

REBRANDING CANNABIS



CANNABIS IS AN EMERGING COMPONENT OF COMMERCIAL REAL ESTATE AND AS SUCH WE RECOGNIZE IT IS A SENSITIVE TOPIC AS THE INDUSTRY EVOLVES AND ADAPTS. IT IS IMPORTANT TO QUALIFY THAT I ONLY DEAL WITH LEGAL CANNABIS OPERATORS THAT ARE APPROVED IN THE JURISDICTIONS THEY OPERATE IN AND FOLLOW APPROPRIATE ZONING AND ORDINANCE LAWS. THIS ARTICLE DOES NOT REFLECT THE CANNABIS INDUSTRY AS A “ONE SIZE FITS ALL” UMBRELLA AND WE RECOGNIZE THAT SOME LANDLORDS, OWNERS AND CONSUMERS MAY HAVE RESISTANCE TO A CANNABIS STORE IN THEIR CENTER, PROPERTY OR NEIGHBORHOOD.

Want to keep people coming through the doors in a pandemic? Lease to essential businesses. Lease to recession proof businesses.

A bit of background; I am a licensed real estate broker in California, Nevada, Colorado, and Massachusetts, and my active role as a strategic cannabis retail expert takes me to virtually all municipalities in which medicinal and recreational cannabis have been legalized. Cannabis is flush with cash - legal sales expected to exceed year after year - to keep up with the industry's trajectory, operators need money to scale. But capital scarcity means lenders and landlords can charge outsized interest and cap rates, and as we've seen during COVID, cannabis companies can afford to pay rent regardless of economic and market conditions - COVID showed us that cannabis is as recession proof as liquor - economy goes down, cannabis sales go up. The bottom line is, where traditional retail was decimated by the pandemic, cannabis flourished like never before.

The cannabis industry is one of the country's fastest growing industries. U.S. cannabis sales hit a record of \$17.5 Billion as Americans consume more cannabis than ever before, according to Forbes. By 2025, annual sales across the U.S. will reach \$41 Billion, according to Cowen, an American independent investment bank. Legalization is spreading, state by state, with 36 states already regulating their own cannabis markets. With more states legalizing - we've seen a green sweep. 1 in 3 Americans live in a state with adult use laws, and we expect to see more.

Opening cannabis retail is like getting a driver's license.



License is first - think of this like a taxi medallion, or a liquor license - except imagine if the entire state of Florida only awarded 22 liquor licenses, or the state of New York only awarded 10 taxi medallions - that's the reality with cannabis - to be in the industry, you have to have a license and there are a finite number of licenses available - 90% of licenses are awarded through a highly competitive merit based application process, so you have hundreds of companies competing for the chance to operate a cannabis business in that jurisdiction.

The second requirement usually goes hand in hand with the license, and that is what the industry calls "green zoned property." This is real estate that is properly zoned for commercial cannabis activities according to that jurisdiction's ordinances.

So now you know cannabis companies need a license and they need green zoned real estate - but the craziest part is that the success of your cannabis license application is usually dependent on your property being green zoned - as in, you have to lock in a property zoned piece of real estate BEFORE you even win the license.

Real estate is a critical component in the cannabis industry because of the restrictive and complex zoning requirements. That combined with the institutional capital scarcity for an otherwise cash-flush industry creates a lucrative opportunity for commercial property owners who would lease to a cannabis tenant.



San Diego March and Ash has locations in Mission Valley, City Heights, Imperial Valley, Vista, and Chula Vista.

The industry is wide open and moving fast. Cannabis is becoming highly marketable in more ways than one. Store front cannabis brand 'March and Ash' has been compared to the Nordstrom shopping experience. The strong customer service paired with multiple locations in San Diego, shows off a non-intimidating storefront and a modern style interior. Cannabis brands continue to excel in hospitality.

The lifestyle brand 'Cookies' opened their Melrose location in October 2018. Cookies' sales continue to flourish month

over month. Last month the West Hollywood Cookies store exceeded \$8 million in sales at their 2,000 square foot location - outperforming Apple and Tesla. For consumers who prefer to stay home - delivery services including 'Eaze' make it simple to order cannabis straight to your door. Eaze is the nation's largest multi-state cannabis delivery service and is known as the uber of cannabis. It is expected to expand as states legalize marijuana. It's no secret, the cannabis industry is booming. Cannabis retailers are popping up and they're here to stay - in style.



Cookies has 45 stores in 25 markets and 7 countries.