

The Expansion of Cannabis Across the Nation: A Look at Commercial Real Estate Opportunities

Abstract:

The legalization of cannabis for medical and adult-use use has rapidly expanded across the United States. Commercial real estate opportunities have emerged as this flourishing industry gains momentum, presenting a promising investment and economic growth avenue. Today there are 40 states, along with the District of Columbia that provide access to some form of cannabis. This article explores the nationwide expansion of cannabis, its potential benefits, and the various commercial real estate opportunities that have arisen as a result.



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Cannabis: then and now

Cannabis, once a stigmatized and illegal substance, is undergoing a remarkable transformation in the United States. With growing acceptance and legalization for medical and adult-use purposes, the cannabis industry is experiencing unprecedented growth. According to the Pew Research Center, “an overwhelming share of U.S. adults (88%) say either that marijuana should be legal for medical and adult-use use (59%) or that it should be legal for medical use only (30%).”¹ This acceptance and expansion has led to numerous commercial real estate opportunities as businesses in the cannabis sector seek suitable locations for cultivation, production, distribution, and retail operations. Below, we shed light on this evolving landscape and identify the potential benefits for investors and the economy at large.

In 1972, California became the first state to attempt to legalize cannabis through a ballot initiative known as Proposition 19. Although this attempt was unsuccessful, along with numerous other attempts over the ensuing years, in 1996 Proposition 215 passed, legalizing medical cannabis. Since then, most U.S. states have legalized medical cannabis, and several states have also legalized it for adult-use. This growing acceptance reflects changing public attitudes towards cannabis, as well as recognition of its potential medical benefits. The expansion of legalization has created a multi-billion-dollar industry that continues to thrive. To put this into perspective, legal U.S. cannabis sales topped \$30 billion in 2022 and are expected to grow to \$56.9 billion by 2028, according to the 2023 MJBizFactbook. When combined with the illicit market, it is estimated that cannabis sales exceed \$100 billion, similar in size to the tobacco and wine markets.

Economic Impact of the Cannabis Industry:

The cannabis industry has become a significant economic driver, generating substantial tax revenues, creating jobs, and stimulating local economies. According to Vangst’s “2023 Jobs Report” the cannabis industry employed over 417,000 people and continues to be a large driver

of state tax revenue. In fact, the state of California collected over \$1 billion in tax revenue in 2021 alone. As the cannabis market expands, so do the associated real estate opportunities.

Commercial Real Estate Opportunities:

The expansion of the cannabis industry has created a range of commercial real estate opportunities. These opportunities are categorized into four segments:

Cultivation Facilities

The cannabis plant requires specific environmental conditions and controlled settings to grow optimally. Consequently, there is a burgeoning demand for cultivation facilities. Abandoned industrial spaces, greenhouses, and warehouses are often converted into state-of-the-art cultivation centers to meet this demand. This repurposing of industrial real estate has revitalized certain regions and boosted property values.

Manufacturing and Processing Centers

The cannabis industry also requires facilities for the processing and manufacturing of various cannabis products, such as oils, edibles, and concentrates. Investors and developers have identified this demand, leading to the establishment of dedicated manufacturing centers. This has led to increased leasing and development opportunities in various markets.

Distribution and Warehousing

With the complexities of cannabis regulations and the need to maintain a well-regulated supply chain, the distribution sector has become vital. Warehouses strategically located near dispensaries and retail stores are in high demand for storing and transporting cannabis products. Since cannabis remains a Schedule I narcotic, transporting cannabis across state lines is prohibited. Therefore, location for distribution and storing cannabis is extremely important to maximize revenue for companies.

Retail Dispensaries

One of the most visible aspects of the cannabis industry is the proliferation of retail dispensaries. These storefronts have emerged in cities and towns across the nation, providing an opportunity for entrepreneurs to enter the cannabis retail market. Commercial real estate in prime locations is sought after for setting up dispensaries, presenting the potential for attractive rental income and capital appreciation. However, each state has its own set of regulations that govern the number and allowable location for dispensaries. Furthermore, some municipalities allow an unlimited number of storefronts while others have a limited number of allowable locations.

Conclusion:

The expansion of cannabis legalization across the nation has given rise to a thriving industry with vast economic potential. As the cannabis market continues to grow, commercial real estate opportunities will also increase. Cultivation facilities, manufacturing centers, distribution and warehousing facilities, and retail dispensaries are just a few examples of the real estate

opportunities arising from the cannabis industry. Investors and developers who position themselves strategically in this sector may reap significant benefits while contributing to the overall growth of local economies. However, it is essential to navigate the ever-changing regulatory landscape and monitor developments from the federal, state, and local authorities.

1. <https://www.pewresearch.org/short-reads/2022/11/22/americans-overwhelmingly-say-marijuana-should-be-legal-for-medical-or-recreational-use/>