	$ 2,570	$ 4,327	$ 6,903	$ 8,716

In February 2025, we made early partial repayments at a discount totaling $8.7 million on the Notes due 2026, reducing the principal balance by $8.8 million. Following the partial repayment, all other terms and conditions of the debt agreement remained unchanged.

In April 2026, we made early partial repayments at a discount totaling $9.1 million on the Notes due 2026, reducing the principal balance by $9.1 million from $291.2 million to $282.1 million. Following the partial repayment, all other terms and conditions of the debt agreement remained unchanged.

The Notes due 2026 matured on May 25, 2026 and were repaid in full. The following table details the carrying value of our Notes due 2026 (in thousands):

	December 31, 2025
Principal amount	$ 291,215
Unamortized issuance cost	(613)
Carrying value	$ 290,602

Exchangeable Notes

On June 15, 2026, our Operating Partnership issued $402.5 million of 6.00% exchangeable senior notes due 2029 (the “Exchangeable Notes”) in a private offering, including the exercise in full of the initial purchasers' option to purchase additional notes. The Exchangeable Notes are senior unsecured obligations of our Operating Partnership, are fully and unconditionally guaranteed by us and are exchangeable for cash, shares of our common stock, or a combination of cash and shares of our common stock, at our Operating Partnership's option, at any time prior to the close of business on the second scheduled trading day immediately preceding the stated maturity date. The initial exchange rate for the Exchangeable Notes is 14.4113 shares of our common stock per $1,000 principal amount of Exchangeable Notes and the initial exchange price is $69.39 per share of our common stock. The initial exchange rate and initial exchange price are subject to adjustment in certain circumstances. The Exchangeable Notes bear interest at a rate of 6.00% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning December 15, 2026 until maturity on June 15, 2029. Our Operating Partnership does not have the right to redeem the Exchangeable Notes prior to maturity, but may be required to repurchase the Exchangeable Notes from holders under certain circumstances.

The Company incurred approximately $11.5 million of issuance costs in connection with the issuance of the Exchangeable Notes. The amortization of the debt issuance costs is recognized as a non-cash component of interest expense over the term of the Exchangeable Notes. The effective interest rate, including the amortization of debt issuance costs, was 7.29%.

The following table details our interest expense related to the Exchangeable Notes (in thousands):

	For the Three and Six Months Ended June 30, 2026
Cash coupon	$ 1,006
Amortization of issuance cost	144
Total interest expense	$ 1,150

The following table details the carrying value of our Exchangeable Notes as of June 30, 2026 (in thousands):

	June 30, 2026
Principal amount	$ 402,500
Unamortized issuance cost	(11,337)
Carrying value	$ 391,163

Term Loans

During the six months ended June 30, 2026, the Company entered into several new term loan facilities with various lenders. These term loans are secured by, among other things, certain mortgages and security interests in the real and personal properties, certain assignments of leases and rents, and certain deposit accounts maintained with the lenders. The following table summarizes the key terms related to the new term loans and presents the outstanding principal balance and the carrying value of the term loans as of June 30, 2026 (dollar amounts in thousands):

Term Loan	Closing Date	Original Principal	Principal Outstanding	Net Carrying Value	Interest Rate	Effective Interest Rate	Maturity Date	Payment type
Term Loan #1	Apr-26	$ 20,000	$ 19,941	$ 19,527	9.00%	10.18 %	Apr-29	Principal and interest
Term Loan #2[1]	May-26	56,500	56,500	54,951	SOFR + 5%	9.84 %	May-29	Interest only
Term Loan #3	May-26	44,860	44,860	43,884	6.67%	7.57 %	Jun-31	Principal and interest
Term Loan #4[2]	May-26	20,000	—	—	10.00%	— %	Oct-26	Principal and interest
Term Loan #5	Jun-26	7,300	7,300	7,008	7.50%	8.51 %	Jul-31	Principal and interest
Total		**$ 148,660**	**$ 128,601**	**$ 125,370**				

(1) The loan has two, one-year extension options that may extend the maturity through May 2031. SOFR is subject to a floor of 3.75%. The loan also requires the Company to maintain a minimum net worth of $120.0 million and liquid assets with a market value of at least $12.0 million. As of June 30, 2026, the Company was in compliance with these covenants.

(2) In June 2026, we fully repaid the loan prior to maturity and wrote off $0.5 million of related unamortized issuance cost as non-cash interest expense.

The following table details our interest expense related to the Term Loans (in thousands):

	For the Three and Six Months Ended June 30, 2026
Cash coupon	$ 1,656
Amortization of issuance cost	684
Capitalized interest	(31)
Total interest expense	$ 2,309

Revolving Credit Facility

In October 2023, our Operating Partnership entered into a loan and security agreement (the “Loan Agreement”) with a federally regulated commercial bank, as lender and as agent for lenders that become party thereto from time to time, which matures on October 23, 2026. The Loan Agreement initially provided $50.0 million in aggregate commitments for secured revolving loans (the “Revolving Credit Facility”), the availability of which is based on a borrowing base consisting of real properties owned by subsidiaries (the “Subsidiary Guarantors”) of the Operating Partnership that satisfy eligibility criteria set forth in the Loan Agreement. The obligations of the Operating Partnership under the Loan Agreement are guaranteed by the Company and the Subsidiary Guarantors, and are secured by certain assets of the Company. Borrowings under the Revolving Credit Facility bear interest at a variable rate based on the greater of the prime rate and an applicable margin based on deposits with the participating bank(s) and a stipulated interest rate. At June 30, 2026, the interest rate was 9.0%. The Revolving Credit Facility is subject to an unused line of credit fee, calculated in accordance with the Loan Agreement. The Loan Agreement is subject to certain liquidity and operating covenants and includes customary representations and warranties, affirmative and negative covenants and events of default. The Loan Agreement also allows the Operating Partnership, subject to the satisfaction of certain conditions, to request additional revolving loan commitments up to a specified amount. In November 2024, our Operating Partnership entered into an amendment to the Loan Agreement, pursuant to which the aggregate commitments under the Revolving Credit Facility were increased from $50.0 million to $87.5 million. There were no amounts outstanding under the Revolving Credit Facility as of June 30, 2026. As of December 31, 2025, there were $27.5 million of borrowings outstanding under the Revolving Credit Facility.

In connection with the Revolving Credit Facility, we recorded $1.2 million of deferred financing costs, which are being amortized on a straight-line basis and recognized as non-cash interest expense over the term of the Revolving Credit Facility. In each of the three months ended June 30, 2026 and 2025, we recognized $0.1 million, respectively, of non-cash interest expense related to the Revolving Credit Facility.

IIP Life Science Credit Facility

In October 2025, our Operating Partnership and IIP Life Science Investments LLC ("IIP Life Science") entered into a loan agreement with a federally regulated commercial bank, as agent for the lenders that become party thereto from time to time (the “IIP Life Science Credit Facility”). Under the IIP Life Science Credit Facility, our Operating Partnership has a revolving line of credit available up to $100.0 million until the maturity date on October 3, 2028. The IIP Life Science Credit Facility includes an accordion feature under which the revolving line of credit may be increased up to an aggregate of $135.0 million, under certain conditions, including obtaining additional lender commitments. The availability of credit at any given time under the IIP Life Science Credit Facility is subject to, among other things, the amount of collateral available and a borrowing base formula based upon the value of eligible investments in certain securities and an eligible loan receivable. All obligations under the IIP Life Science Credit Facility are secured by substantial assets of the loan parties, including the Company’s investment through IIP Life Science in IQHQ Preferred Stock, the IQHQ Warrant, and the IQHQ Credit Facility. Borrowings under the IIP Life Science Credit Facility bear interest on the outstanding daily balance at a rate of interest per annum equal to the greater of (i) the one-month Secured Overnight Financing Rate ("SOFR"), as administered by CME Group Benchmark Administration, plus 2.0% and (ii) 6.10%. As of June 30, 2026 and December 31, 2025, there were $92.5 million and $75.0 million, respectively, of borrowings outstanding under the IIP Life Science Credit Facility.

The IIP Life Science Credit Facility contains a liquidity covenant and a debt service coverage ratio covenant, which requires that the ratio of the Company’s consolidated EBITDA to debt service costs not be less than 2.0 to 1.0, measured as of the end of each fiscal quarter. Management believes that the Company was in compliance with those covenants as of June 30, 2026.

In connection with the IIP Life Science Credit Facility, we recorded $0.9 million of issuance costs, which are being amortized on a straight-line basis and recognized as non-cash interest expense over the term of the IIP Life Science Credit Facility. For the six months ended June 30, 2026, we recognized $79,000 of non-cash interest expense related to the IIP Life Science Credit Facility.

The following table summarizes the principal payments on our outstanding indebtedness as of June 30, 2026 (in thousands):

Payments Due by Year		**Amount**
2026 (six months ending December 31)	$	623
2027		1,242
2028		93,825
2029		478,915
2030		1,041
Thereafter		47,955
Total	$	623,601

10. Net Income Per Share

Grants of restricted stock and restricted stock units ("RSUs") of the Company in share-based payment transactions are considered participating securities prior to vesting and, therefore, are considered in computing basic earnings per share under the two-class method. The two-class method is an earnings allocation method for calculating earnings per share when a company's capital structure includes either two or more classes of common stock or common stock and participating securities. Earnings per basic share under the two-class method is calculated based on dividends declared on common shares and other participating securities ("distributed earnings") and the rights of participating securities in any undistributed earnings, which represents net income remaining after deduction of dividends accruing during the period. The undistributed earnings are allocated to all outstanding common shares and participating securities based on the relative percentage of each security to the total number of outstanding participating securities. Earnings per basic share represents the summation of the distributed and undistributed earnings per share class divided by the total number of shares.

Through June 30, 2026, all of the Company's participating securities received dividends or dividend equivalents at an equal dividend rate per share or unit. As a result, distributions to participating securities for the three and six months ended June 30, 2026 and 2025 have been included in net income attributable to common stockholders to calculate net income per basic and diluted share. The 1,019,877 and 512,756 shares necessary to settle the Exchangeable Notes under the if-converted method were dilutive for the three and six months ended June 30, 2026, respectively, and were included in the computation of diluted earnings per share.

Computations of net income per basic and diluted share (in thousands, except share and per share data) were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
Net income	$ 43,852	$ 26,024	$ 76,661	$ 57,101
Preferred stock dividends	(3,187)	(878)	(5,841)	(1,659)
Distribution to participating securities	(1,150)	(758)	(2,133)	(1,505)
Net income attributable to common stockholders used to compute net income per share (basic)	39,515	24,388	68,687	53,937
Cash and non-cash interest on Exchangeable Notes	1,150	—	1,150	—
Net income attributable to common stockholders used to compute net income per share (diluted)	$ 40,665	$ 24,388	$ 69,837	$ 53,937
Weighted-average common shares outstanding:				
Basic	28,443,143	27,924,092	28,218,773	28,098,850
Restricted stock and RSUs	529,228	393,601	502,400	353,261
Dilutive effect of Exchangeable Notes	1,019,877	—	512,756	—
Diluted	29,992,248	28,317,693	29,233,929 —	28,452,111
Net income attributable to common stockholders per share:				
Basic	$ 1.39	$ 0.87	$ 2.43	$ 1.92
Diluted	$ 1.36	$ 0.86	$ 2.39	$ 1.90

11. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Accounting guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activities, therefore requiring an entity to develop its own assumptions.

The following table presents the carrying value and approximate fair value of financial instruments at June 30, 2026 and December 31, 2025 (in thousands):

	At June 30, 2026		At December 31, 2025	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Life science investments[1]	$ 98,284	$ 98,284	$ 96,908	$ 96,908
Seller Financed Note[2]	$ 49,000	$ 49,000	$ —	$ —
Construction Loan[3]	$ 22,800	$ 30,111	$ 22,800	$ 29,997
Investments as cash equivalents[4]	$ —	$ —	$ 158	$ 158
Notes receivable[5]	$ 16,786	$ 16,786	$ 16,786	$ 16,786
Notes due 2026[6]	$ —	$ —	$ 290,602	$ 288,644
Exchangeable Notes[7]	$ 391,163	$ 428,373	$ —	$ —
Term Loans[8]	$ 125,370	$ 125,370	$ —	$ —
Revolving Credit Facility[9]	$ —	$ —	$ 27,500	$ 27,500
IIP Life Science Credit Facility[10]	$ 92,500	$ 92,500	$ 75,000	$ 75,000

(1) Excludes $177.6 million and $55.8 million as of June 30, 2026 and December 31, 2025, respectively, of investments in the IQHQ Preferred Stock and IQHQ Warrant which are carried at cost under the measurement alternative of *ASC 321, Investments - Equity Securities*. The remaining balance relates to our investment in the IQHQ Credit Facility. The fair value was determined based on Level 3 inputs and was valued using a yield analysis, which is typically performed for non-credit impaired loans. To determine fair value using a yield analysis, a current price is imputed for the loan based upon an assessment of the expected market yield for a similarly structured loan with a similar level of risk. At June 30, 2026 and December 31, 2025, the expected market yield used to determine fair values were 16.6% and 16.8%, respectively.
(2) The fair value of the Seller-Financed note was determined based on Level 3 inputs and was also valued using a yield analysis. At June 30, 2026, the expected market yield used to determine fair value was 18.1%.
(3) The fair value of the Construction Loan receivable was determined based on Level 3 inputs and was also valued using a yield analysis. At each of June 30, 2026 and December 31, 2025, the expected market yield used to determine fair value was 16.25%.
(4) Investments as cash equivalents include obligations of the U.S. government with an original maturity at the time of purchase of 90 days or less are classified as held-to-maturity, stated at amortized cost and valued using Level 1 inputs. Investments as cash equivalents also include investments in a money market fund that invests 100% in U.S. government securities, which is stated at cost and valued using Level 1 inputs.
(5) Notes receivable relate to certain acquisitions of real estate which did not satisfy the requirements for sale-leaseback accounting (see Note 6 “Investments in Real Estate” to our consolidated financial statements for more information). The fair values of the notes receivable were determined based on Level 3 inputs and were also valued using yield analysis. At June 30, 2026 and December 31, 2025, the weighted average expected market yields used to determine fair values were 33.0% and 26.5%, respectively.
(6) The fair value was determined based upon Level 2 inputs as the Notes due 2026 were not traded in an active market. The Notes due 2026 matured in May 2026.
(7) The fair value was determined based on Level 2 inputs as the Exchangeable Notes were not traded in an active market.
(8) The fair values of the term loans were determined based on Level 3 inputs and were valued using a discounted cash flow analysis. As of June 30, 2026, the weighted average discount rate used to estimate the fair value of the term loans was 9.7%.
(9) The fair value of the Revolving Credit Facility was determined based on Level 2 inputs and was valued using a discounted cash flow analysis based on significant other observable inputs such as available market information on discount and borrowing rates with similar terms, maturities, and credit ratings.
(10) The fair value of the IIP Life Science Credit Facility was determined based on Level 2 inputs and was also valued using a discounted cash flow analysis based on significant other observable inputs such as available market information on discount and borrowing rates with similar terms, maturities, and credit ratings.

The carrying amounts of cash equivalents, interest receivable, accounts payable, accrued expenses and other liabilities approximate their fair values.

12. Common Stock Incentive Plans

Our Board of Directors adopted the 2016 Omnibus Incentive Plan (the “2016 Plan”) to enable us to motivate, attract and retain the services of directors, employees and consultants considered essential to our long-term success. The 2016 Plan was terminated in June 2026 and was replaced with the 2026 Omnibus Incentive Plan (the "2026 Plan") upon stockholders' approval. Under the terms of the 2026 Plan, the aggregate number of shares of our common stock subject to options, restricted stock, stock appreciation rights, restricted stock units and other awards, will be no more than 1,250,000 shares. Any equity awards that lapse, expire, terminate, are canceled or are forfeited (including forfeitures in connection with satisfaction of tax withholding obligations of the recipient) are re-credited to the 2026 Plan's reserve for future issuance. The 2026 Plan will automatically terminate in June 2036.

A summary of the restricted stock activity under both the 2016 Plan and 2026 Plan (together the "Incentive Plans") and related information for the six months ended June 30, 2026 is included in the table below:

	Unvested Restricted Stock	Weighted-Average Grant Date Fair Value
Balance at December 31, 2025	109,591	$ 80.61
Granted	113,937	$ 49.85
Vested	(28,355)	$ 78.07
Forfeited(1)	(18,680)	$ 103.65
Balance at March 31, 2026	176,493	$ 58.72
Granted	44,529	$ 59.77
Vested	(6,291)	$ 57.23
Balance at June 30, 2026	214,731	$ 58.99

(1) Shares that were forfeited to cover the employees' tax withholding obligation upon vesting.

The remaining unrecognized compensation cost of $10.2 million for restricted stock awards is expected to be recognized over a weighted-average amortization period of 2.2 years as of June 30, 2026. The fair value of restricted stock that vested during the six months ended June 30, 2026 was $2.7 million.

The following table summarizes our RSU activity for the six months ended June 30, 2026. RSUs are issued as part of the Innovative Industrial Properties, Inc. Nonqualified Deferred Compensation Plan (the "Deferred Compensation Plan"), which allows a select group of management and our non-employee directors to defer receiving certain of their cash and equity-based compensation. RSUs are subject to vesting conditions of the Deferred Compensation Plan and have the same economic rights as shares of restricted stock under the Incentive Plans:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Balance at December 31, 2025	280,555	$ 104.19
Granted	87,366	$ 49.85
Vested and converted to common stock, net	(17,633)	$ 85.72
Forfeited(1)	(9,258)	$ 75.35
Balance at March 31, 2026	341,030	$ 92.01
Granted	49,404	$ 59.68
Balance at June 30, 2026	390,434	$ 87.92

(1) Shares that were forfeited to cover employee's tax withholding obligation upon distribution from the Deferred Compensation Plan.

The remaining unrecognized compensation cost of $10.0 million for RSU awards is expected to be recognized over an amortization period of 2.0 years as of June 30, 2026.

13. Commitments and Contingencies

Improvement Allowances. As of June 30, 2026, we had $6.3 million of commitments related to improvement allowances, which generally may be requested by the tenants at any time up until a date that is near the expiration of the initial term of the applicable lease.

Environmental Matters. We follow the policy of monitoring our properties, both targeted acquisition and existing properties, for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist, we are not currently aware of any environmental liabilities that would have a material adverse effect on our financial condition, results of operations and cash flow, or that we believe would require disclosure or the recording of a loss contingency.

Litigation.

Class Action Lawsuits

On April 25, 2022, a federal securities class action lawsuit was filed against the Company and certain of its officers. The case was named *Michael V. Mallozzi, individually and on behalf of others similarly situated v. Innovative Industrial Properties, Inc., Paul Smithers, Catherine Hastings and Andy Bui, Case No. 2-22-cv-02359*, and was filed in the U.S. District Court for the District of New Jersey. On September 25, 2024, the district court granted defendants' motion to dismiss the operative complaint with prejudice. The plaintiff appealed, and on October 15, 2025, the United States Court of Appeals for the Third Circuit affirmed the dismissal. On October 29, 2025, the appellant filed a petition for rehearing en banc, which was denied on November 13, 2025. Plaintiff did not file a petition for writ of certiorari with the U.S. Supreme Court.

On January 17, 2025, a second federal securities class action lawsuit was filed against the Company and certain of its officers. The case was named *Alain Giraudon, individually and on behalf of others similarly situated v. Innovative Industrial Properties, Inc., Alan D. Gold, Paul E. Smithers, David Smith and Ben Regin, Case No. 1:25-cv-00182-RDB*, and was filed in the U.S. District Court for the District of Maryland. The lawsuit was purportedly brought on behalf of purchasers of our common stock and alleges that we and certain of our officers made false or misleading statements regarding our business in violation of Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), SEC Rule 10b-5, and Section 20(a) of the Exchange Act. According to the filed complaint, the plaintiff is seeking an undetermined amount of damages, interest, attorneys' fees and costs and other relief on behalf of the putative classes of all persons who acquired shares of the Company's common stock between February 27, 2024, and December 19, 2024.
On June 23, 2025, a Consolidated Class Action Complaint was filed under the same Case Number, adding Catherine Hastings as a defendant, and asserting causes of action under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. According to the Consolidated Class Action Complaint, the plaintiff is seeking an undetermined amount of damages, interest, attorneys' fees and costs and other relief on behalf of the putative classes of all persons who acquired shares of the Company's common stock between February 26, 2024 and March 28, 2025. On August 22, 2025, defendants moved to dismiss the Consolidated Class Action Complaint, and on October 21, 2025, plaintiff responded with their opposition to defendants' motion to dismiss. On November 20, 2025, defendants filed a reply in support of their motion to dismiss. On May 27, 2026, the district court granted defendants' motion to dismiss the operative complaint without prejudice. On June 26, 2026, plaintiff filed its Second Amended Class Action Complaint. Defendants have until August 10, 2026, to move to dismiss the Second Amended Class Action Complaint. Plaintiff will have until September 24, 2026, to respond in opposition, and defendants will have until October 23, 2026, to reply in further support of their motion to dismiss.

It is possible that similar lawsuits may yet be filed in the same or other courts that name the same or additional defendants. We intend to defend the lawsuit vigorously. However, at this time, we cannot predict the probable outcome of this action, and, accordingly, no amounts have been accrued in the Company's consolidated financial statements.

Derivative Action Lawsuits

Five derivative lawsuits were filed related to the Mallozzi federal securities class action discussed above. John Rice, derivatively on behalf of Innovative Industrial Properties, Inc. v. Paul Smithers, Catherine Hastings, Andy Bui, Alan Gold, Gary Kreitzer, Mary Curran, Scott Shoemaker, David Stecher, and Innovative Industrial Properties, Inc., Case Number 24-C-22-003312, and Karen Draper, derivatively on behalf of Innovative Industrial Properties, Inc. v. Paul Smithers, Catherine Hastings, Andy Bui, Alan Gold, Gary Kreitzer, Mary Curran, Scott Shoemaker, David Stecher, Defendants, and Innovative Industrial Properties Inc., Nominal Defendant, Case Number 24-C-22-004243, were filed in the Circuit Court for Baltimore City, Maryland. On October 19, 2022, the parties to both cases filed a Joint Motion to Consolidate Related Shareholder Derivative Actions and to Appoint Lead and Liaison Counsel for plaintiffs, which was granted on December 19, 2022, along with a stay in the lawsuit pending a ruling on the defendants' motion to dismiss the federal class action lawsuit described above. On February 13, 2026, the parties filed a Joint Motion for Voluntary Dismissal Without Prejudice, which was granted on February 18, 2026. Two derivative lawsuits, named Ross Weintraub, derivatively on behalf of Innovative Industrial Properties, Inc. v. Alan Gold, Paul Smithers, Catherine Hastings, Ben Regin, Andy Bui, Tracie Hager, Gary

Kreitzer, David Stecher, Scott Shoemaker, Mary Curran, and Innovative Industrial Properties, Inc., Case Number 1:23-cv-00737-GLR, and Franco DeBlasio, on behalf of Gerich Melenth Nin (GMN) LP, derivatively on behalf of Innovative Industrial Properties, Inc. v. Paul Smithers, Catherine Hastings, Alan D. Gold, Tracie J. Hager, Benjamin C. Regin, Andy Bui, Gary A. Kreitzer, David Stecher, Scott Shoemaker, Mary Curran, and Innovative Industrial Properties, Inc., Case Number 1:23-cv-01513-GLR, were filed in the United States District Court for the District of Maryland. On July 19, 2023, the United States Court for the District of Maryland consolidated Case Nos. 1:23-cv-00737-GLR and 1:23-cv-01513-GLR with case number 1:23-cv-00737-GLR as the lead case and kept the stay in place. After the United States Court of Appeals for the Third Circuit affirmed dismissal of the Mallozzi class action on October 15, 2025, plaintiffs in the consolidated action filed a Consent Motion for Voluntary Dismissal on October 20, 2025. On October 21, 2025, the United States Court for the District of Maryland granted the dismissal.

On May 9, 2024, a fifth derivative action lawsuit was filed against the Company and certain of its officers and directors. The case was named Gary A Gedig, derivatively on behalf of Innovative Industrial Properties, Inc. v. Paul Smithers, Catherine Hastings, Ben Regin, Andy Bui, Tracy Hager, Alan Gold, Gary A. Kreitzer, Mary Curran, Scott Shoemaker, M.D., and David Stecher, and Innovative Industrial Properties, Inc., Civil No. C-24-CV-24-000130, and filed in the Circuit Court for Baltimore City, Maryland. Plaintiff and defendants in this action filed a Joint Stipulation to Stay the Proceedings, which was granted on September 17, 2024. This derivative action relates to the same allegations as those made in the Mallozzi class action, detailed above, and remains pending. On April 23, 2026, the defendants filed a motion to dismiss this derivative action. Plaintiff filed his opposition to the motion to dismiss on June 22, 2026, and defendants filed their reply in further support of the motion on July 22, 2026.

On February 12, 2025, a derivative action lawsuit was filed against the Company and certain of its officers and directors. The case was named *Joshua Steffens, derivatively on behalf of Innovative Industrial Properties, Inc. v. Alan Gold, Paul Smithers, David Smith, Ben Regin, Gary Kreitzer, Gary Stecher, Scott Shoemaker, Mary Allis Curran, and Innovative Industrial Properties, Inc., Case Number 1:25-cv-00456-ABA*, and was filed in the United States District Court for the District of Maryland. The lawsuit asserts putative derivative claims for violations of the Exchange Act, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, unjust enrichment, waste of corporate assets, and contribution against the directors and certain officers of the Company. The plaintiffs are seeking an undetermined amount of damages, interest, an accounting and constructive trust, punitive damages, and attorneys' fees and costs. On February 18, 2025, the case was reassigned and given Case Number 1:25-cv-00456-GLR. On February 19, 2025, the United States Court for the District of Maryland consolidated Case Nos. 1:25-cv-00469-BAH (detailed below) with case number 1:25-cv-00456-GLR as the lead case, which is stayed. Plaintiff and defendants in this action filed a Joint Stipulation and Order Staying the Consolidated Action, which was granted on March 13, 2025. This derivative action relates to the same allegations as those made in the Giraudon class action, detailed above.

On February 13, 2025, a derivative action lawsuit was filed against the Company and certain of its officers and directors. The case was named Joshua Albers, derivatively on behalf of Innovative Industrial Properties, Inc. v. Alan Gold, Paul Smithers, David Smith, Ben Regin, Gary Kreitzer, Gary Stecher, Scott Shoemaker, Mary Allis Curran, and Innovative Industrial Properties, Inc., Case Number 1:25-cv-00469-BAH, and was filed in the United States District Court for the District of Maryland. The lawsuit asserts putative derivative claims for violations of the Exchange Act, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, unjust enrichment, waste of corporate assets, and contribution against the directors and certain officers of the Company. The plaintiffs are seeking an undetermined amount of damages, interest, reform, punitive damages, and attorneys' fees and costs. On February 19, 2025, the United States Court for the District of Maryland consolidated Case Nos. 1:25-cv-00469-BAH with case number 1:25-cv-00456-GLR as the lead case. This derivative action also relates to the same allegations as those made in the Giraudon class action, detailed above, and was stayed pending resolution of the Giraudon motion to dismiss, by a March 13, 2025, Court order.

On August 14, 2025 and August 21, 2025, two derivative action lawsuits were filed against the Company and certain of its officers and directors in the Circuit Court for Baltimore County, Maryland: Joann Crepaz, derivatively on behalf of Innovative Industrial Properties, Inc. v. Alan Gold, David Boyle, Mary Curran, Catherine Hastings, Gary Kreitzer, Ben Regin, Scott Shoemaker, David Smith, Paul Smithers, David Stecher, and Innovative Industrial Properties, Inc., Case Number C-03-CV-25-003997, and Edward Ramos, derivatively on behalf of Innovative Industrial Properties, Inc. v. Alan Gold, David Boyle, Mary Curran, Catherine Hastings, Gary Kreitzer, Ben Regin, Scott Shoemaker, David Smith, Paul Smithers, David Stecher, and Innovative Industrial Properties, Inc., Case Number C-03-CV-25-004083. Each complaint asserts putative derivative claims for breach of fiduciary duty and unjust enrichment against certain directors and officers and seeks an undetermined amount of damages, reform, restitution, and attorneys' fees and costs. On September 18, 2025, the parties filed a joint motion to consolidate the actions, which the court granted on October 23, 2025, designating the Crepaz action as the lead case. These derivative actions relate to the same allegations as those asserted in the Giraudon class action described above and were stayed pending resolution of the Giraudon motion to dismiss, by an order of the Circuit Court of Baltimore County, Maryland that was issued on February 10, 2026.

On November 19, 2025, a derivative action lawsuit was filed against the Company and certain of its officers and directors. The case was named James Loen, derivatively on behalf of Nominal Defendant Innovative Industrial Properties v. Alan Gold, Paul Smithers, David Smith, Ben Regin, Gary Kreitzer, Scott Shoemaker, Catherine Hastings, David Stecher, and Mary Curran, Case Number 1:25-cv-03786, and was filed in the United States District Court for the District of Maryland. The lawsuit asserts putative derivative claims for breach of fiduciary duty and unjust enrichment against the directors and certain officers of the Company. The plaintiff is seeking an undetermined amount of damages, reform, restitution, and attorneys' fees and costs. On January 23, 2026, the defendants filed a motion to dismiss plaintiff's claims. On February 3, 2026, the defendants filed a motion to consolidate the Loen lawsuit with the Steffens and Albers consolidated action, 1:25-cv-00456. On February 17, 2026, the parties filed a Joint Stipulation and Order Staying Action pursuant to which the parties agreed to stay the lawsuit until the resolution of the Giraudon class action. The Court granted the motion on February 20, 2026. The stay can be lifted before then by either party with 30 days' notice.

The Company intends to vigorously defend each of these lawsuits. However, at this time, the Company cannot predict the probable outcome of these actions, and, accordingly, no amounts have been accrued in the Company's consolidated financial statements.

SEC Investigation

On February 13, 2026, the Company was notified that the SEC is conducting a formal investigation of the Company concerning matters generally similar to those alleged in the Giraudon case and related derivative lawsuits. On the same date, the Company received a subpoena from the Denver Regional Office of the Division of Enforcement of the SEC requesting the production of documents and information related to the investigation. The Company intends to cooperate fully with the SEC.

We may, from time to time, be a party to other legal proceedings, which arise in the ordinary course of our business. Although the results of these proceedings, claims, inquiries, and investigations cannot be predicted with certainty, we do not believe that the final outcome of these matters is reasonably likely to have a material adverse effect on our business, financial condition, or results of operations. Regardless of final outcomes, however, any such proceedings, claims, inquiries, and investigations may nonetheless impose a significant burden on management and employees and may come with significant defense costs or unfavorable preliminary and interim rulings. At this stage of the investigation, the Company believes that a loss is neither probable nor estimable.

14. Segment Information

Our reportable segments consist of the following as of June 30, 2026:

- **Cannabis Portfolio Segment**, which primarily includes the acquisition, development and redevelopment, and leasing of real estate properties to regulated cannabis operators on a long-term triple-net basis.

- **Life Science Portfolio Segment**, which includes the investments in the IQHQ Credit Facility, IQHQ Preferred Stock and IQHQ Warrant.

The chief operating decision maker ("CODM") is our President and Chief Executive Officer. The CODM evaluates the performance of each reportable segment and allocates resources based on segment net income. Items that are not directly assignable to a reportable segment are reflected as Unallocated, consistent with how our CODM utilizes segment information for planning and execution of our business strategy. Total capital expenditures are reviewed by the CODM on a consolidated basis as presented in the accompanying consolidated statements of cash flows. All of our operations are conducted within the United States.

The segment net income, including significant segment expenses that are regularly reviewed by the CODM, for the three and six months ended June 30, 2026 and 2025, and the total segment assets as of June 30, 2026 and December 31, 2025, are presented in the tables below (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
Cannabis Portfolio Segment:				
Rental revenues (including tenant reimbursements)	$ 62,890	$ 62,866	$ 131,810	$ 134,563
Other revenues	425	25	501	50
Total reportable segment revenue	63,315	62,891	132,311	134,613
Property expenses	(7,196)	(6,867)	(14,772)	(14,246)
Depreciation and amortization expense	(18,799)	(18,500)	(37,383)	(36,891)
Impairment loss on real estate	—	—	—	(3,527)
Gain (loss) on sale of real estate, net	11,847	—	12,269	—
Interest and other income	1,429	770	1,871	1,370
Cannabis Portfolio Segment net income	50,596	38,294	94,296	81,319
Life Science Portfolio Segment:				
Interest and other income	8,471	—	14,015	—
Life Science Portfolio Segment net income	8,471	—	14,015	—
Total reportable segment net income	59,067	38,294	108,311	81,319
Unallocated:				
General and administrative expense	(7,719)	(8,626)	(18,068)	(17,087)
Interest and other income	852	800	1,197	1,813
Interest expense	(8,348)	(4,444)	(14,779)	(8,944)
Net income	43,852	26,024	76,661	57,101
Preferred stock dividends	(3,187)	(878)	(5,841)	(1,659)
Net income attributable to common stockholders	$ 40,665	$ 25,146	$ 70,820	$ 55,442

Segment Total Assets:	June 30, 2026	December 31, 2025
Cannabis Portfolio Segment	$ 2,094,298	$ 2,165,359
Life Science Portfolio Segment	275,888	152,665
Unallocated	211,455	52,834
Total	$ 2,581,641	$ 2,370,858

15. Subsequent Events

As disclosed in our 8-K filed on July 21, 2026, in July 2026, affiliates of SH Parent, Inc. ("Parallel") defaulted on leases for two of our properties in Florida and notified us that it has ceased operations at those properties.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. We make statements in this report that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our statements regarding anticipated growth in our funds from operations and anticipated market and regulatory conditions, our strategic direction, demographics, results of operations, plans and objectives are forward-looking statements. Forward-looking statements involve numerous risks and uncertainties, and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise, and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: rates of default on leases for our assets; our ability to re-lease properties upon tenant defaults or lease terminations for the rent we currently receive, or at all; concentration of our portfolio of assets and limited number of tenants; the estimated growth in and evolving market dynamics of the regulated cannabis market; the demand for regulated cannabis cultivation and processing facilities; defaults on our investments in real estate-related assets, such as the IQHQ Credit Facility and IQHQ Preferred Stock (as defined in Note 7 to the consolidated financial statements); our ability to identify, acquire, or profitably operate life science properties; market dynamics in the life science sector; decreased economic activity due to fluctuations in trade policies, tariffs, and related government actions; inflation dynamics; the impact of pandemics on us, our business, our tenants, or the economy generally; war and other hostilities, including the conflicts in Ukraine and Iran; our business and investment strategy; our projected operating results; actions and initiatives of the U.S. or state governments and changes to government policies and the execution and impact of these actions, initiatives and policies, including the fact that cannabis remains illegal under federal law; the timing, scope and impact of the April 2026 final order issued by the U.S. Department of Justice and the Drug Enforcement Administration ("DEA") regarding the federal scheduling status of certain marijuana activities; availability of suitable investment opportunities in the regulated cannabis industry; our understanding of our competition and our potential tenants' alternative financing sources; the expected medical-use or adult-use cannabis legalization in certain states; shifts in public opinion regarding regulated cannabis; the potential impact on us from litigation matters, including rising liability and insurance costs; the additional risks that may be associated with certain of our tenants cultivating, processing and/or dispensing adult-use cannabis in our facilities; the state of the U.S. economy generally or in specific geographic areas; economic trends and economic recoveries; our ability to access equity or debt capital; financing rates for our target assets; our level of indebtedness, which could reduce funds available for other business purposes and reduce our operational flexibility; covenants in our debt instruments, which may limit our flexibility and adversely affect our financial condition; our ability to maintain our investment grade credit rating; changes in the values of our assets; our expected portfolio of assets; our expected investments; interest rate mismatches between our assets and our borrowings used to fund such investments; changes in interest rates and the market value of our assets; the degree to which any interest rate or other hedging strategies may or may not protect us from interest rate volatility; the impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters; how and when any forward equity sales may settle; our ability to maintain our qualification as a REIT for U.S. federal income tax purposes; our ability to maintain our exemption from registration under the Investment Company Act of 1940; availability of qualified personnel; and market trends in our industry, interest rates, real estate values, the securities markets or the general economy.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance, including factors and risks included in other sections of this report. In addition, we discussed a number of material risks in our Annual Report on Form 10-K for the year ended December 31, 2025 and in Part II, "Item 1A. Risk Factors" included in this report. Those risks continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Any forward-looking statement made by us speaks only of the date on which we make it. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. Stockholders and investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in the Company's filings and reports.

The purpose of this Management's Discussion and Analysis ("MD&A") is to provide an understanding of the Company's consolidated financial condition, results of operations and cash flows. MD&A is provided as a supplement to, and should be read in conjunction with, the Company's consolidated financial statements and accompanying notes.

Overview

As used herein, the terms "we", "us", "our" or the "Company" refer to Innovative Industrial Properties, Inc., a Maryland corporation, and any of our subsidiaries, including IIP Operating Partnership, LP, a Delaware limited partnership (the "Operating Partnership").

We are an internally-managed real estate investment trust ("REIT") focused on the acquisition, ownership and management of specialized industrial properties and investments in the life science industry. Our properties are primarily leased to experienced, state-licensed operators for their regulated cannabis facilities. We have acquired and intend to continue to acquire our cannabis properties through sale-leaseback transactions and third-party purchases. We have leased and expect to continue to primarily lease our properties on a triple-net lease basis, where the tenant is responsible for all aspects of and costs related to the property and its operation during the lease term, including structural repairs, maintenance, real estate taxes and insurance. Outside of the cannabis sector, our leases may include different lease structures that do not require tenants to assume all property-related expenses. In addition to our cannabis-related real estate portfolio, we also have investments in the life science industry and intend to actively pursue acquisitions of properties within that sector as a key component of our growth strategy. We may continue expanding our investment activities to include joint ventures, debt or mezzanine financing, preferred or joint venture equity interests, and interests in other real estate funds or REITs.

We were incorporated in Maryland on June 15, 2016. We conduct our business through a traditional umbrella partnership real estate investment trust, or UPREIT structure, in which our properties are owned by our Operating Partnership, directly or through subsidiaries. We are the sole general partner of our Operating Partnership and own, directly or through subsidiaries, 100% of the limited partnership interests in our Operating Partnership. As of June 30, 2026, we had 24 full-time employees.

As of June 30, 2026, we owned 108 properties comprising 8.4 million square feet (including 240,000 rentable square feet under development/redevelopment) in 19 states. As of June 30, 2026, we had invested $2.4 billion in the aggregate (consisting of purchase price and funding of draws for construction and improvements submitted by tenants, if any, but excluding transaction costs) and had committed an additional $6.3 million to fund draws to certain tenants and vendors for improvements at our properties. Of the $6.3 million committed to fund draws to certain tenants and vendors for improvements at our properties, $0.8 million was incurred but not funded as of June 30, 2026.

Of these 108 properties, we include 107 properties in our operating portfolio, which were 95.8% leased as of June 30, 2026, with a weighted-average remaining lease term of 11.9 years. We do not include in our operating portfolio the property in San Bernardino, California (which was under redevelopment as of June 30, 2026, and is expected to comprise 192,000 rentable square feet upon completion of redevelopment).

As previously disclosed, we entered into leases with PharmaCann Inc. ("PharmaCann") and its affiliates for eleven properties. On March 14, 2025, PharmaCann defaulted on its obligations to pay rent for the month of March under nine of those leases, covering properties located in Colorado, Illinois, New York, Ohio and Pennsylvania. The remaining two leases, relating to cultivation facilities in Michigan and Massachusetts, were amended in January 2025 to provide full rent abatement effective February 1, 2025. Both of these properties were subsequently re-leased in 2025, with the Michigan property re-leased to Berry Green and the Massachusetts property re-leased to another operator.

Of the nine leases on which PharmaCann defaulted in March 2025, PharmaCann has paid, and continues to pay, full rent on the four retail properties in Colorado. We regained possession of one additional retail property in Colorado through a default judgment, and the property was subsequently sold in December 2025. In December 2025, we also obtained a judgment in our favor in an eviction action relating to the Dwight, Illinois facility, regained possession of that property and subsequently re-leased it to Grown Rogue in March 2026. Our efforts to resolve the remaining three defaulted leases, relating to the properties in New York, Ohio and Pennsylvania, culminated in the settlement agreement described below.

On February 26, 2026, the Company entered into a settlement agreement (as amended, the "PharmaCann Settlement Agreement") with PharmaCann to resolve pending litigation relating to rent defaults under leases for three properties owned by the Company located in New York, Ohio and Pennsylvania. In connection with the PharmaCann Settlement

Agreement, the parties also entered into consent orders, stipulations of judgment and stipulations of settlement with the respective courts in New York, Ohio and Pennsylvania, which were fully executed on March 13, 2026, and provide for judgments in favor of the Company's subsidiaries for possession of the premises and monetary damages, subject to dollar-for-dollar reduction for escrowed rent funds released to the Company. Pursuant to the PharmaCann Settlement Agreement, PharmaCann agreed to wind down operations and surrender the Ohio, Pennsylvania and New York premises by May 20, 2026, May 26, 2026 and June 20, 2026, respectively, at which time the applicable leases would terminate.

In April 2026, PharmaCann surrendered the Ohio premises, the applicable lease was terminated and the Company immediately entered into a new lease with Curaleaf. PharmaCann has remained in possession of the the New York and Pennsylvania properties past the applicable surrender dates with the Company's consent, as the parties work to transfer the existing licenses for those facilities to new tenants. The Company retains all rights to enforce the eviction judgments and PharmaCann's surrender of possession at those locations.

In March 2025, we initiated a strategic effort to improve long-term financial performance by repositioning a portion of our tenant base toward more financially viable, long-term operators. In connection with this effort, we declared certain tenants and their affiliates in default for failure to pay contractual rent in full, including 4Front Ventures Corp., Gold Flora, LLC and TILT Holdings Inc. We are actively pursuing our rights under these leases, which may include eviction proceedings. 4Front Ventures has filed for bankruptcy protection in Canada and for voluntary receivership in Massachusetts and Illinois, which may delay our enforcement efforts. As of June 30, 2026, we have terminated all three leases with affiliates of Gold Flora. As of June 30, 2026, 4Front Ventures Corp and TILT Holdings Inc. collectively represented approximately 9.3% of our annualized contractual rent and owed $32.3 million and $7.6 million, respectively, for base rent, property management fees, and estimated tax and insurance payments.

During the quarter ended March 31, 2026, we also declared defaults under leases with two additional tenants, The Cannabist Company ("Cannabist") and Battle Green Holdings, Inc. ("Battle Green"), for failure to pay rent in full. As of June 30, 2026, these leases represented, in the aggregate, 6.0% of our annualized contractual rent.

Cannabist previously announced agreements to sell certain of its cannabis operations and assets in Ohio and Delaware, as well as a memorandum of understanding for the sale of additional operations located in Illinois, New Jersey, Colorado, Massachusetts, Maryland and West Virginia. In connection with these transactions, Cannabist and an affiliate announced their commencement of voluntary proceedings under the Companies' Creditors Arrangement Act (Canada) and announced their intention to seek recognition of those proceedings under Chapter 15 of the U.S. Bankruptcy Code. We continue to monitor these developments and their potential impact on Cannabist's ability to satisfy its obligations under its leases with us. As of June 30, 2026, we leased 19 properties to Cannabist and its affiliates, comprising approximately 236,000 square feet in 2 states and representing approximately 3.2% of our annualized contractual rent as of June 30, 2026.

Subsequent to quarter end, on July 20, 2026, affiliates of SH Parent, Inc., together with SH Parent, Inc. as guarantor (collectively, "Parallel"), defaulted under two leases with us for properties located in Florida. These leases represented approximately 6.1% of our annualized contractual rent as of June 30, 2026. Following the expiration of applicable cure periods, Parallel failed to pay July 2026 rent due under these leases, including base rent, reimbursements for estimated tax and insurance payments, default interest and late charges, totaling approximately $1.6 million. We are holding security deposits pursuant to these leases, which may be applied to cover payment in full of the defaulted rent and estimated tax and insurance payments, in addition to late charges and interest. We are continuing discussions with Parallel regarding the leases and intend to enforce our rights thereunder, which may include commencing eviction proceedings, as we deem necessary.

During the three months ended June 30, 2026, we took several actions to strengthen our balance sheet and liquidity. In April 2026, we made early partial repayments at a discount totaling $9.1 million on the Notes due 2026, reducing the principal balance by $9.1 million from $291.2 million to $282.1 million. In May 2026, we repaid in full the $282.1 million outstanding principal balance of our Notes due 2026 at maturity. During the three months ended June 30, 2026, certain of our subsidiaries entered into an aggregate of $148.7 million of new secured term loans with various lenders. In addition, on June 15, 2026, our Operating Partnership issued $402.5 million aggregate principal amount of 6.00% Exchangeable Notes, including the full exercise of the initial purchasers' option to purchase additional notes. See "—Liquidity and Capital Resources" below for further discussion of these financing activities.

Factors Impacting Our Operating Results

Our results of operations are affected by a number of factors and depend on the rental revenues we receive from the properties that we acquire, the timing of lease expirations, general market conditions, the regulatory environment in the regulated cannabis industry, the regulatory and market conditions applicable to the life science industry, and the competitive environment for real estate assets supporting regulated cannabis operators and life science tenants.

Rental Revenues

We receive income primarily from rental revenues generated by the properties that we acquire. The amount of rental revenues depends upon a number of factors, including:

- our ability to enter into leases with increasing or market value rents for the properties that we acquire; and
- rent collection, which primarily relates to each of our tenant’s financial condition and ability to make rent payments to us on time.

The properties that we have acquired primarily consist of real estate assets that support the regulated cannabis industry. Most states where we own properties issue licenses for cannabis operations for a limited period. If one or more of our tenants are unable to renew or otherwise maintain their licenses or other state and local authorizations necessary to continue their cannabis operations, such tenants may default on their lease payments to us. Current unfavorable market dynamics in the regulated cannabis industry have adversely affected our ability to re-lease properties upon tenant defaults at the rental rates we currently receive and, in some cases, for prolonged periods. Furthermore, changes in federal law and current favorable state or local laws in the cannabis industry may impair our ability to renew or re-lease properties and the ability of our tenants to fulfill their lease obligations and could materially and adversely affect our ability to maintain or increase rental rates for our properties.

Conditions in Our Markets

Conditions in the markets in which we operate, including regulatory, economic and industry-specific developments, influence tenant performance and the performance of our life science investments and, in turn, our financial condition, results of operations and cash flows.

Our tenants primarily operate in the regulated cannabis industry and continue to be affected by a combination of macroeconomic, industry-specific and regulatory factors. These include federal, state and local taxation burdens; competitive pressure from illicit, unlicensed cannabis operations; declines in unit pricing for regulated cannabis products; constrained access to capital; inflationary pressures; elevated interest rates; significant debt maturities; labor market constraints; supply chain disruptions; evolving trade policies; and broader U.S. consumer financial conditions. Market dynamics and regulatory frameworks vary by state and may influence tenant profitability and demand for regulated cannabis cultivation and production facilities. These conditions have already adversely affected the ability of certain tenants to meet their lease obligations and have had a material adverse effect on the Company’s financial condition, results of operations, and cash flows. If these challenges persist or worsen, additional tenants may default under their leases and we may be unable to re-lease affected properties on favorable terms, or at all. The extent and duration of these impacts depend on developments in the regulated cannabis markets in which we operate and remain subject to significant uncertainty. These tenant-related challenges are currently having a material adverse effect on the Company’s financial condition, results of operations, and cash flows. See “—Results of Operations—Comparison of the three and six months ended June 30, 2026 and 2025—Rental Revenues” for more information. If these challenges persist or worsen, additional tenants may default under their leases and we may be unable to re-lease affected properties on favorable terms, or at all. The extent and duration of these impacts depend on developments in the regulated cannabis markets in which we operate and remain subject to significant uncertainty.

In April 2026, the U.S. Department of Justice (“DOJ”) and the DEA announced a final order reclassifying FDA-approved marijuana drug products and certain state-licensed medical marijuana activities from Schedule I to Schedule III, while adult-use marijuana, synthetic tetrahydrocannabinols and unlicensed marijuana activities remain Schedule I. The final order creates an expedited DEA registration pathway for eligible state-licensed medical marijuana operators and, if such operators obtain registration, may eliminate the application of Section 280E to qualifying medical marijuana operations. Separately, the DEA held an administrative hearing on the broader rescheduling of marijuana, including adult-use marijuana, from Schedule I to Schedule III, which began on June 29, 2026, and concluded on July 15, 2026, without a ruling. The presiding administrative law judge directed participating parties to submit post-hearing briefs and proposed corrections to the hearing transcript by August 17, 2026, following which the judge will issue a recommendation to the DEA Administrator, who retains sole authority to determine whether to issue a final rule rescheduling marijuana. No timeline has been established for either the judge's recommendation or the DEA Administrator's final decision. In addition, the April 2026 final order remains subject to pending legal challenges before the U.S. Court of Appeals for the D.C. Circuit. Accordingly, significant uncertainty remains regarding dual-license operators, actions by the DEA, the U.S. Department of the Treasury, and the Internal Revenue Service, tenants' ability to obtain DEA registration, and the ultimate outcome and timing of the broader rescheduling process, and no retrospective tax relief or guidance has been issued to date. Accordingly, while we believe these developments represent a meaningful step forward for the industry and could improve operator economics, access to capital, and long-term growth, we continue to assess their impact on our tenants, properties, and business and cannot predict the effect on our financial condition, results of operations, or cash flows.

In addition to the regulated cannabis industry, we have investments and strategic objectives related to the life science industry. Conditions in the life science sector, including capital availability, interest rate trends, new supply, valuation levels and sector consolidation may affect the performance of our life science investments and any life science properties that we may acquire.

Market Dynamics in Regulated Cannabis State Programs

Regulated cannabis markets differ significantly by state, reflecting variations in regulatory structures, taxation and licensing regimes, and enforcement practices related to illicit cannabis activity. In certain states, including California, the illicit market continues to represent a substantial portion of overall cannabis sales, and high state and local taxes on regulated cannabis products have impacted operator profitability. In markets where enforcement against illicit sales is limited or inconsistent, regulated operators may face additional competitive pressure, which can affect demand for regulated cannabis facilities.

In addition, many states have experienced sustained declines in unit pricing for regulated cannabis products, with pricing pressure more pronounced in certain markets. These trends have compressed margins for operators and, in some cases, led to consolidation of operations or the closure of certain facilities. These developments have influenced tenant demand for space and capital investment decisions and may continue to affect leasing activity.

Reduced Capital Availability and Significant Debt Maturities for Cannabis Operators

Capital availability for regulated cannabis operators remains constrained due to a combination of higher interest rates, increased market volatility, regulatory uncertainty, and the continued federal illegality of cannabis in the United States, which limits access to traditional bank financing and public capital markets. As a result, many operators rely on alternative sources of capital that are generally more expensive and restrictive. Since 2021, capital availability for the regulated cannabis industry has declined, in part due to broader macroeconomic conditions. According to Viridian Capital Advisors ("Viridian"), worldwide cannabis capital raises in 2025 decreased modestly to $2.1 billion, compared to $2.3 billion in 2024, but remained well below levels observed in prior years, including over $4.3 billion in 2022. In contrast, Viridian reports that mergers and acquisitions activity in the North American regulated cannabis industry increased to approximately $2.1 billion in 2025, up from $1.2 billion in 2024.

At the same time, a number of operators have reached or are approaching the maturity of debt incurred in prior periods. Limited refinancing options, often at higher interest rates and with restrictive covenants, have increased financial pressure on some tenants and may lead to balance sheet restructurings, asset sales or reductions in operations. These factors may affect tenant credit profiles and leasing decisions and could influence future rental income and property utilization.

Inflation, Tariffs and Supply Chain Disruption

Inflationary pressures, changes in trade policy and ongoing supply chain challenges have contributed to higher operating and capital costs for cannabis operators and, in certain cases, for the development or redevelopment of our properties. Changes in tariff policies may increase the cost of equipment, construction materials and other inputs used in cultivation and production facilities. These higher costs may further affect tenant capital expenditure plans and operating margins.

In addition, supply chain disruptions and geopolitical developments have resulted in longer lead times and increased costs for certain capital projects, which may delay development or redevelopment activities and the commencement or expansion of tenant operations. The extent of these impacts will continue to depend on broader economic conditions, regulatory developments and future changes in trade and tariff policies.

Unit Pricing for Regulated Cannabis Products

Many states have experienced declines in unit pricing for regulated cannabis products, with that decline more pronounced in certain states than in others, which compresses operating margins for operators. As a result, certain regulated cannabis operators have consolidated operations or shuttered certain operations to reduce costs, which could have a negative impact on operators' demand for regulated cannabis facilities, including our existing tenants.

Significant Tenants and Concentrations of Risk

As of June 30, 2026, we owned 108 properties located in 19 states leased to 37 tenants. Many of our tenants are tenants at multiple properties. We seek to manage our portfolio-level risk through geographic diversification and by minimizing dependence on any single property or tenant. At June 30, 2026, our largest property was located in New York and accounted for 5.7% of our net real estate held for investment. No other properties accounted for more than 5% of our net real estate held for investment at June 30, 2026. See Note 2 "Concentration of Credit Risk" in the notes to our consolidated financial statements for further information regarding the tenants in our portfolio that represented the largest percentage of our total rental revenues for the three and six months ended June 30, 2026.

Competitive Environment

We face competition from a diverse mix of market participants, including but not limited to other companies with similar business models, independent investors, hedge funds, lenders and other real estate investors, as well as potential tenants (cannabis operators themselves), all of whom may compete with us in our efforts to acquire real estate zoned for regulated cannabis operations. Competition from others may diminish our opportunities to acquire a desired property on favorable terms or at all. In addition, this competition may put pressure on us to reduce the rental rates below those that we expect to charge for the properties that we acquire, which would adversely affect our financial results.

Operating Expenses

Our operating expenses include general and administrative expenses, including personnel costs, stock-based compensation, and legal, accounting and other expenses related to corporate governance, public reporting and compliance with the various provisions of U.S. securities laws. Our operating expenses also include costs that we incur for properties that are not leased (or are leased but tenant's rent obligations, including for payment of operating expenses, have not yet commenced), including taxes, insurance, maintenance, security, utilities and other property-specific costs. We generally structure our leases so that the tenant is responsible for taxes, maintenance, insurance and structural repairs with respect to the premises throughout the lease term. Increases or decreases in such operating expenses will impact our overall financial performance.

Our Qualification as a REIT

We have been organized and operate our business so as to qualify to be taxed as a REIT for U.S. federal income tax purposes. Shares of our common stock and Series A Preferred Stock are subject to restrictions on ownership and transfer that are intended, among other purposes, to assist us in qualifying and maintaining our qualification as a REIT. In order for us to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), the relevant sections of our charter provide that, subject to certain exceptions, no person or entity may own, or be deemed to own, by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% (in value or number of shares, whichever is more restrictive) of the aggregate of our outstanding shares of stock or Series A Preferred Stock or more than 9.8% (in value or number of shares, whichever is more restrictive) of our outstanding common stock or any class or series of our outstanding preferred stock.

Results of Operations

Investments in Real Estate

See Note 6 "Investments in Real Estate" in the notes to the consolidated financial statements for information regarding our investments in real estate activity and property portfolio activity during the six months ended June 30, 2026.

Investments in Life Science

See Note 7 "Life Science Investments" in the notes to the consolidated financial statements for information regarding our life science investment activity during the six months ended June 30, 2026.

Comparison of the Three and Six Months Ended June 30, 2026 and 2025

The following table sets forth the results of our operations (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
Cannabis Portfolio Segment:				
Rental revenues (including tenant reimbursements)	$ 62,890	$ 62,866	$ 131,810	$ 134,563
Other revenues	425	25	501	50
Property expenses	(7,196)	(6,867)	(14,772)	(14,246)
Depreciation and amortization expense	(18,799)	(18,500)	(37,383)	(36,891)
Impairment loss on real estate	—	—	—	(3,527)
Gain (loss) on sale of real estate, net	11,847	—	12,269	—
Interest and other income	1,429	770	1,871	1,370
Cannabis Portfolio Segment net income	50,596	38,294	94,296	81,319
Life Science Portfolio Segment:				
Interest and other income	8,471	—	14,015	—
Life Science Portfolio Segment net income	8,471	—	14,015	—
Unallocated:				
General and administrative expense	(7,719)	(8,626)	(18,068)	(17,087)
Interest and other income	852	800	1,197	1,813
Interest expense	(8,348)	(4,444)	(14,779)	(8,944)
Net income	43,852	26,024	76,661	57,101
Preferred stock dividends	(3,187)	(878)	(5,841)	(1,659)
Net income attributable to common stockholders	$ 40,665	$ 25,146	$ 70,820	$ 55,442

Cannabis Portfolio Segment

Rental Revenues. Rental revenues for the three months ended June 30, 2026 and 2025 remained consistent at $62.9 million. Increases in rental revenue generated from new leases on existing properties and annual contractual rent escalations on certain properties were substantially offset by decreases in rental revenue resulting from the sale of certain properties, tenant defaults and lease terminations.

During the three months ended June 30, 2026, we applied $1.2 million of security deposits for payment of rent on properties leased to Battle Green and Cannabist. During the three months ended June 30, 2025, we applied $18,000 of security deposits for payment of rent on a property leased to Emerald Growth, which was sold in April 2025.

Rental revenues for the six months ended June 30, 2026 decreased by $2.8 million, or 2%, to $131.8 million, compared to $134.6 million for the six months ended June 30, 2025. The decrease was primarily driven by a $12.6 million reduction in rental revenue resulting from the sale of four properties, tenant defaults and lease terminations. These decreases were partially offset by a $9.8 million increase in rental revenue attributable to annual contractual rent escalations on multiple properties, new leases executed on existing properties, and collections from court settlements related to certain defaulted tenants.

For the six months ended June 30, 2026, we applied $2.4 million of security deposits for payment of rent on properties leased to Battle Green and Cannabist. For the six months ended June 30, 2025, we applied $5.8 million of security deposits for payment of rent on properties leased to PharmaCann, Gold Flora, TILT, Sozo and Emerald Growth.

Property Expenses. Property expenses for the three months ended June 30, 2026 increased by $0.3 million to $7.2 million, compared to $6.9 million for the three months ended June 30, 2025. Property expenses for the six months ended June 30, 2026 increased by $0.6 million to $14.8 million, compared to $14.2 million for the six months ended June 30, 2025. The increase was primarily due to higher property taxes on certain properties, which was partially offset by lower insurance expense resulting from reduced insurance premiums under our master insurance policy and lower other property-related expenses. Property expenses related to leased properties are generally reimbursable to us by tenants under the terms of the leases.

Depreciation and Amortization Expense. Depreciation and amortization expense for the three months ended June 30, 2026 increased by $0.3 million to $18.8 million, compared to $18.5 million for the three months ended June 30, 2025. Depreciation and amortization expense for the six months ended June 30, 2026 increased by $0.5 million to $37.4 million, compared to $36.9 million for the six months ended June 30, 2025. The increase was primarily due to the full amortization of in-place lease intangible assets upon the early termination of certain leases, partially offset by lower depreciation expense resulting from the sale of certain properties.

Impairment Loss on Real Estate. We recognized an impairment loss on real estate of $3.5 million during the three months ended March 31, 2025 related to one of our properties in Palm Springs, California. The property was under contract to be sold for less than its carrying value and was subsequently sold in June 2025. No other impairment loss on real estate was recognized during the three and six months ended June 30, 2026 and 2025.

Gain on Sale of Real Estate, Net. Gain on sale of real estate, net was $11.8 million for the three months ended June 30, 2026, consisting of a $16.7 million gain recognized on the sale of our property located in New York, partially offset by a $4.9 million loss recognized on the sale of our property located in Texas. Gain on sale of real estate, net was $12.3 million for the six months ended June 30, 2026, which also included a $0.5 million gain recognized on the sale of our property located in Arizona. There were no gains or losses on the sale of real estate during the three or six months ended June 30, 2025.

Interest and Other Income. Interest and other income for the three months ended June 30, 2026 increased by $0.7 million to $1.4 million, compared to $0.8 million for the three months ended June 30, 2025. Interest and other income for the six months ended June 30, 2026 increased by $0.5 million to $1.9 million, compared to $1.4 million for the six months ended June 30, 2025. The increase was primarily due to $0.7 million of interest income recognized on the seller-financed note associated with the sale of a property in New York, partially offset by a $0.2 million decrease in interest income from our construction loan related to the development of a regulated cannabis cultivation and processing facility in California.

Life Science Portfolio Segment

Interest and Other Income. Interest and other income for the three and six months ended June 30, 2026 was $8.5 million and $14.0 million, respectively, and consisted of interest and dividend income earned on our investments in the IQHQ Credit Facility and IQHQ Preferred Stock. These investments were made starting in September 2025 and, accordingly, did not have comparable income during the three and six months ended June 30, 2025.

Unallocated Items

General and Administrative Expense. General and administrative expenses for the three months ended June 30, 2026 decreased by $0.9 million to $7.7 million from $8.6 million for the three months ended June 30, 2025. The decrease was primarily driven by lower compensation expense, primarily due to lower bonus expense, as well as lower consulting expenses. These decreases were partially offset by higher non-capitalizable financing expenses and legal expenses related to various litigation matters.

General and administrative expenses for the six months ended June 30, 2026 increased by $1.0 million to $18.1 million, compared to $17.1 million for the six months ended June 30, 2025. The increase was primarily driven by higher legal expenses related to various litigation matters and higher non-capitalizable financing expenses. These increases were partially offset by lower compensation expense, primarily due to lower bonus expense, as well as lower consulting expenses.

Interest and Other Income. Interest and other income for the three months ended June 30, 2026 increased slightly to $0.9 million from $0.8 million for the three months ended June 30, 2025. Interest and other income for the six months ended June 30, 2026 decreased to $1.2 million from $1.8 million for the six months ended June 30, 2025. Interest and other income is primarily affected by prevailing market interest rates and the balance of our interest-bearing investments.

Interest Expense. Interest expense for the three months ended June 30, 2026 increased by $3.9 million to $8.3 million from $4.4 million for the three months ended June 30, 2025. Interest expense for the six months ended June 30, 2026 increased by $5.9 million to $14.8 million from $8.9 million for the six months ended June 30, 2025. The increase was primarily due to interest expense recognized on the Exchangeable Notes and new term loans, partially offset by lower interest expense on the Notes due 2026 following their maturity in May 2026.

Preferred Stock Dividends. Preferred stock dividends for the three months ended June 30, 2026 increased by $2.3 million to $3.2 million from $0.9 million for the three months ended June 30, 2025. Preferred stock dividends for the six months ended June 30, 2026 increased by $4.1 million to $5.8 million from $1.7 million for the six months ended June 30, 2025. The increases were primarily due to the issuance of additional shares of Series A Preferred Stock subsequent to June 30, 2025.

Cash Flows

Comparison of the Six Months Ended June 30, 2026 and 2025 (in thousands)

	Six Months Ended June 30,		
	2026	2025	Change
Net cash provided by (used in) operating activities	$ 100,948	$ 102,691	$ (1,743)
Net cash provided by (used in) investing activities	(78,399)	(22,912)	(55,487)
Net cash provided by (used in) financing activities	137,491	(126,358)	263,849
Ending cash, cash equivalents and restricted cash	207,637	99,666	107,971

Operating Activities

Cash flows provided by operating activities for the six months ended June 30, 2026 and 2025 were $100.9 million and $102.7 million, respectively. Cash flows provided by operating activities were generally from contractual rent and tenant reimbursements from our properties, partially offset by our general and administrative expense, interest expense, property expenses in excess of tenant reimbursements and property expenses at properties that were not leased. For the six months ended June 30, 2026, cash flows provided by operating activities also included interest and dividend income earned on our investments in the IQHQ Credit Facility and IQHQ Preferred Stock. The decrease in cash flows provided by operating activities for the six months ended June 30, 2026 compared to the six months ended June 30, 2025 was primarily due to lower rental revenue and timing differences in working capital and application of tenant security deposits, partially offset by interest and dividend income earned on our investments in the IQHQ Credit Facility and IQHQ Preferred Stock.

Investing Activities

For the six months ended June 30, 2026, cash flows used in investing activities consisted of a $120.0 million investment in life science financial instruments and $3.6 million in funding of draws for improvements and construction, partially offset by $45.2 million in proceeds from the sale of real estate assets. For the six months ended June 30, 2025, net cash used in investing activities was $22.9 million, which was primarily driven by $24.4 million used for investments in real estate and funding of draws for improvement and construction funding at our properties, partially offset by $1.8 million in proceeds related to the sale of our Palm Springs, California property.

Financing Activities

Net cash provided by financing activities of $137.5 million during the six months ended June 30, 2026 was driven by $535.8 million of net proceeds from the issuance of the Exchangeable Notes and term loans, $81.2 million of net proceeds from the issuance of Series A Preferred Stock, and $44.0 million of net proceeds from the issuance of common stock. These amounts were partially offset by dividend payments of $112.0 million to common and preferred stockholders, $89.0

million related to the repurchase of our common stock, net decrease in borrowings under our revolving credit facilities of $10.0 million, principal repayments of $311.3 million on our term loans and Notes due 2026, and $1.3 million related to the net share settlement of equity awards to satisfy employee withholding taxes upon the vesting of restricted stock.

Net cash used in financing activities of $126.4 million during the six months ended June 30, 2025 was due to dividend payments of $110.1 million to common and preferred stockholders, partial principal payment on the Notes due 2026 of $8.7 million, $0.7 million related to net share settlement of equity awards to pay the required withholding taxes upon vesting of restricted stock for certain employees, and $20.1 million related to repurchase of common stock, partially offset by $13.2 million in net proceeds from the issuance of our Series A Preferred Stock pursuant to our ATM Program.

Liquidity and Capital Resources

Sources and Uses of Cash

Liquidity is a measure of our ability to meet potential cash requirements. Our principal future uses of cash and cash equivalents include the acquisition of additional properties and other investments, associated acquisition and improvement costs, non-reimbursed expenses associated with unleased properties, operating and administrative expenses, scheduled debt service and repayments, and the payment of dividends to holders of our common stock and preferred stock, as well as any future series of preferred stock we may issue. As of June 30, 2026, we had cash and cash equivalents of $204.7 million.

We derive substantially all of our income from leasing our properties and life science investments, collecting rental, interest and dividend income. These sources of income represent our primary source of liquidity to fund the acquisition of additional properties, the development and redevelopment of existing properties, dividends to our stockholders, repayment of borrowings and interest payments under our credit facilities, general and administrative expenses, property development and redevelopment activities, property operating expenses and other expenses incurred related to managing our existing portfolio and investing in additional properties. Because substantially all of our leases are triple net, our tenants are generally responsible for the maintenance, insurance and property taxes associated with the properties they lease from us. If a tenant defaults on one of our leases or the lease term expires with no tenant renewal, we would incur property costs not paid by the tenant during the time it takes to re-lease or sell the property.

We expect to meet our liquidity needs through a combination of rental income from our properties, cash and investments on hand, borrowings under our credit facilities, mortgage financing on certain of our properties, and access to capital markets, including potential note issuances, equity offerings (of both common stock and preferred stock), including under our ATM Program, or other financing arrangements.

In recent years, financial markets have been volatile in general. If sustained, this could have a material adverse effect on our business, financial condition and results of operations, including our ability to continue to make acquisitions of new properties and fund investments for improvements at existing properties, and refinance our existing indebtedness. Our investment guidelines also provide that our aggregate borrowings (secured and unsecured) will not exceed 50% of the cost of our tangible assets at the time of any new borrowing, subject to our Board of Directors’ discretion.

IQHQ Investments

We have made a long-term capital commitment to fund investments in IQHQ REIT through both purchases of preferred equity and secured credit instruments. These investments represent a strategic expansion of our portfolio and are expected to be funded over an extended period through a combination of available cash on hand, operating cash flows, our credit facilities, and potential future financing activities.

In September 2025, IIP Life Science completed the initial closing of the Company’s investment in preferred equity of IQHQ REIT pursuant to the Securities Purchase Agreement, acquiring 5,000 shares of IQHQ Preferred Stock for an aggregate purchase price of $5.0 million. On October 31, 2025, the Company purchased an additional 45,000 shares of IQHQ Preferred Stock for $45.0 million. During the three months ended June 30, 2026, the Company funded the remaining $120.0 million of its commitment to purchase shares of IQHQ Preferred Stock, resulting in a total investment of 170,000 shares of IQHQ Preferred Stock having an aggregate purchase price of $170.0 million.

In connection with the initial closing of our investment in IQHQ Preferred Stock, we also became a lender under the IQHQ Credit Facility and funded our $100.0 million loan commitment using available cash on hand and borrowings under our Revolving Credit Facility.

Notes Due 2026

In May 2021, we received an investment grade rating from a ratings agency. We sought to obtain an investment grade rating to facilitate access to the investment grade unsecured debt market as part of our overall strategy to maximize our financial flexibility and manage our overall cost of capital. In May 2021, our Operating Partnership issued $300.0 million aggregate principal amount of Notes due 2026. The Notes due 2026 were the Operating Partnership's general unsecured and unsubordinated obligations, and ranked equally in right of payment with all of the Operating Partnership's future senior unsecured indebtedness. In April 2026, we made early partial repayments at a discount totaling $9.1 million on the Notes due 2026, reducing the principal balance by $9.1 million from $291.2 million to $282.1 million. In May 2026, we paid off the remaining principal balance of $282.1 million and accrued interest obligations related to the Notes due 2026. As of June 30, 2026, no amounts remained outstanding on the Notes due 2026.

Exchangeable Notes

On June 15, 2026, our Operating Partnership issued $402.5 million of the Exchangeable Notes in a private offering, including the exercise in full of the initial purchasers' option to purchase additional notes. The Exchangeable Notes are senior unsecured obligations of our Operating Partnership, are fully and unconditionally guaranteed by us and are exchangeable for cash, shares of our common stock, or a combination of cash and shares of our common stock, at our Operating Partnership's option, at any time prior to the close of business on the second scheduled trading day immediately preceding the stated maturity date. The initial exchange rate for the Exchangeable Notes is 14.4113 shares of our common stock per $1,000 principal amount of Exchangeable Notes and the initial exchange price is $69.39 per share of our common stock. The initial exchange rate and initial exchange price are subject to adjustment in certain circumstances. The Exchangeable Notes bear interest at a rate of 6.00% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning December 15, 2026 until maturity on June 15, 2029. Our Operating Partnership does not have the right to redeem the Exchangeable Notes prior to maturity, but may be required to repurchase the Exchangeable Notes from holders under certain circumstances.

We received net proceeds of approximately $391.0 million from the offering of Exchangeable Notes, after deducting the initial purchasers' discounts and estimated offering expenses, reflecting the increased offering size resulting from the full exercise of the initial purchasers' option. We used approximately $80.5 million of the net proceeds to fund the concurrent repurchase of 1,334,466 shares of our common stock from certain purchasers of the Exchangeable Notes in privately negotiated transactions, and intend to use the remaining net proceeds for working capital and general corporate purposes, which may include the repayment of indebtedness, including amounts outstanding under our credit facilities and the term loans described below, and funding investments consistent with our investment strategy.

Term Loans

During the six months ended June 30, 2026, we entered into several new secured term loan facilities with various lenders for an aggregate principal amount of $148.7 million and received net proceeds of $144.8 million after deducting issuance costs. The proceeds from the term loans were used to pay off the Notes due 2026 in May 2026. In June 2026, we fully repaid one of the term loans with an original principal amount of $20.0 million prior to maturity. The remaining term loans are secured by, among other things, certain mortgages and security interests in the real and personal properties, certain assignments of leases and rents, and certain deposit accounts maintained with the lenders. The remaining term loans have maturities ranging from April 2029 to June 2031, have fixed interest rates ranging from 6.67% to 9.0% and one term loan has a variable interest rate at one-month SOFR, subject to a floor of 3.75%, plus 5.0%. See Note 9 "Debt - Term Loans" to our consolidated financial statements for more information.

ATM Program

We have an ATM Program, pursuant to which we may offer and sell from time to time, including on a forward basis, shares of our common stock and 9.00% Series A Cumulative Redeemable Preferred Stock, $0.001 par value per share (the "Series A Preferred Stock"), up to an aggregate offering price of $500.0 million. During the three months ended June 30, 2026, we sold 948,034 shares of our Series A Preferred Stock for net proceeds of $20.9 million. During the three months ended June 30, 2026, we sold 680,842 shares of common stock for net proceeds of $34.7 million. As of June 30, 2026, shares of the Company's common stock and Series A Preferred Stock having an aggregate offering price of up to $336.9 million remain available for offer and sale pursuant to the ATM Program.

Credit Facilities

In October 2023, our Operating Partnership entered into a loan and security agreement (the "Loan Agreement") with a federally regulated commercial bank, as lender and as agent for lenders that become party thereto from time to time. The Loan Agreement matures on October 23, 2026, and was most recently amended in November 2024 to increase aggregate commitments for secured revolving loans to $87.5 million (the "Revolving Credit Facility"). The Loan Agreement also allows the Operating Partnership, subject to the satisfaction of certain conditions, to request additional revolving incremental loan commitments up to a specified amount. Borrowings under the Revolving Credit Facility bear interest at a variable rate based on the greater of (i) the prime rate plus an applicable margin based on deposits with the participating bank(s) ranging from 0.5% to 2.05% and (ii) 9.0%. At June 30, 2026, the interest rate was 9.0%. The Loan Agreement is subject to certain liquidity and operating covenants, including a debt service coverage ratio covenant, defined as the ratio of (i) consolidated EBITDA to (ii) debt service costs and required to be not less than 2.0 to 1.0, measured as of the end of each fiscal quarter. The Loan Agreement also includes customary representations and warranties, affirmative and negative covenants and events of default. Management believes the Company was in compliance with these covenants as of June 30, 2026. As of June 30, 2026, there were no amounts outstanding under the Revolving Credit Facility.

In October 2025, our Operating Partnership and IIP Life Science entered into a loan agreement with a federally regulated commercial bank, as agent for the lenders that become party thereto from time to time (the "IIP Life Science Credit Facility"). Under the IIP Life Science Credit Facility, our Operating Partnership has a revolving line of credit available up to $100.0 million until the maturity date on October 3, 2028. The IIP Life Science Credit Facility includes an accordion feature under which the revolving line of credit may be increased up to an aggregate of $135.0 million, under certain conditions, including obtaining additional lender commitments. The availability of credit at any given time under the IIP Life Science Credit Facility is subject to, among other things, the amount of collateral available and a borrowing base formula based upon the value of eligible investments in certain securities and an eligible loan receivable. All obligations under the IIP Life Science Credit Facility are secured by substantial assets of the loan parties, including the Company's investment through IIP Life Science in IQHQ Preferred Stock, the IQHQ Warrant, and the IQHQ Credit Facility. Borrowings under the IIP Life Science Credit Facility bear interest on the outstanding daily balance at a rate of interest per annum equal to the greater of (i) the one-month SOFR, as administered by CME Group Benchmark Administration, plus 2.0% and (ii) 6.10%. At June 30, 2026, the interest rate was 6.1%. The IIP Life Science Credit Facility contains a liquidity covenant and a debt service coverage ratio covenant, which requires that the ratio of the Company's consolidated EBITDA to debt service costs not be less than 2.0 to 1.0, measured as of the end of each fiscal quarter. Management believes the Company was in compliance with these covenants as of June 30, 2026. As of June 30, 2026, the outstanding borrowings under our IIP Life Science Credit Facility were $92.5 million.

Share Repurchase Program

We may voluntarily repurchase our outstanding debt or equity securities (depending on prevailing market conditions, our liquidity, contractual restrictions and other factors) through cash purchases, open-market purchases, privately negotiated transactions, tender offers or otherwise. On March 3, 2026, our Board of Directors approved a new share repurchase program authorizing the purchase of up to $100.0 million in shares of our common stock, which replaces our share repurchase program that expired on March 17, 2026. The timing, volume and nature of the repurchases will be at the discretion of management based on its evaluation of the capital needs of the Company, market conditions, applicable legal requirements and other factors. There is no guarantee as to the number of shares that will be repurchased. Repurchases under the share repurchase program are expected to be funded from existing cash balances and proceeds from the sale of the Company's Series A Preferred Stock under its ATM Program. During the three months ended June 30, 2026, we repurchased 1,468,542 shares of our common stock under the current share repurchase program for $89.0 million, including the shares repurchased in connection with our Exchangeable Notes. The current share repurchase program expires on March 4, 2027, and may be extended, suspended, modified or discontinued at any time at the Company's discretion.

Dividends

The Company is required to pay dividends to its stockholders at least equal to 90% of its taxable income in order to qualify and maintain its qualification as a REIT. As a result of this distribution requirement, our Operating Partnership cannot rely on retained earnings to fund its ongoing operations to the same extent that other companies whose parent companies are not REITs can. Our ability to continue to pay dividends is dependent upon our ability to continue to generate cash flows, service any debt obligations we have, including our Exchangeable Notes, term loans, borrowings under our credit facilities, and make accretive new investments.

The following table describes the dividends declared by the Company during the six months ended June 30, 2026:

Declaration Date	Security Class	Amount Per Share	Record Date	Dividend Paid Date	Dividend Amount
					(In thousands)
March 13, 2026	Common stock	$ 1.90	March 31, 2026	April 15, 2026	$ 54,446
March 13, 2026	Series A preferred stock	$ 0.5625	March 31, 2026	April 15, 2026	$ 2,654
June 15, 2026	Common stock	$ 1.90	June 30, 2026	July 15, 2026	$ 53,127
June 15, 2026	Series A preferred stock	$ 0.5625	June 30, 2026	July 15, 2026	$ 3,187

Contractual Debt Obligations

The following table summarizes our contractual debt obligations as of June 30, 2026 (in thousands):

Payments Due by Year	Exchangeable Notes	Credit Facilities	Term Loans	Interest	Total
2026 (six months ending December 31)	$ —	$ —	$ 623	$ 20,377	$ 21,000
2027	—	—	1,242	40,193	41,435
2028	—	92,500	1,325	38,741	132,566
2029	402,500	—	76,415	16,720	495,635
2030	—	—	1,041	3,332	4,373
Thereafter	—	—	47,955	1,441	49,396
Total	$ 402,500	$ 92,500	$ 128,601	$ 120,804	$ 744,405

Additionally, as of June 30, 2026, we had $6.3 million outstanding in commitments related to improvement allowances, which generally may be requested by the tenants at any time up until a date that is near the expiration of the initial term of the applicable lease. The commitments discussed in this paragraph are excluded from the table of contractual obligations above as there is no explicit time frame for incurring the obligations, which generally may be requested from time to time, subject to satisfaction of certain conditions.

Non-GAAP Financial Information

In addition to the required GAAP presentations, we use certain non-GAAP performance measures as we believe these measures improve the understanding of our operational results. We continually evaluate the usefulness, relevance, limitations, and calculation of our reported non-GAAP performance measures to determine how best to provide relevant information to the public and thus such reported measures could change.

Funds from Operations, Normalized Funds from Operations and Adjusted Funds from Operations

Funds from operations ("FFO") and FFO per share are operating performance measures adopted by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"). NAREIT defines FFO as the most commonly accepted and reported measure of a REIT's operating performance equal to net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, depreciation, amortization and impairment related to real estate properties, and after adjustments for unconsolidated partnerships and joint ventures.

Management believes that net income, as defined by GAAP, is the most appropriate earnings measurement. However, management believes FFO and FFO per share to be supplemental measures of a REIT's performance because they provide an understanding of the operating performance of our properties without giving effect to certain significant non-cash items, primarily depreciation expense. Historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time. However, real estate values instead have historically risen or fallen with market conditions. We believe that by excluding the effect of depreciation, FFO and FFO per share can facilitate comparisons of operating performance between periods. We report FFO and FFO per share because these measures are observed by management to also be the predominant measures used by the REIT industry and by industry analysts to evaluate REITs and because FFO per share is consistently reported, discussed, and compared by research analysts in their notes and publications about REITs. For these reasons, management has deemed it appropriate to disclose and discuss FFO and FFO per share.

The Exchangeable Notes were dilutive for purposes of calculating earnings per diluted share for the three and six months ended June 30, 2026, as GAAP requires convertible notes that can be settled in cash and/or shares at the Company's discretion to be evaluated under the if-converted method. However, for the purposes of calculating FFO, Normalized FFO and AFFO per diluted share, the Company excludes the dilutive impact of the Exchangeable Notes under the if-converted method as management believes the evaluation of operating performance based on actual diluted shares outstanding is more appropriate to facilitate consistent comparisons between reporting periods and reflects the actual shares that are entitled to common stock dividends each period. Accordingly, for the three months ended June 30, 2026, cash interest expense of $1.0 million relating to the Exchangeable Notes was included and 1,019,877 weighted-average shares potentially issuable upon exchange of the Exchangeable Notes under the if-converted method were excluded from the calculation of FFO, Normalized FFO and AFFO per diluted share. For the six months ended June 30, 2026, cash interest expense of $1.0 million relating to the Exchangeable Notes was included and 512,756 weighted-average shares potentially issuable upon exchange of the Exchangeable Notes under the if-converted method were excluded from the calculation of FFO, Normalized FFO and AFFO per diluted share.

We compute normalized funds from operations ("Normalized FFO") by adjusting FFO, as defined by NAREIT, to exclude certain GAAP income and expense amounts that we believe are infrequent and unusual in nature and/or not related to our core real estate operations. Exclusion of these items from similar FFO-type metrics is common within the equity REIT industry, and management believes that presentation of Normalized FFO and Normalized FFO per share provides investors with a metric to assist in their evaluation of our operating performance across multiple periods and in comparison to the operating performance of other companies, because it removes the effect of unusual items that are not expected to impact our operating performance on an ongoing basis. Normalized FFO is used by management in evaluating the performance of our core business operations.

Management believes that adjusted funds from operations ("AFFO") and AFFO per share are also appropriate supplemental measures of a REIT's operating performance. We calculate AFFO by adjusting Normalized FFO for certain non-cash items.

Our computation of FFO, Normalized FFO, and AFFO may differ from the methodology for calculating FFO, Normalized FFO and AFFO utilized by other equity REITs and, accordingly, may not be comparable to such REITs. Further, FFO and AFFO do not represent cash flow available for management's discretionary use. FFO, Normalized FFO and AFFO should not be considered as an alternative to net income (computed in accordance with GAAP) as an indicator of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. FFO, Normalized FFO and AFFO should be considered only as supplements to net income computed in accordance with GAAP as measures of operations.

The table below is a reconciliation of net income attributable to common stockholders to FFO, Normalized FFO and AFFO for the three and six months ended June 30, 2026 and 2025 (in thousands, except share and per share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
Net income attributable to common stockholders	$ 40,665	$ 25,146	$ 70,820	$ 55,442
Real estate depreciation and amortization	18,799	18,500	37,383	36,891
Impairment loss on real estate	—	—	—	3,527
Loss (gain) on sale of real estate, net	(11,847)	—	(12,269)	—
FFO attributable to common stockholders	47,617	43,646	95,934	95,860
Litigation-related expense	1,312	413	3,182	819
Income on seller-financed notes[(1)]	223	1,164	446	1,317
Deferred lease payments received on sales-type leases[(2)]	525	5	700	25
Transaction costs and other[(3)]	(463)	—	(463)	(32)
Normalized FFO attributable to common stockholders	49,214	45,228	99,799	97,989
Stock-based compensation	2,826	2,672	5,410	4,750
Non-cash interest expense	1,281	476	1,857	946
Non-cash accretion of life science investments	(335)	—	(669)	—
Above-market lease amortization	23	23	46	46
AFFO attributable to common stockholders	$ 53,009	$ 48,399	$ 106,443	$ 103,731
FFO per common share – diluted	$ 1.64	$ 1.54	$ 3.34	$ 3.37
Normalized FFO per common share – diluted	$ 1.70	$ 1.60	$ 3.47	$ 3.44
AFFO per common share – diluted	$ 1.83	$ 1.71	$ 3.71	$ 3.65
Weighted average common shares used for FFO, Normalized FFO, and AFFO:				
Basic	28,443,143	27,924,092	28,218,773	28,098,850
Restricted stock and RSUs	529,228	393,601	502,400	353,261
Diluted[(4)]	28,972,371	28,317,693	28,721,173	28,452,111

(1) Amount reflects non-refundable cash payments received pursuant to seller-financed notes issued by us in connection with our disposition of certain properties. As the transactions did not qualify for recognition as completed sales under GAAP, the payments received are recorded as a deposit liability and included in other liabilities on our consolidated balance sheet.

(2) Amount reflects the non-refundable lease payments received on two sales-type leases which are recognized as a deposit liability starting on January 1, 2024, and is included in other liabilities in our consolidated balance sheet as of June 30, 2026, as the transaction did not qualify for recognition as a completed sale.

(3) Amount reflects other items that are considered to be infrequent and unusual in nature and/or not related to our core real estate operation. For the three and six months ended June 30, 2026, amount reflects certain financing costs that were not capitalizable and write-off of certain liabilities.

(4) For the three and six months ended June 30, 2026, amounts exclude 1,019,877 and 512,756 weighted-average shares potentially issuable upon exchange of the Exchangeable Notes under the if-converted method, respectively. See the Non-GAAP Financial Information section above for more detail.

Critical Accounting Estimates

The preparation of our financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of our financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in our unaudited consolidated financial statements and accompanying footnotes. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the Securities and Exchange Commission on February 24, 2026. There have been no material changes to our critical accounting estimates or the methods or assumptions we apply.

Impact of Real Estate and Credit Markets

In the commercial real estate market, property prices generally continue to fluctuate. Likewise, during certain periods, the U.S. credit markets have experienced significant price volatility, dislocations, and liquidity disruptions, which may impact our access to and cost of capital. We continually monitor the commercial real estate and U.S. credit markets carefully and, if required, will make decisions to adjust our business strategy accordingly. In recent years, the commercial real estate market generally has experienced significant disruptions from, among other things, significant increases in interest rates and changing tenant preferences for space.

Interest Rate Risk

We are exposed to interest rate risk primarily through our variable-rate indebtedness, including amounts outstanding under our Revolving Credit Facility, our IIP Life Science Credit Facility, and one of our term loans. Borrowings under these credit facilities bear interest at variable rates based on the greater of prime rate or SOFR, as applicable, plus an applicable margin and stipulated rate and one of our term loans bears interest at a rate per annum equal to the one-month SOFR, subject to a floor of 3.75%, plus 5.0%. As a result, increases in market interest rates may increase our borrowing costs and adversely affect our results of operations and cash flows.

Our Exchangeable Notes bear interest at a fixed rate of 6.0% per annum and are not directly exposed to changes in prevailing market interest rates. However, changes in market interest rates may affect the trading value of the Exchangeable Notes.

Our investments in IQHQ Preferred Stock and the IQHQ Credit Facility provide fixed cash and PIK returns and are not directly exposed to changes in prevailing market interest rates. However, to the extent these investments are funded with variable-rate indebtedness or other interest-sensitive capital sources, increases in interest rates may increase our cost of capital and reduce investment spreads.

We monitor our exposure to interest rate risk and may use a mix of fixed- and variable-rate debt to manage such exposure over time.

See “Item 3. Quantitative and Qualitative Disclosures About Market Risk” for additional information regarding our interest rate sensitivity.

Impact of Inflation

The U.S. economy has experienced a period of increased inflation in recent years. We enter into leases that generally provide for fixed increases in rent. During times when inflation is greater than the fixed increases in rent, as provided for in the leases, rent increases may not keep up with the rate of inflation.

Seasonality

Our business has not been, and we do not expect our business in the future to be, subject to material seasonal fluctuations.

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Interest Rate Risk

Our Exchangeable Notes bear interest at a fixed rate of 6.00% per annum until maturity. Our Revolving Credit Facility bears interest at a variable rate based on the greater of the prime rate and an applicable margin and a stipulated interest rate; therefore, if interest rates increase, our required payments on any amounts outstanding on our Revolving Credit Facility may also increase. Our IIP Life Science Credit Facility bears interest at a variable rate based on the greater of SOFR and an applicable margin and a stipulated interest rate; therefore, if interest rates increase our required payments on any amounts outstanding under our IIP Life Science Credit Facility may also increase. One of our term loan bears interest at a variable rate based on one-month SOFR, subject to a floor of 3.75%, plus 5.0% per annum; therefore, if interest rates increase, our required payments on amounts outstanding under one of our term loan may also increase. At June 30, 2026, a 1% change in interest rates on our variable-rate debt would change our annual interest expense by $1.5 million.

Our investment in IQHQ Preferred Stock carries a fixed annual dividend rate of 15.0%, consisting of a 10.0% cash dividend and an initial 5.0% PIK dividend. As the dividend is fixed, the investment is not directly exposed to changes in prevailing market interest rates. However, to the extent the Company funds purchases of IQHQ Preferred Stock with variable-rate debt or other interest-sensitive instruments, rising interest rates may increase its cost of capital, potentially resulting in a negative interest rate spread on this investment.

Our investment in IQHQ Credit Facility pays a fixed interest rate of 13.5% per year, made up of 12.0% in cash and 1.5% PIK, with interest paid every quarter. As the rate is fixed, the interest income is not directly affected by changes in market interest rates. However, since the Company partially funded the IQHQ Credit Facility using variable-rate borrowings, rising interest rates may increase the Company's cost of capital and reduce the overall return on the investment.

Our investments in short-term money market funds, certificates of deposit and short-term investments in obligations of the U.S. government with an original maturity at the time of purchase of greater than 90 days are less sensitive to market fluctuations than a portfolio of long-term securities. Accordingly, we believe that a significant change in interest rates would not have a material effect on the consolidated financial statements.

ITEM 4. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision of the Audit Committee of the Board of Directors and with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2026. Based on that evaluation, our principal executive and financial officers concluded that our disclosure controls and procedures were effective as of June 30, 2026 (the end of the period covered by this Quarterly Report).

Changes in Internal Control Over Financial Reporting

There have been no changes in our system of internal control over financial reporting during the quarter ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. *LEGAL PROCEEDINGS*

For a description of our legal proceedings, see Note 13 "Commitments and Contingencies — Litigation" to our consolidated financial statements, which is hereby incorporated by reference.

ITEM 1A. *RISK FACTORS*

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2025, which could materially affect our business, financial condition and/or results of operations. Except to the extent additional factual information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors, there have been no material changes to the risk factors described in the "Risk Factors" section in our Annual Report on Form 10-K for the year ended December 31, 2025. The impact of macroeconomic conditions and industry-specific challenges have also had the effect of heightening many of the risks described in the "Risk Factors" included in our Annual Report on Form 10-K, such as those relating to tenant defaults and our ability to generate sufficient cash flows to service our indebtedness and make distributions to our stockholders. You should not interpret the disclosure of a risk to imply that the risk has not already materialized. The risks as described in our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or results of operations.

ITEM 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*

During the six months ended June 30, 2026, we did not sell any equity securities that were not registered under the Securities Act of 1933.

Issuer Purchases of Equity Securities

The following table provides information with respect to the number of shares of common stock repurchased by us for the periods indicated (in thousands, except share and per share amounts):

Period	Total Number of Shares of Common Stock Purchased	Weighted Average Price Paid per Common Share	Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number (or dollar value) of Shares that May Yet be Purchased Under the Plans or Programs
April 1, 2026 - April 30, 2026	—	$ —	—	$ —
May 1, 2026 - May 31, 2026	—	—	—	—
June 1, 2026 - June 30, 2026	1,468,542	60.58	1,468,542	11,031
Total	1,468,542	$ 60.58	1,468,542	$ 11,031

(1) The Company's common stock repurchases are made pursuant to the Company's stock repurchase program, which was authorized by the Board of Directors in March 2026, to repurchase up to $100.0 million of the Company's common stock. The timing, volume and nature of the repurchases will be at the discretion of management based on its evaluation of the capital needs of the Company, market conditions, applicable legal requirements and other factors. There is no guarantee as to the number of shares that will be repurchased. Repurchases under the share repurchase program are expected to be funded from existing cash balances and proceeds from the sale of the Company's Series A Preferred Stock under its at-the-market offering program. During the three months ended June 30, 2026, 1,468,542 shares were repurchased under the share repurchase program. The repurchase program expires on March 4, 2027, and may be extended, suspended, modified or discontinued at any time at the Company's discretion.

ITEM 3. *DEFAULTS UPON SENIOR SECURITIES*

None.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

ITEM 5. *OTHER INFORMATION*

(c)

During the three months ended June 30, 2026, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. *EXHIBITS*

Exhibit Number	Description of Exhibit
3.1	Second Articles of Amendment and Restatement of Innovative Industrial Properties, Inc. (including Articles Supplementary classifying Innovative Industrial Properties, Inc.'s 9.0% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed by the Company on August 6, 2020).
3.2	Articles Supplementary to the Second Articles of Amendment and Restatement of Innovative Industrial Properties, Inc. (including Articles Supplementary classifying Innovative Industrial Properties, Inc.'s 9.0% Series A Cumulative Redeemable Preferred Stock) (incorporated by reference to Exhibit 3.1 to the Form 8-K filed by the Company on May 24, 2024).

3.3	Third Amended and Restated Bylaws of Innovative Industrial Properties, Inc. (incorporated by Reference to Exhibit 3.1 to the Form 8-K filed by the Company on December 8, 2022).
4.1	Indenture, dated as of June 15, 2026, among the Operating Partnership, as issuer, the Company, as guarantor, and the Trustee, as trustee, including the Form of Note representing the Operating Partnership's 6.00% Exchangeable Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Company on June 15, 2026).
4.2	Form of 6.00% Exchangeable Senior Note (included as Exhibit A to Exhibit 4.1)
10.1	Promissory Note, dated as of April 24, 2026, by IIP-IL 2 LLC in favor of Generations Bank (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on April 29, 2026).
10.2	Promissory Note, dated as of May 5, 2026, by IIP-OH 2 LLC, IIP-NJ 1 LLC, IIP-FL 4 LLC, IIP-FL 2 LLC, IIP NY-2 LLC, IIP-MI 7 LLC, IIP-VA 1 LLC and IIP-PA 5 LLC in favor of Thorofare Asset Based Lending Reit Fund V, LLC (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on May 6, 2026).
10.3	Loan Agreement, dated as of May 5, 2026, by and between IIP-OH 2 LLC, IIP-NJ 1 LLC, IIP-FL 4 LLC, IIP-FL 2 LLC, IIP NY-2 LLC, IIP-MI 7 LLC, IIP-VA 1 LLC and IIP-PA 5 LLC and Thorofare Asset Based Lending Reit Fund V, LLC (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on May 6, 2026).
10.4	Pledge and Security Agreement (Interests in Borrowers), dated as of May 5, 2026, by IIP Operating Partnership, LP and Thorofare Asset Based Lending Reit Fund V, LLC (incorporated by reference to Exhibit 10.3 to the Form 8-K filed by the Company on May 6, 2026).
10.5	Guaranty (Unsecured), dated as of May 5, 2026, by Innovative Industrial Properties, Inc. and Thorofare Asset Based Lending Reit Fund V, LLC (incorporated by reference to Exhibit 10.4 to the Form 8-K filed by the Company on May 6, 2026).
10.6	Loan Agreement, dated as of May 18, 2026, by and between IIP-MA 7 LLC and Amalgamated Bank (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on May 19, 2026).
10.7	Loan Agreement, dated as of May 18, 2026, by and between IIP-PA 6 LLC and Amalgamated Bank (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on May 19, 2026).
10.8	Form of Promissory Note, dated as of May 18, 2026, by each of IIP-MA 7 LLC and IIP-PA 6 LLC, respectively, in favor of Amalgamated Bank (incorporated by reference to Exhibit 10.3 to the Form 8-K filed by the Company on May 19, 2026).
10.9	Mortgage (With Power of Sale), Assignment of Leases and Rents, Security Agreement and Fixture Filing executed and delivered by IIP-MA 7 LLC, in favor of Amalgamated Bank (incorporated by reference to Exhibit 10.4 to the Form 8-K filed by the Company on May 19, 2026).
10.10	Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of May 18, 2026, by IIP-PA 6 LLC in favor of Amalgamated Bank (incorporated by reference to Exhibit 10.5 to the Form 8-K filed by the Company on May 19, 2026).
10.11	Form of Guaranty, dated as of May 18, 2026, by Innovative Industrial Properties, Inc. in favor of Amalgamated Bank (incorporated by reference to Exhibit 10.6 to the Form 8-K filed by the Company on May 19, 2026).
10.12	Loan Agreement, dated as of May 19, 2026, by and between IIP-MD 1 LLC and Amalgamated Bank (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on May 20, 2026).
10.13	Loan Agreement, dated as of May 19, 2026, by and between IIP-NJ 3 LLC and Amalgamated Bank (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on May 20, 2026).
10.14	Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing executed and delivered by IIP-NJ 3 LLC, in favor of Amalgamated Bank (incorporated by reference to Exhibit 10.4 to the Form 8-K filed by the Company on May 20, 2026).

10.15	Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of May 19, 2026, by IIP-MD 1 LLC in favor of Amalgamated Bank (incorporated by reference to Exhibit 10.5 to the Form 8-K filed by the Company on May 20, 2026).
10.16	ATM Advance Agreement, dated as of May 22, 2026, by and between Innovative Industrial Properties, Inc. and A.G.P./Alliance Global Partners (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on May 22, 2026).
10.17	Innovative Industrial Properties, Inc. 2026 Omnibus Incentive Plan (incorporated herein by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule 14A filed on April 22, 2026).
10.18*	Form of Restricted Stock Awards Agreement
10.19*	Form of Restricted Stock Unit Award Agreement
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Date File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

INNOVATIVE INDUSTRIAL PROPERTIES, INC.

By: /s/ Paul Smithers

Paul Smithers
President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ David Smith

David Smith
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Dated August 4, 2026

Exhibit 31.1

Innovative Industrial Properties, Inc.
Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Paul Smithers, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of Innovative Industrial Properties, Inc.;
2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2026

/s/ Paul Smithers

Paul Smithers
Chief Executive Officer, President and Director

Exhibit 31.2

Innovative Industrial Properties, Inc.
Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Smith, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of Innovative Industrial Properties, Inc.;
2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2026

/s/ David Smith

David Smith

Chief Financial Officer and Treasurer

Exhibit 32.1

Innovative Industrial Properties, Inc.
Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Innovative Industrial Properties, Inc. (the "Company") for the period ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Smithers, Chief Executive Officer, President and Director of the Company, and I, David Smith, Chief Financial Officer and Treasurer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 4, 2026

/s/ Paul Smithers

Paul Smithers
Chief Executive Officer, President and Director

/s/ David Smith

David Smith
Chief Financial Officer and Treasurer

Exhibit 10.18

INNOVATIVE INDUSTRIAL PROPERTIES, INC.

2026 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK AWARD GRANT NOTICE AND RESTRICTED STOCK AWARD AGREEMENT

Innovative Industrial Properties, Inc., a Maryland corporation (the "***Company***"), pursuant to its 2026 Omnibus Incentive Plan (the "***Plan***"), hereby grants to the individual listed below ("***Participant***") the number of shares of common stock of the Company (the "***Shares***") set forth below. This Restricted Stock award is subject to all of the terms and conditions as set forth herein, in the Restricted Stock Award Agreement attached hereto as Exhibit A (the "***Restricted Stock Agreement***") and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in this Grant Notice and the Restricted Stock Agreement shall have the same defined meanings specified in the Plan.

Participant:	______________________________
Grant Date:	______________________________
Total Number of Shares of Restricted Stock:	______________________________
Vesting Schedule:	[***Insert applicable schedule for employee:*** [________] (____) of the Shares granted hereunder shall be released from the Forfeiture Restriction on each of the first [____] (__) anniversaries of the Grant Date, provided that the Participant continues to be an employee of the Company or a Non-Employee Director on each such date.] [***Insert for Non-Employee Directors:*** All of the Shares granted hereunder shall be released from the Forfeiture Restriction on [ ], provided that the Participant continues to be a Non-Employee Director or employee of the Company on such date.]

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Restricted Stock Agreement and this Grant Notice. Participant has reviewed the Restricted Stock Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Restricted Stock Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice or the Restricted Stock Agreement.

INNOVATIVE INDUSTRIAL PROPERTIES, INC.		**PARTICIPANT**	
By:	______________________	By:	______________________
Print Name:	______________________	Print Name:	______________________
Title:	______________________		
Address:	11440 W Bernardo Ct, STE 100 San Diego, CA 92127	Address:	______________________ ______________________

CONSENT OF SPOUSE

I, ____________________, spouse of______________, have read and approve this Grant Notice, and the attached Restricted Stock Agreement. In consideration of issuing to my spouse the shares of the common stock of Innovative Industrial Properties, Inc. set forth in this Grant Notice, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under this Grant Notice and agree to be bound by the provisions of this Grant Notice insofar as I may have any rights in said Grant Notice or any shares of the common stock of Innovative Industrial Properties, Inc. issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Grant Notice.

Dated: _______________, 20__
Signature of Spouse

EXHIBIT A

TO RESTRICTED STOCK AWARD GRANT NOTICE

RESTRICTED STOCK AWARD AGREEMENT

Pursuant to the Restricted Stock Award Grant Notice ("***Grant Notice***") to which this Restricted Stock Award Agreement (this "***Agreement***") is attached, Innovative Industrial Properties, Inc., a Maryland corporation (the "***Company***"), has granted to Participant the number of shares of common stock of the Company (the "***Stock***") under the Company's 2026 Omnibus Incentive Plan (the "***Plan***") indicated in the Grant Notice. The Shares are subject to the terms and conditions of the Plan which are incorporated herein by reference. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

ARTICLE I
ISSUANCE OF SHARES

1.1 Issuance of Shares. Pursuant to the Plan and subject to the terms and conditions of this Agreement, effective on the Grant Date, the Company irrevocably grants to Participant the number of shares of Stock set forth in the Grant Notice (the "***Shares***"), in consideration of Participant's employment with or service to the Company or one of its Subsidiaries on or before the Grant Date, for which the Administrator has determined Participant has not been fully compensated, and the Administrator has determined that the benefit received by the Company as a result of such employment or service has a value that exceeds the aggregate par value of the Shares, which Shares, when issued in accordance with the terms hereof, shall be fully paid and nonassessable.

1.2 Issuance Mechanics. On the Grant Date, the Company shall issue the Shares to Participant and shall, at the Company's election, (a) cause a stock certificate or certificates representing the Shares to be registered in the name of Participant, or (b) cause such Shares to be held in book entry form. If a stock certificate is issued, it shall be delivered to and held in custody by the Company and shall bear the restrictive legends required by Section 4.1 below. If the Shares are held in book entry form, then such entry will reflect that the Shares are subject to the restrictions of this Agreement. Participant's execution of a stock assignment in the form attached as Exhibit B to the Grant Notice (the "***Stock Assignment***") shall be a condition to the issuance of the Shares.

ARTICLE II
FORFEITURE AND TRANSFER RESTRICTIONS

2.1 Forfeiture Restriction. Subject to the provisions of Section 2.2 below and Section 18(b) of the Plan, in the event of Participant's cessation of employment with or service to the Company for any reason, including as a result of Participant's death or Disability, all of the Unreleased Shares (as defined below) shall thereupon be forfeited immediately and without any further action by the Company (the "***Forfeiture Restriction***"). Upon the occurrence of such a forfeiture, the Company shall become the legal and beneficial owner of the Unreleased Shares and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer to its own name the number of Unreleased Shares being forfeited by Participant. The Unreleased Shares and Participant's executed stock assignment in the form attached as Exhibit B to the Grant Notice shall be held by the Company in accordance with Section 2.4 until the Shares are forfeited as provided in this Section 2.1, until such Unreleased Shares are fully released from the Forfeiture Restriction, or until such time as this Agreement no longer is in effect. Participant hereby authorizes and directs the Secretary of the Company, or such other person designated by the Committee, to transfer the Unreleased Shares which have been forfeited pursuant to this Section 2.1 from Participant to the Company.

2.2 Release of Shares from Forfeiture Restriction. The Shares shall be released from the Forfeiture Restriction in accordance with the vesting schedule set forth in the Grant Notice. Any of the Shares which, from time to time, have not yet been released from the Forfeiture Restriction are referred to herein as "***Unreleased Shares***." In the event any of the Shares are released from the Forfeiture Restriction, any dividends or other distributions paid on such Shares and held by the Company pursuant to Section 2.4 shall be promptly paid by the Company to Participant. As soon as administratively practicable following the release of any Shares from the Forfeiture Restriction, the Company shall, as applicable, either deliver to Participant the certificate or certificates representing such Shares in the Company's possession belonging to Participant, or, if the Shares are held in book entry form, then the Company shall remove the notations on the book form. Participant (or the beneficiary or personal representative of Participant in the event of Participant's death or incapacity, as the case may be) shall deliver to the Company any representations or other documents or assurances as the Company or its representatives deem necessary or advisable in connection with any such delivery.

2.3 Transfer Restriction. No Unreleased Shares or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Participant or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect.

2.4 Escrow. The Unreleased Shares and Participant's executed Stock Assignment shall be held by the Company until the Shares are forfeited as provided in Section 2.1, until such Unreleased Shares are fully released from the Forfeiture Restriction, or until such time as this Agreement no longer is in effect. In such event, Participant shall not retain physical custody of any certificates representing Unreleased Shares (as defined below) issued to Participant. Participant, by acceptance of this Award, shall be deemed to appoint, and does so appoint, the Company and each of its authorized representatives as Participant's attorney(s)-in-fact to effect any transfer of forfeited Unreleased Shares (and any dividends or other distributions paid on such Shares) to the Company as may be required pursuant to the Plan or this Agreement, and to execute such representations or other documents or assurances as the Company or such representatives deem necessary or advisable in connection with any such transfer. The Company, or its designee, shall not be liable for any act it may do or omit to do with respect to holding the Shares in escrow and while acting in good faith and in the exercise of its judgment.

2.5 Rights as Stockholder. Except as otherwise provided herein, upon issuance of the Shares by the Company, Participant shall have all the rights of a stockholder with respect to said Shares, subject to the restrictions herein, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

2.6 Ownership Limit and REIT Status. The Forfeiture Restriction on the Shares shall not lapse if the lapsing of such restrictions would likely result in any of the following:

(a) a violation of the restrictions or limitations on ownership provided for from time to time under the terms of the organizational documents of the Company; or

(b) income to the Company that could impair the Company's status as a real estate investment trust, within the meaning of Sections 856 through 860 of the Code.

ARTICLE III
TAXATION REPRESENTATIONS

Participant represents to the Company the following:

(a) Participant has reviewed with his or her own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Participant understands that Participant (and not the Company) shall be responsible for his or her own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

(b) Notwithstanding anything to the contrary in this Agreement, the Company shall be entitled to require payment (which payment may be made in cash, by deduction from other compensation payable to Participant or in any form of consideration permitted by the Plan) of any sums required by federal, state or local tax law to be withheld with respect to the issuance, lapsing of restrictions on or sale of the Shares. The Company shall not be obligated to deliver any stock certificate representing vested Shares to Participant or Participant's legal representative, or, if the Shares are held in book entry form, to remove the notations on the book form, unless and until Participant or Participant's legal representative shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of Participant resulting from the issuance, lapsing of restrictions on or sale of the Shares.

(c) Participant covenants that he or she will not make an election under Section 83(b) of the Code with respect to the receipt of any of the Shares without the consent of the Administrator, which the Administrator may grant or withhold in its sole discretion.

ARTICLE IV
Restrictive Legends and Stop-Transfer Orders

4.1 Legends. The certificate or certificates representing the Shares, if any, shall bear the following legend (as well as any legends required by applicable state and federal corporate and securities laws):

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO FORFEITURE IN FAVOR OF THE COMPANY AND MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AWARD AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

4.2 Refusal to Transfer; Stop-Transfer Notices. The Company shall not be required (a) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (b) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred. Participant agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

4.3 Removal of Legend. After such time as the Forfeiture Restriction shall have lapsed with respect to the Shares, and upon Participant's request, a new certificate or certificates representing such Shares shall be issued without the legend referred to in Section 4.1, and delivered to Participant. If the Shares are held in book entry form, the Company shall cause any restrictions noted on the book form to be removed.

ARTICLE V
Miscellaneous

5.1 Governing Law; Limitation on Actions. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Maryland, without giving effect to principles of conflicts of law. Any legal action or proceeding with respect to this Agreement and all acts and transactions pursuant hereto may only be brought and determined in (i) a court sitting in the State of California, and (ii) a "bench" trial, and any party to such action or proceeding shall agree to waive its right to a jury trial. In accordance with Section 18(h) of the Plan, any legal action or proceeding with respect to this Agreement and all acts and transactions pursuant hereto, must be brought within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint.

5.2 Entire Agreement; Enforcement of Rights. This Agreement and the Plan set forth the entire agreement and understanding of the parties relating to the subject matter herein and merge all prior discussions between them. Subject to Section 15(c) of the Plan, no modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement.

5.3 Bound by Plan; Interpretation. Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms and provisions therein. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan (as such may be amended from time to time in accordance with the terms of the Plan), the applicable terms and provisions of the Plan will govern.

5.4 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of the Agreement shall be interpreted as if such provision were so excluded and (c) the balance of the Agreement shall be enforceable in accordance with its terms.

5.5 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by electronic mail (with return receipt requested and received) or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified, if to the Company, at its principal offices, and if to Participant, at Participant's address, electronic mail address or fax number in the Company's employee records or as subsequently modified by written notice.

5.6 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

5.7 Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The Company may assign its rights under this Agreement to any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company without the prior written consent of Participant. The rights and obligations of Participant under this Agreement may only be assigned with the prior written consent of the Company.

5.8 Conformity to Securities Laws. Participant acknowledges that the Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Shares are to be issued, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.9 No Right to Continued Service. EXCEPT AS MAY BE PROVIDED IN ANY EMPLOYMENT AGREEMENT WITH THE PARTICIPANT, THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE LAPSING OF THE FORFEITURE RESTRICTION PURSUANT TO SECTION 2.1 HEREOF IS EARNED ONLY BY CONTINUING SERVICE TO THE COMPANY, OR ONE OF ITS SUBSIDIARIES AS AN "AT WILL" EMPLOYEE OR CONSULTANT OF THE COMPANY, OR ONE OF ITS SUBSIDIARIES OR A NON-EMPLOYEE DIRECTOR OF THE COMPANY (AND NOT THROUGH THE ACT OF BEING HIRED OR ACQUIRING SHARES HEREUNDER). THE PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE FORFEITURE RESTRICTION SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE, CONSULTANT OR NON-EMPLOYEE DIRECTOR FOR SUCH PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH THE COMPANY'S, OR ANY OF ITS SUBSIDIARIES' RIGHT TO TERMINATE THE PARTICIPANT'S EMPLOYMENT OR SERVICE TO THE COMPANY AT ANY TIME, WITH OR WITHOUT CAUSE.

EXHIBIT B

TO RESTRICTED STOCK AWARD GRANT NOTICE

STOCK ASSIGNMENT

FOR VALUE RECEIVED, the undersigned, ______________, hereby sells, assigns and transfers unto INNOVATIVE INDUSTRIAL PROPERTIES, INC., a Maryland corporation, _________ shares of the common stock of INNOVATIVE INDUSTRIAL PROPERTIES, INC., a Maryland corporation, standing in its name of the books of said corporation represented by Certificate No. _____ herewith and do hereby irrevocably constitute and appoint ___________________ to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Restricted Stock Award Grant Notice and Restricted Stock Award Agreement between INNOVATIVE INDUSTRIAL PROPERTIES, INC. and the undersigned dated __________ __ , 20__.

Dated: _______________, _______ ______________________________

INSTRUCTIONS: Please do not fill in the blanks other than the signature line. The purpose of this assignment is to enable the Company to enforce the Forfeiture Restriction as set forth in the Restricted Stock Award Grant Notice and Restricted Stock Award Agreement, without requiring additional signatures on the part of the Participant.

Exhibit 10.19

INNOVATIVE INDUSTRIAL PROPERTIES, INC.

2026 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD GRANT NOTICE AND RESTRICTED STOCK UNIT AWARD AGREEMENT

Innovative Industrial Properties, Inc., a Maryland corporation (the "***Company***"), pursuant to its 2026 Omnibus Incentive Plan (the "***Plan***"), hereby grants to the individual listed below ("***Participant***") an award of restricted stock units (the "***Units***") with respect to the number of shares of common stock of the Company (the "***Shares***") set forth below. This award (this "***Award***") is subject to all of the terms and conditions as set forth herein, in the Restricted Stock Unit Award Agreement attached hereto as Exhibit A (the "***Restricted Stock Unit Agreement***") and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in this Grant Notice and the Restricted Stock Unit Agreement shall have the same defined meanings specified in the Plan.

Participant:	______________________
Grant Date:	______________________
Total Number of Units (Each Relating to One Share):	______________________
Vesting Schedule:	One-third (1/3) of the Units granted hereunder shall vest on each of [ ], [ ] and [ ], provided that the Participant continues to serve as an employee of the Company or a Non-Employee Director on each such date.

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Restricted Stock Unit Agreement and this Grant Notice. Participant has reviewed the Restricted Stock Unit Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Restricted Stock Unit Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice or the Restricted Stock Unit Agreement.

INNOVATIVE INDUSTRIAL PROPERTIES, INC.		**PARTICIPANT**	
By:	______________________	By:	______________________
Print Name:	______________________	Print Name:	______________________
Title:	______________________		
Address:	11440 West Bernardo Ct, Ste 100 San Diego, CA 92127	Address:	

CONSENT OF SPOUSE

I, [ ], spouse of [ ], have read and approve this Grant Notice, and the attached Restricted Stock Unit Agreement. In consideration of granting to my spouse the restricted stock units relating to shares of the common stock of Innovative Industrial Properties, Inc. set forth in this Grant Notice, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under this Grant Notice and agree to be bound by the provisions of this Grant Notice insofar as I may have any rights in said Grant Notice, any restricted stock units or any shares of the common stock of Innovative Industrial Properties, Inc. issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Grant Notice.

Dated: ______ __, 20__
Signature of Spouse

EXHIBIT A

TO RESTRICTED STOCK UNIT AWARD GRANT NOTICE

RESTRICTED STOCK UNIT AWARD AGREEMENT

Pursuant to the Restricted Stock Unit Award Grant Notice ("***Grant Notice***") to which this Restricted Stock Unit Award Agreement (this "***Agreement***") is attached, Innovative Industrial Properties, Inc., a Maryland corporation (the "***Company***"), has granted to Participant the number of restricted stock units (the "***Units***") under the Company's 2026 Omnibus Incentive Plan (the "***Plan***") indicated in the Grant Notice. The Units are subject to the terms and conditions of the Plan which are incorporated herein by reference. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

ARTICLE I
AWARD OF UNITS

1.1 Grant of Units. Pursuant to the Plan and subject to the terms and conditions of this Agreement, effective on the Grant Date, the Company irrevocably grants to Participant the number of Units set forth in the Grant Notice in consideration of Participant's employment with or service to the Company or one of its Subsidiaries on or before the Grant Date. The Administrator has determined Participant has not been fully compensated for such services and that the benefit received by the Company as a result of such employment or service has a value that exceeds the aggregate par value of the shares of the common stock subject to the Units (the "***Shares***"), which Shares, when issued in settlement of the Units in accordance with the terms hereof, shall be fully paid and nonassessable. Prior to actual issuance of any Shares, the Units and this Agreement represent an unsecured obligation of the Company, payable only from the general assets of the Company.

1.2 Vesting and Forfeiture of Units. The Units shall vest in accordance with the schedule set forth in the Grant Notice. In the event of Participant's cessation of employment with or service to the Company for any reason, including as a result of Participant's death or Disability, all of the then-unvested Units shall thereupon be forfeited immediately and without any further action by the Company.

ARTICLE II
SETTLEMENT OF UNITS

2.1 Settlement Mechanics.

(a) Time of Settlement. Subject to the terms and conditions of the Plan and this Agreement and to any deferral election Participant has made pursuant to the terms of the Company's Nonqualified Deferred Compensation Plan (or any successor deferred compensation plan thereto), the Company shall distribute one Share to Participant (or in the event of Participant's death, to his or her estate) in settlement of each Unit that vests as soon as practicable (and in no event more than thirty (30) days) following the vesting date.

(b) Taxes. As a condition of receiving this award of Units, the Participant agrees to pay to the Company upon demand such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state, or local income or other taxes due by reason of the grant, vesting or settlement of, or by reason of any other event relating to, the Units. However, the Participant may elect to have the Company satisfy such withholding obligations by withholding a number of Shares otherwise issuable hereunder having a Fair Market Value on the date the tax obligation arises equal to the amount to be withheld; provided, however, that the amount to be withheld may not exceed the total maximum statutory tax rates associated with the transaction to the extent needed for the Company to avoid adverse accounting treatment. If the Participant does not make the payment or election described in the foregoing, then the Company or an affiliate may withhold such taxes from other amounts owed to the Participant or may choose to satisfy the withholding obligations by withholding Shares otherwise issuable hereunder in accordance with the preceding sentence.

(c) Generally. Shares issued under this Agreement shall be issued to Participant or Participant's beneficiaries, as the case may be, at the sole discretion of the Administrator, in either (i) uncertificated form, with the Shares recorded in the name of Participant in the books and records of the

Company’s transfer agent with appropriate notations regarding the restrictions on transfer imposed pursuant to this Agreement; or (ii) certificated form. Unless otherwise determined by the Administrator or provided in this Agreement, all distributions in respect of the Units shall be made by the Company in the form of whole Shares. In no event will fractional shares be issued upon settlement of the Units. In lieu of any fractional Share, the Company shall make a cash payment to Participant equal to the Fair Market Value of such fractional Share on the date the Units are settled pursuant to this Section 2.1.

2.2 Conditions to Issuance of Shares. The Company shall not be required to issue or deliver any Shares upon settlement of the Units prior to fulfillment of all of the conditions set forth in this Agreement and the Plan.

2.3 Transfer Restriction. No Units or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect. In addition, notwithstanding anything to the contrary herein, the Participant agrees and acknowledges that (a) with respect to any Shares issued hereunder that have not been registered under the Securities Act of 1933, as amended (the “***Act***”), he or she will not sell or otherwise dispose of such Shares except pursuant to an effective registration statement under the Act and any applicable state securities laws, or in a transaction which, in the opinion of counsel for the Company, is exempt from such registration, and a legend will be placed on the certificates for the Shares to such effect, and (b) the Participant agrees not to sell any Shares acquired under this Agreement other than as set forth in the Plan and at a time when applicable laws, Company policies or an agreement between the Company and its underwriters do not prohibit a sale.

2.5 Rights as Stockholder; Dividend Equivalents. Participant shall not have any rights of a stockholder with respect to the Shares subject to the Units (including, without limitation, any voting rights or any right to dividends) until the Shares have been issued hereunder. If, however, after the Grant Date set forth in the Grant Notice and prior to the settlement date, a record date with respect to a cash dividend on the Shares occurs, then on the date that such dividend is paid to Company shareholders Participant shall receive a cash payment of “dividend equivalents” in an amount equal to the dividends that would have been paid to Participant if Participant owned a number of Shares equal to the number of outstanding Units hereunder as of such record date.

2.6 Ownership Limit and REIT Status. Notwithstanding anything to the contrary herein, Shares shall not be issued or paid hereunder if the issuance or payment of such Shares would likely result in any of the following:

(a) a violation of the restrictions or limitations on ownership provided for from time to time under the terms of the organizational documents of the Company; or

(b) income to the Company that could impair the Company’s status as a real estate investment trust, within the meaning of Sections 856 through 860 of the Code.

ARTICLE III
TAXATION REPRESENTATIONS

Participant represents to the Company the following:

(a) Participant has reviewed with his or her own tax advisors the federal, state, local and foreign tax consequences of the transactions contemplated by this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Participant understands that Participant (and not the Company) shall be responsible for his or her own tax liability that may arise as a result of the transactions contemplated by this Agreement.

(b) Notwithstanding anything to the contrary in this Agreement, the Company shall be entitled to require payment (which payment may be made in cash, by deduction from other compensation payable to Participant or in any form of consideration permitted by the Plan) of any sums required by federal, state or local tax law to be withheld with respect to the issuance or other event with respect to the Units or Shares. The Company shall not be obligated to issue any Shares or deliver any stock certificate representing Shares to Participant or Participant's legal representative, or, if the Shares are held in book entry form, to remove the notations on the book form, unless and until Participant or Participant's legal representative shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of Participant resulting from the issuance or other event with respect to the Units or Shares.

ARTICLE IV
MISCELLANEOUS

5.1 Governing Law; Limitation on Actions. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Maryland, without giving effect to principles of conflicts of law. Any legal action or proceeding with respect to this Agreement and all acts and transactions pursuant hereto may only be brought and determined in (a) a court sitting in the State of California, and (b) a "bench" trial, and any party to such action or proceeding shall agree to waive its right to a jury trial. In accordance with Section 18(h) of the Plan, any legal action or proceeding with respect to this Agreement and all acts and transactions pursuant hereto, must be brought within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint.

5.2 Entire Agreement; Enforcement of Rights. This Agreement and the Plan set forth the entire agreement and understanding of the parties relating to the subject matter herein and merge all prior discussions between them. Subject to Section 15(c) of the Plan, no modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement.

5.3 Bound by Plan; Interpretation. Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms and provisions therein. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan (as such may be amended from time to time in accordance with the terms of the Plan), the applicable terms and provisions of the Plan will govern.

5.4 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of the Agreement shall be interpreted as if such provision were so excluded and (c) the balance of the Agreement shall be enforceable in accordance with its terms.

5.5 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by electronic mail (with return receipt requested and received) or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified, if to the Company, at its principal offices, and if to Participant, at Participant's address, electronic mail address or fax number in the Company's records or as subsequently modified by written notice.

5.6 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

5.7 Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The Company may assign its rights under this Agreement to any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company without the prior written consent of Participant. The rights and obligations of Participant under this Agreement may only be assigned with the prior written consent of the Company.

5.8 Conformity to Securities Laws. Participant acknowledges that the Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Shares are to be issued, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.9 No Right to Continued Service. EXCEPT AS MAY BE PROVIDED IN ANY EMPLOYMENT AGREEMENT WITH THE PARTICIPANT, THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE UNITS PURSUANT TO SECTION 2.1 HEREOF IS EARNED ONLY BY CONTINUING SERVICE TO THE COMPANY, OR ONE OF ITS SUBSIDIARIES AS AN “AT WILL” EMPLOYEE OR CONSULTANT OF THE COMPANY, OR ONE OF ITS SUBSIDIARIES OR A NON-EMPLOYEE DIRECTOR OF THE COMPANY (AND NOT THROUGH THE ACT OF BEING HIRED OR ACQUIRING SHARES HEREUNDER). THE PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE, CONSULTANT OR NON-EMPLOYEE DIRECTOR FOR SUCH PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH THE COMPANY’S, OR ANY OF ITS SUBSIDIARIES’ RIGHT TO TERMINATE THE PARTICIPANT’S EMPLOYMENT OR SERVICE TO THE COMPANY AT ANY TIME, WITH OR WITHOUT CAUSE.