

The Potential Impact of Rescheduling Cannabis on the National Market and Real Estate

Overview:

The debate surrounding the rescheduling of cannabis by the Drug Enforcement Administration (DEA) has garnered significant attention in recent years. The possibility of shifting cannabis from Schedule I to Schedule III has ignited discussions on various fronts, including its potential ramifications on the national cannabis market and, more specifically, the real estate sector. This paper delves into the potential effects of such a rescheduling on the cannabis industry, with a keen focus on its implications for cannabis real estate.



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Rescheduling Cannabis: A Shift in Regulatory Paradigm:

The current classification of cannabis as a Schedule I substance under the Controlled Substances Act (CSA) has long been a point of contention. Schedule I substances are deemed to have a high potential for abuse and lack accepted medical use, severely restricting research opportunities and hindering the development of a regulated cannabis market. However, the reclassification of cannabis to Schedule III, where substances have a lower potential for abuse and accepted medical uses, could mark a significant regulatory shift.

Potential Impacts on the National Cannabis Market:

1. *Expansion of Market Opportunities:* Rescheduling cannabis could lead to increased access for medical research and pharmaceutical development, fostering innovation and diversification within the cannabis industry. This expanded legitimacy may attract new investors and entrepreneurs, stimulating additional market growth.
2. *Improved Regulatory Clarity:* Rescheduling would likely result in clearer regulatory frameworks at both federal and state levels, reducing ambiguity and facilitating compliance for businesses. This clarity may encourage investment in cannabis-related ventures, including cultivation facilities, dispensaries, and ancillary services. Moving cannabis to Schedule III from Schedule I would end 280E's effect on the cannabis industry, allowing state-regulated companies to "deduct, for federal income tax purposes, all their ordinary and necessary business expenses, the same as any other company would do," said Thomas Ostrander, a partner with Philadelphia-headquartered law firm Duane Morris in a recent article published on MJBizDaily.¹
3. *Enhanced Consumer Confidence:* A shift to Schedule III could alleviate some of the stigma associated with cannabis, leading to greater consumer acceptance and mainstream

adoption. This increased acceptance may drive higher demand for cannabis products, spurring market expansion.

Impact on Cannabis Real Estate:

The potential rescheduling of cannabis would have significant implications for the real estate sector, particularly properties associated with cannabis cultivation, processing, and distribution. Key considerations include:

1. *Increased Demand for Commercial Space:* A burgeoning cannabis industry would require additional real estate for various purposes, such as cultivation facilities, laboratories, dispensaries, and distribution centers. This heightened demand could drive up property values in areas conducive to cannabis operations.
2. *Adaptation of Zoning Regulations:* Local zoning regulations currently restrict the location of cannabis-related businesses, often confining them to industrial zones or specific districts. A rescheduling of cannabis may prompt municipalities to reassess zoning ordinances, potentially opening up new areas for cannabis real estate development.
3. *Diversification of Investment Opportunities:* Rescheduling cannabis could attract a broader range of investors to the cannabis real estate market, including institutional investors who were previously deterred by regulatory uncertainties. This influx of capital could fuel the development of specialized cannabis real estate investment trusts (REITs) and other financial instruments tailored to the industry.

Conclusion:

The potential rescheduling of cannabis from Schedule I to Schedule III holds significant implications for the national cannabis market and the real estate sector. While such a shift would likely foster growth, innovation, and regulatory clarity within the cannabis industry, its impact on cannabis real estate could be particularly pronounced. Stakeholders in both the cannabis and real estate industries must closely monitor regulatory developments and adapt their strategies to capitalize on emerging opportunities in this evolving landscape.

Sources:

1. What the end of 280E might mean for cannabis business taxes
<https://mjbizdaily.com/what-the-end-of-280e-might-mean-for-cannabis-business-taxes/>