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How To Collect Up To \$55,563 Every Year From The Legal Marijuana Boom



How To Collect Up To \$55,563 Every Year From The Legal Marijuana Boom

By Investing Daily Analysts

There are a lot of ways to make money from the booming demand for marijuana. However, not all of them are legal, and even some of those that are legal are still quite risky.

Similar to the way the California gold rush of 1849 lured thousands of avaricious panhandlers to the west coast in search of riches, the marijuana industry is attracting investors eager to cash in on a business that is growing, well, like a weed.

You may recall that most of the California gold miners never struck it rich, while fortunes were made by the merchants that sold them the picks & shovels necessary to do their mining.

Likewise, a lot of “pot stocks” will never turn a profit, leaving their shareholders holding the, um, bag. But there is one company that stands to profit no matter which companies end up being the winners of the marijuana boom because it provides a service all of them must have.

Innovative Industrial Properties

That company is Innovative Industrial Properties (NYSE: IIPR), a publicly-traded REIT (real estate investment trust) that provides the state government-mandated labs and growing rooms for legally approved medical cannabis products. The company owns eleven properties comprising over one million square feet in nine states that are 100% leased with a weighted-average lease length of 14.8 years.

Getting a medical marijuana facility through all of the legal hoops necessary to obtain regulatory approval is no small task. The principals that comprise the senior management team of IIPR have executed over \$10 billion in specialized real estate transactions and have successfully guided other REITs through the startup process including one company that was acquired by Blackstone for \$8 billion. It appears this management team now has similar plans for IIPR, which has a market cap of less than \$1 billion so there is plenty of room for growth.

In fact, both IIPR and the medical marijuana business is still in their infancy. As of the end of 2018, IIPR is in nine states leaving 24 other states as legal and open markets for it to enter. To date, 33 states have legalized some form of medical marijuana, and many more are on the verge of doing the same.

Ahead of Schedule

A recent national survey revealed that 94% of Americans are in favor of the doctor-recommended use of medical marijuana due to its effectiveness in treating cancer, chronic pain, Parkinson's disease, Alzheimer's, and PTSD.

However, cannabis remains a Schedule 1 "controlled substance" under federal law, severely limiting where and how medical marijuana can be cultivated and distributed. If and when cannabis is reclassified under the Controlled Substance Act, the market for medical marijuana could grow exponentially driving up demand for the type of properties owned by IIPR.

Even without a change in the federal law, sales of regulated cannabis products are projected to grow at a CAGR (compound annual growth rate) of 26% from \$9.1 billion in 2017 to \$28.9 billion by 2022. The only way to legally produce more cannabis products is to grow more of it in government authorized facilities which means demand for these types of properties should increase at a similar rate.

The Cigar Excise Extension Act of 1960

Since IIPR is a REIT, by law it must pay out approximately 90% of its net income to its shareholders as dividends to avoid paying income taxes at the corporate level. If it does not, the federal government has your back and may use its full force and authority to levy taxes on IIPR,

which would effectively put the company out of business.

You can thank President Dwight D. Eisenhower for that. In 1960 he enacted Public Law 86-779, also known as the "Cigar Excise Tax Extension Act", which provided individual investors with the opportunity to participate in income-producing properties on a large scale via a Real Estate Investment Trust. By creating this special tax exemption for REITs, these companies have a strong financial incentive to pay their shareholders first.

Although it sounds complicated, the way a REIT works is really quite simple. It borrows money to obtain properties, then leases those properties to tenants that pay rent. The REIT deducts its cost of operating the company from those rents and then pays out 90% of what is left over in the form of dividends to its shareholders.

Dividends You Can Count On

You can participate in the growth of the medical marijuana business for less than \$90 by buying a single share of IIPR. Despite the title of this report you can collect as much, or as little, dividend income as you like depending on how many shares you own.

Dividends are paid quarterly to shareholders of record on the last day of March, June, September, and December. Over the past eighteen months, IIPR's dividend payment has tripled in value from 15 cents a share in June of 2017 to 45 cents a share in March of 2019.

Another option is to buy the Preferred A shares issued by the company (IIPR-PA), which pay a fixed annual dividend of \$2.25. That works out to a yield of 7.7% at a recent share price of \$29.

Regardless of which way you choose to participate, IIPR's tenants are contractually required to pay rent month in and month out and IIPR is legally required to share the vast majority of that net income with you to comply with federal tax laws.

IMPORTANT NOTES:

Guidance concerning the stocks highlighted in this report is believed to be accurate and represent our best advice at the time of writing. However, market conditions change constantly and guidance at the time of this writing may not reflect our latest advice. For our current take on any stock in this report, it is vitally important that you check the Portfolio tables on the website and confirm that the stock still earns a buy rating. Furthermore, confirm that the stock trades below our current buy limit. Do not buy any stocks above our recommended buy limits. If a stock's price exceeds our buy limit, wait for a pullback or invest in another Portfolio holding that trades below our buy limit. Any advice in the Portfolio tables, a recent issue of the publication, or our email alerts always trumps older advice in this special report. We reserve the right to substitute special reports as market trends dictate.

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