



The Positive Impact on Cannabis Real Estate if Recreational Cannabis Becomes Legal in Florida, North Dakota, South Dakota, and Nebraska

Introduction

The ongoing trend of cannabis legalization across the United States has reshaped not only public policy but also various sectors of the economy, including real estate. For the November 2024 elections, there are four states where voters will also decide on cannabis policy: Florida, North Dakota, South Dakota, and Nebraska. Legalization of recreational cannabis typically leads to an immediate surge in demand for commercial real estate properties suitable for cultivation, manufacturing, distribution, and retail environments. From commercial properties for dispensaries to industrial spaces for cultivation, legalization would introduce new opportunities for investors, developers, and businesses. This paper explores the positive impact that cannabis legalization could have on the real estate market in these four states, focusing on the commercial, industrial, and residential sectors.



Photo: Nellie Adamyan, Unsplash

Florida: The Tourism Powerhouse and Real Estate Boom

Legalizing recreational cannabis can catalyze economic development, which would positively affect the real estate sector. In Florida, one of the largest and most populous states in the potential cohort, legalization could spur significant activity. As one of the most populous and tourist-heavy states in the U.S., Florida presents a unique opportunity for real estate growth should recreational cannabis become legal. Florida already has a thriving medical cannabis market, which has prepared the groundwork for an even larger recreational market.

- **Tourism and Commercial Real Estate:** Florida's tourism industry is one of the largest in the country, drawing millions of visitors each year. In fact, Gov. Ron DeSantis announced earlier this year that there would be a record 140+ million visitors in 2023¹. Should cannabis become legal for recreational use, this tourism could expand to include cannabis tourism. Dispensaries and cannabis-related businesses, including cafes and lounges, would drive up demand for commercial real estate in areas like Miami, Orlando, Tampa, and other major tourist destinations. Retail spaces in high-traffic locations could see a substantial increase in value, and the growing number of cannabis businesses would likely lead to a spike in commercial lease rates.

¹ <https://www.flgov.com/2024/05/16/governor-ron-desantis-announces-record-breaking-tourism-numbers/>



- **Residential Real Estate:** Florida's job market would also benefit from cannabis legalization, creating thousands of new positions within the industry. This, in turn, would drive up demand for residential properties, particularly in urban and suburban areas where workers would settle. New developments may spring up in areas seeing increased cannabis-related economic activity, resulting in higher property values and a potential real estate boom in cannabis-friendly communities.

North Dakota: Agricultural Real Estate and Commercial Growth

North Dakota, a state known for its expansive agricultural industry, could experience significant growth in both commercial and agricultural real estate if recreational cannabis becomes legal. With its vast rural landscape, North Dakota is ideally suited for cannabis cultivation.

- **Agricultural Real Estate:** North Dakota's agricultural sector is one of the state's key economic drivers. Cannabis cultivation requires large tracts of land, making rural North Dakota an attractive option for cannabis growers. Farmland values could increase as cannabis producers purchase or lease property for large-scale cultivation operations. This would benefit landowners and local economies through job creation and increased property tax revenue.
- **Commercial Real Estate:** The state's cities, including Fargo and Bismarck, would likely experience a surge in demand for commercial spaces. Dispensaries, retail cannabis stores, and processing facilities would all require physical locations, driving up demand for commercial properties in high-visibility areas. The cannabis industry would also encourage the redevelopment of older buildings and spaces needing revitalization, helping to improve property values in urban areas.

South Dakota: Real Estate Expansion in Urban and Rural Areas

Like North Dakota, South Dakota is another agricultural state with vast open lands. The legalization of recreational cannabis could profoundly impact both urban and rural real estate markets.

- **Industrial and Agricultural Real Estate:** As in North Dakota, South Dakota's abundant farmland makes it ideal for cannabis cultivation. Rural landowners could see a substantial increase in demand for properties suitable for growing cannabis, leading to higher land values. Additionally, industrial real estate, particularly warehouses and processing facilities, would become valuable as cannabis businesses look for locations to process and distribute their products.
- **Urban Commercial Growth:** In cities like Sioux Falls and Rapid City, the legalization of recreational cannabis could spur demand for retail and commercial spaces for dispensaries, cannabis lounges, and other cannabis-related businesses. As with other states, landlords and commercial developers would benefit from the increased competition for prime locations. The legal cannabis industry would also likely encourage the revitalization of underutilized or vacant properties, contributing to urban renewal.



Nebraska: A Catalyst for Rural and Suburban Real Estate

Nebraska is another state that could see widespread economic benefits from cannabis legalization, particularly in its rural and suburban areas. While Nebraska is not currently known for its cannabis market, legalizing recreational cannabis could quickly change that, bringing new opportunities to its real estate sector.

- **Rural Agricultural Land:** Nebraska's large agricultural economy, like North and South Dakota's, could easily integrate cannabis cultivation into its portfolio. Land used for growing crops like corn or soybeans could be converted to cannabis cultivation, providing farmers with an additional revenue stream. This shift would increase the value of agricultural real estate and create new job opportunities in rural communities.
- **Suburban and Urban Commercial Real Estate:** Cities like Omaha and Lincoln could experience a commercial real estate boom as cannabis dispensaries and retail businesses look for prime locations. Legalization would make commercial properties more desirable for cannabis-related enterprises, boosting lease prices and property values. As businesses expand, suburban areas may also see new developments to support the workforce required by the industry, further driving up real estate demand.

Beneficial Impacts on Cannabis Real Estate in These States

The potential legalization of recreational cannabis in Florida, North Dakota, South Dakota, and Nebraska could have a transformative impact on real estate markets. Some of the key benefits include:

- **Increased Property Values:** Commercial and agricultural properties, in particular, could see a substantial increase in value as cannabis businesses look to purchase or lease space for cultivation, processing, and retail operations.
- **New Investment Opportunities:** Real estate investors would have new opportunities to invest in cannabis-related properties, from dispensaries to warehouses. With the demand for cannabis-related real estate expected to rise, institutional and private investors could benefit from higher returns on cannabis-friendly properties.
- **Job Creation and Housing Demand:** As the cannabis industry expands, thousands of jobs will be created in these states, increasing demand for residential housing. Property values could rise in areas near cannabis businesses, and developers might capitalize on the opportunity to build new housing for the workforce.

Conclusion

The potential legalization of recreational cannabis in Florida, North Dakota, South Dakota, and Nebraska could have numerous positive impacts on the cannabis real estate market. With increased demand for commercial and industrial properties, opportunities for economic development and job creation, and the revitalization of communities, these states could witness a transformative effect on their real estate landscapes. While there are challenges to consider, the benefits to the real estate sector and the broader economy suggest that legalization could be a significant boon to these states, contributing to their long-term growth and prosperity.