

Marijuana & Real Estate: A Budding Issue

April 2021



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Marijuana & Real Estate: A Budding Issue

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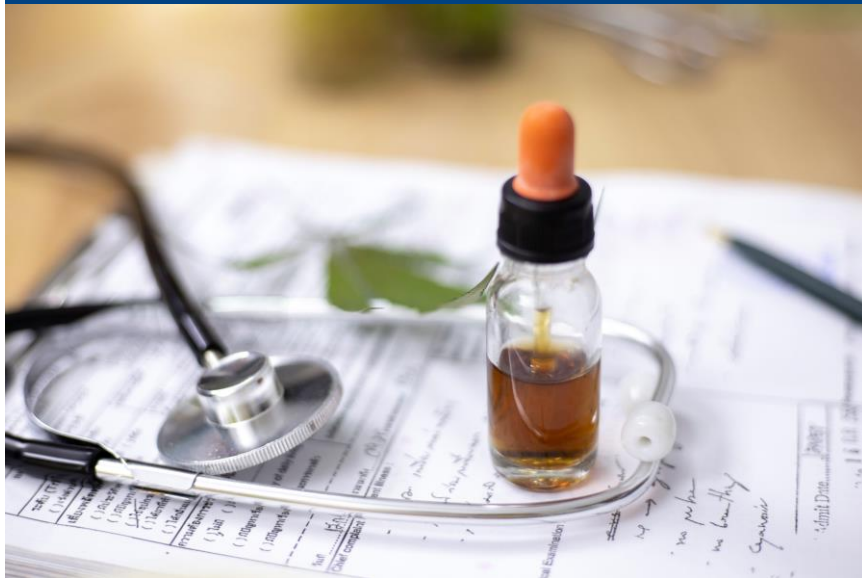
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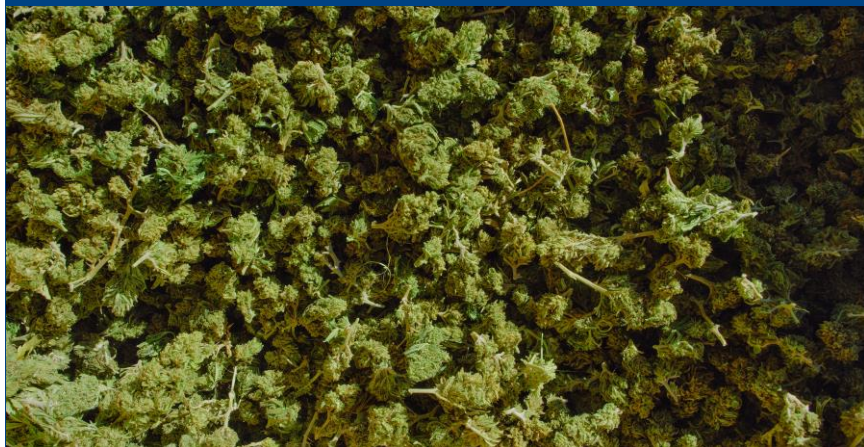


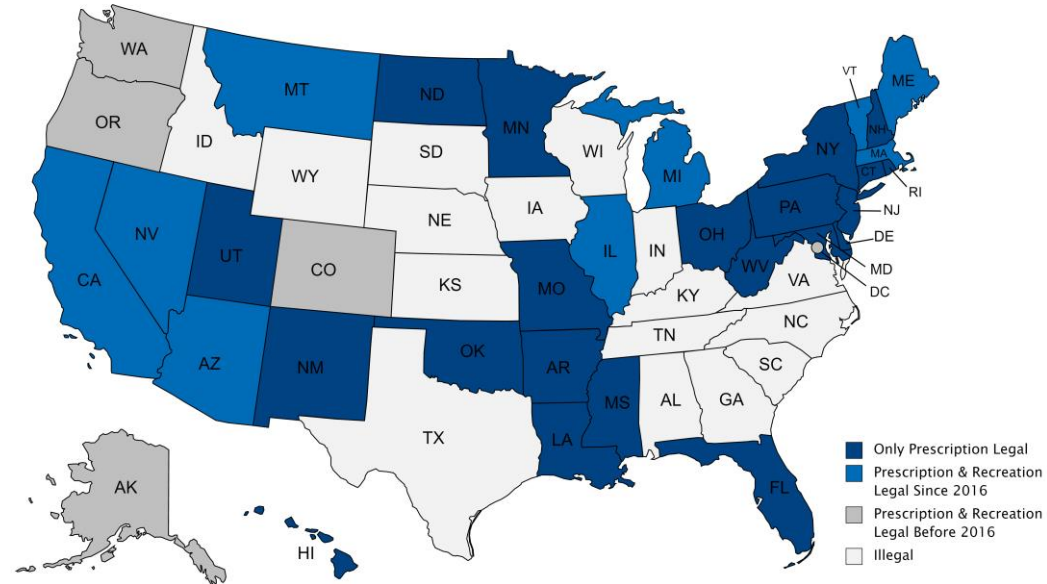
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Introduction

The legalization of marijuana continues to impact the real estate industry. If marijuana is legal within a state, the product is grown, harvested, stored, sold, and consumed within state lines. As such, commercial practitioners are finding increased demand for warehouses, land, and store fronts for marijuana. Residential practitioners are navigating an environment of marijuana being used and/or grown within rental properties, homeowner associations creating rules about consumption and growth, and title questions selling a home where the product has been grown and consumed. This report dives into these themes using a survey among members of the National Association of REALTORS®.

The report is broken down by how long marijuana has been legal within the state. The legality was based on laws that were in place at the time the survey was deployed in March of 2021.



Overview

The real estate industry and its professionals are constantly adapting to not only national and local trends, but also local laws and regulations. With constant changes in the legal status of both medical and recreational marijuana, there undoubtedly have been direct changes to real estate from these laws and related businesses. In this report, we examined the similarities and differences of effects from marijuana legality on various aspects of real estate, as well as any shifts from the last time the study was conducted in 2020.

Residential Real Estate

- More than one-third of respondents in states where marijuana was legal the longest and nearly one-quarter in states where marijuana has been more recently legalized believed inventory was tight for multiple reasons, including as a result of the marijuana industry.
- **One-quarter of respondents where marijuana was legal the longest had seen a change in residential property values near dispensaries.**
- Respondents in states where recreational marijuana is legal more often reported that homeowner associations often had rules and restrictions against smoking and growing in common areas, and growing in exposed areas.

Selling a Grow House

- **One-quarter of residential members in states that legalized recreational more than four years ago had sold a grow house.**
- Among residential members who had sold a grow house, 23 percent in states where medical marijuana is legal had a difficult time selling a grow house (29 percent last year).
- Those in states where recreational marijuana was more recently legalized were most likely to have not found a title company for their sale at only three percent.

Residential Property Management

- **Nearly half of those in states that legalized both medical and recreational marijuana prior to 2016 have seen addendums added to leases which restrict growing on properties, compared to one-quarter or less in other states.**
- Fifty-two percent of members in states where medical marijuana is legal and 36 to 43 percent of members in states where both medical and recreational marijuana are legal had no issues leasing a property after the growth of marijuana in a property.
- In states where recreational marijuana is legal, 59 to 76 percent of residential property managers have seen addendums added to leases which restrict smoking on properties.
- **About one-third of landlords were unwilling to take cash at all for rent, and eight to 15 percent will not take cash from an illegal federal activity for rent.**

Overview

Commercial Real Estate

- **In states where prescription and recreational marijuana use is legal, 35 to 36 percent of members had seen an increased demand in warehouses, 23 percent in storefronts, and 18 to 28 percent in land.**
- States where medical and recreational marijuana have been legalized in the past four years have seen the most increases in demand for commercial properties from marijuana-related businesses since the onset of COVID-19.
- Eleven to 13 percent of members had seen an increase and five to 14 percent had seen a decrease in commercial property values near dispensaries.
- **Twenty-nine percent of commercial members in states that legalized recreational marijuana in the past four years reported an increase in property purchasing over leasing in the past year, compared to 21 percent of those in states where only medical marijuana is legal, and 20 percent in states that legalized more than four years ago.**
- Among commercial members who have seen an increase in property purchasing over leasing in the past year, the majority have seen the increases with warehouses, followed by land, and storefronts.

Perception of Crime

- In states where both prescription and recreational marijuana were legalized over four years ago, 27 percent of commercial members reported a perception of an increase in crime near dispensaries (30 percent last year).
- In states where both prescription and recreational marijuana has been legal the longest 13 percent reported an actual increase in crime near dispensaries (17 percent last year).

Commercial Leasing

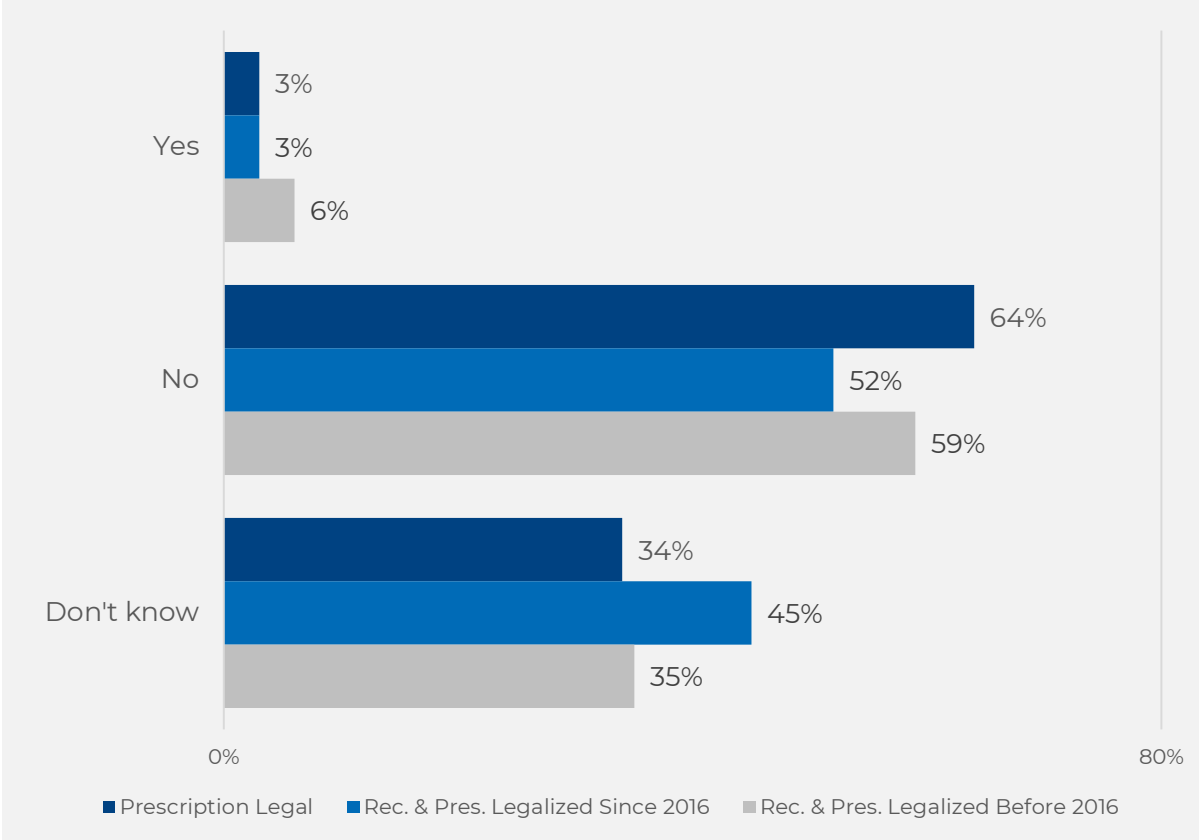
- **Eleven percent of commercial members in states where prescription marijuana is legal were leasing to marijuana related businesses.**
- Sixty-nine percent of commercial members in states where only medical marijuana is legal reported that no additional addendums were added to leases regarding the growing of marijuana, compared to 45 to 55 percent of those where medical and recreational are legal.
- The most frequently cited concern of commercial members was the smell when leasing to marijuana related businesses, followed by theft of cash on property, fire hazards, and moisture issues.
- In states where recreational marijuana has been legal the longest, more than four in 10 say commercial landlords are willing to take cash for rent.



Residential Real Estate

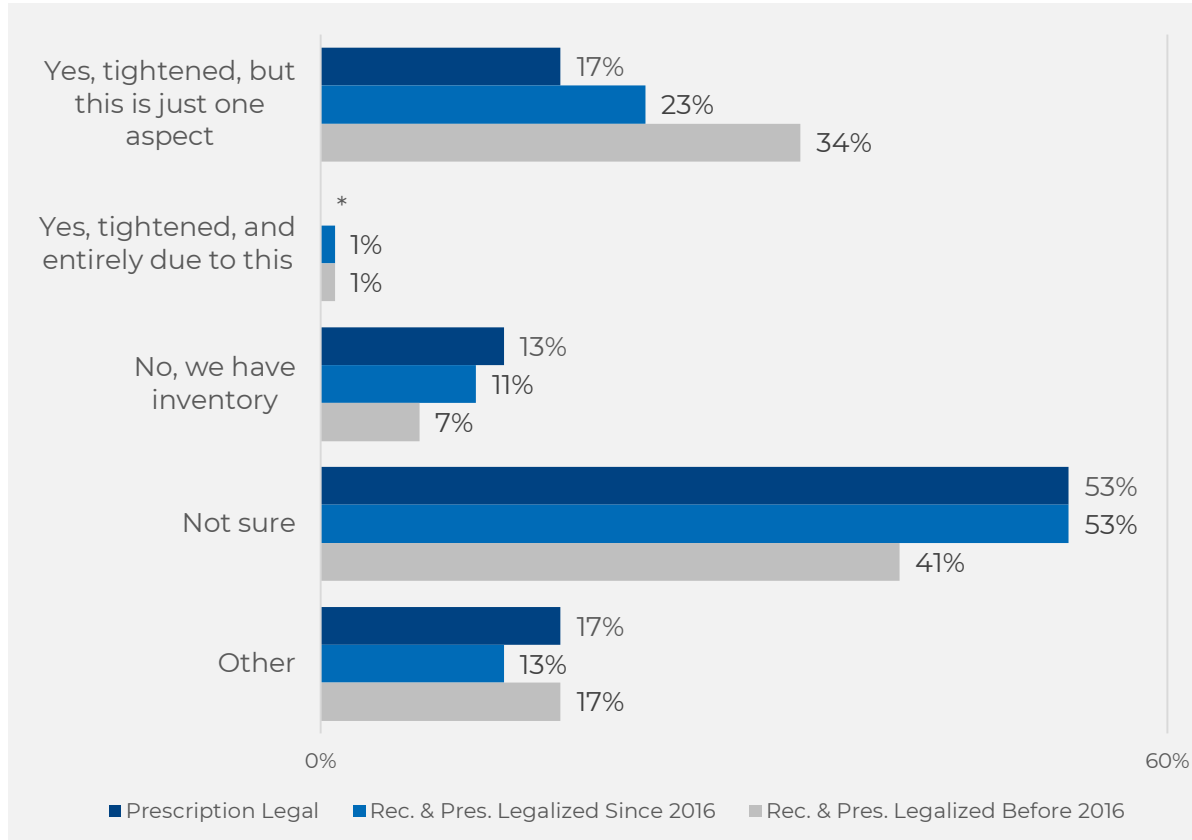
Marijuana & Real Estate: A Budding Issue

MLS Contains Marijuana Fields



As marijuana-related real estate is a continually growing market, currently only three to six percent of respondents were aware of their MLS containing a specific marijuana field (up from two to five percent last year).

Residential Inventory Due to All-Cash Purchases

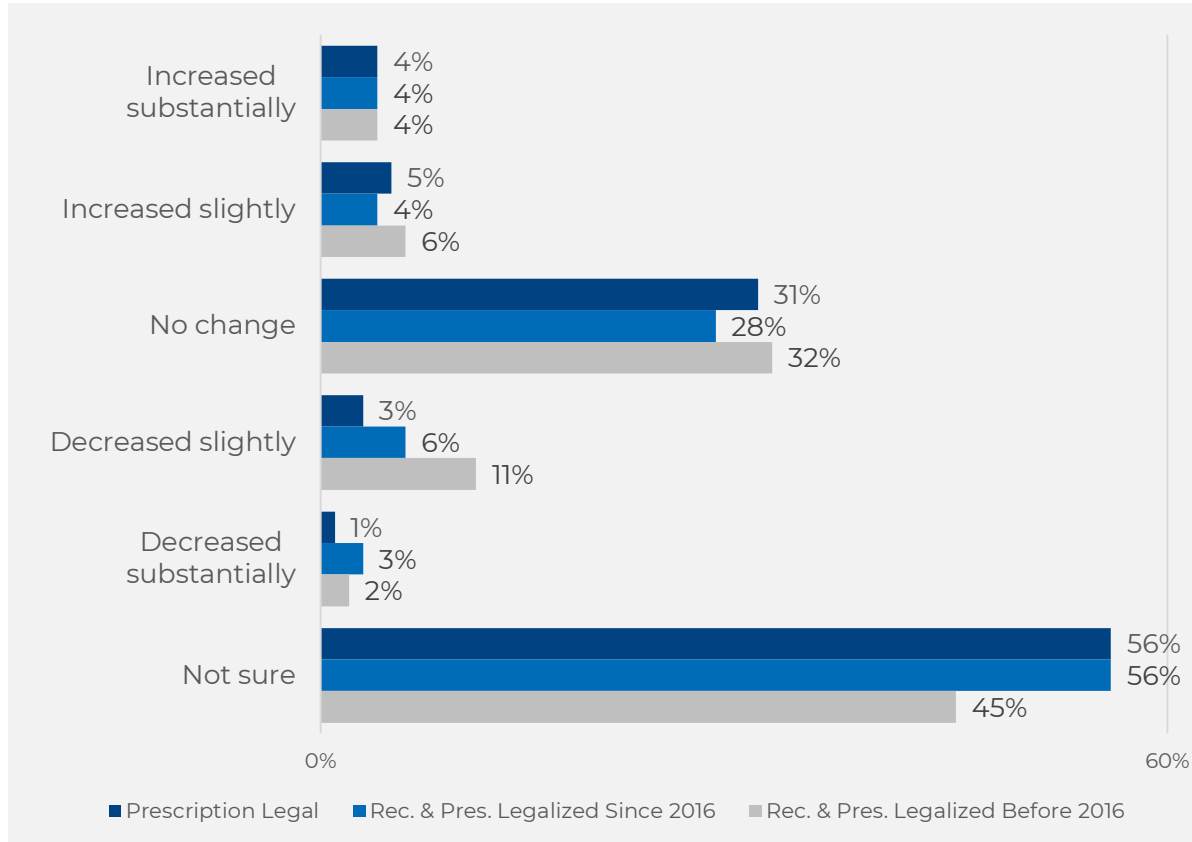


* = less than 1%

The highest share of respondents reported they weren't sure or aware of an effect on inventory due to all-cash purchases from the marijuana industry.

More than one-third of respondents in states where marijuana was legal the longest and nearly one-quarter in states where marijuana has been more recently legalized believed inventory was tight for multiple reasons, including as a result of this industry.

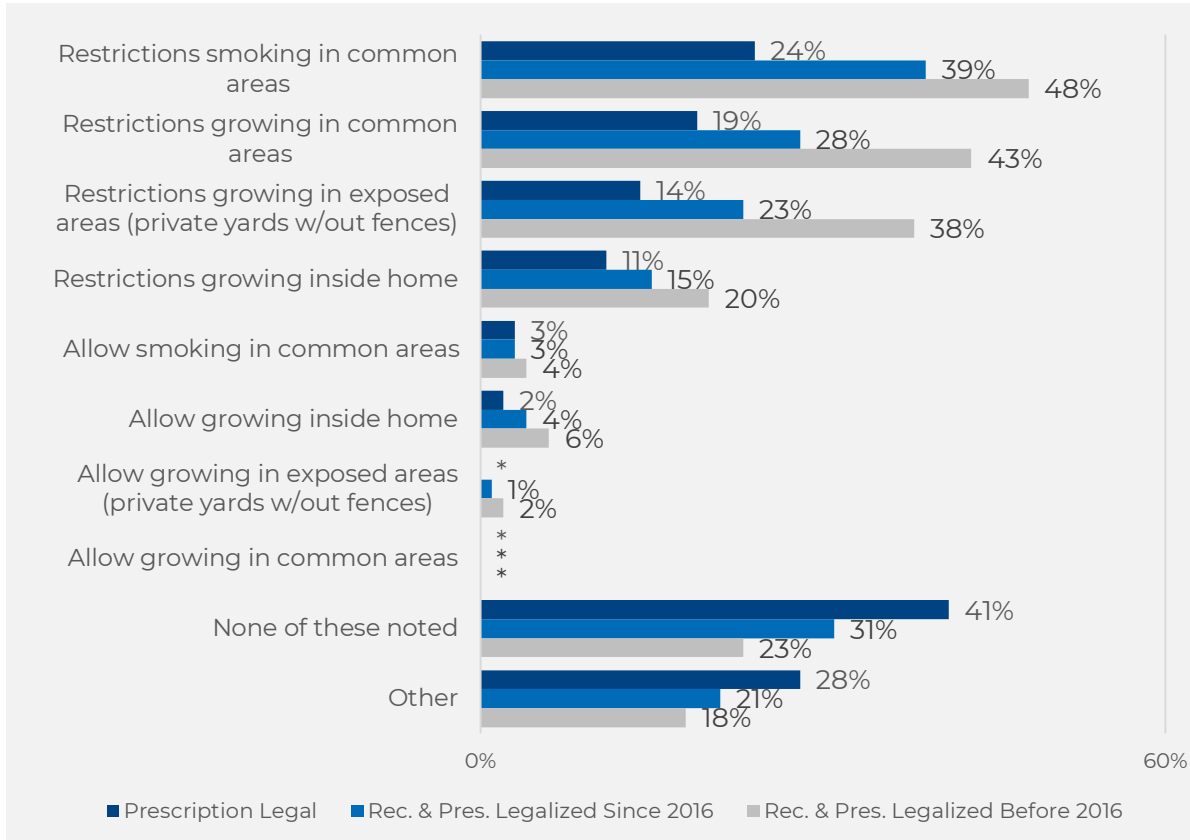
Residential Property Values Near Dispensaries



One-quarter of respondents where marijuana was legal the longest had seen a change in residential property values near dispensaries.

In states where marijuana was legal the longest, 13 percent had seen a decrease in residential property values near dispensaries (27 percent last year) and 10 percent had seen an increase (12 percent last year).

Homeowner Association Rules and Regulations



Respondents in states where recreational marijuana is legal more often reported that homeowner associations often had rules and restrictions against smoking and growing in common areas, and growing in exposed areas.

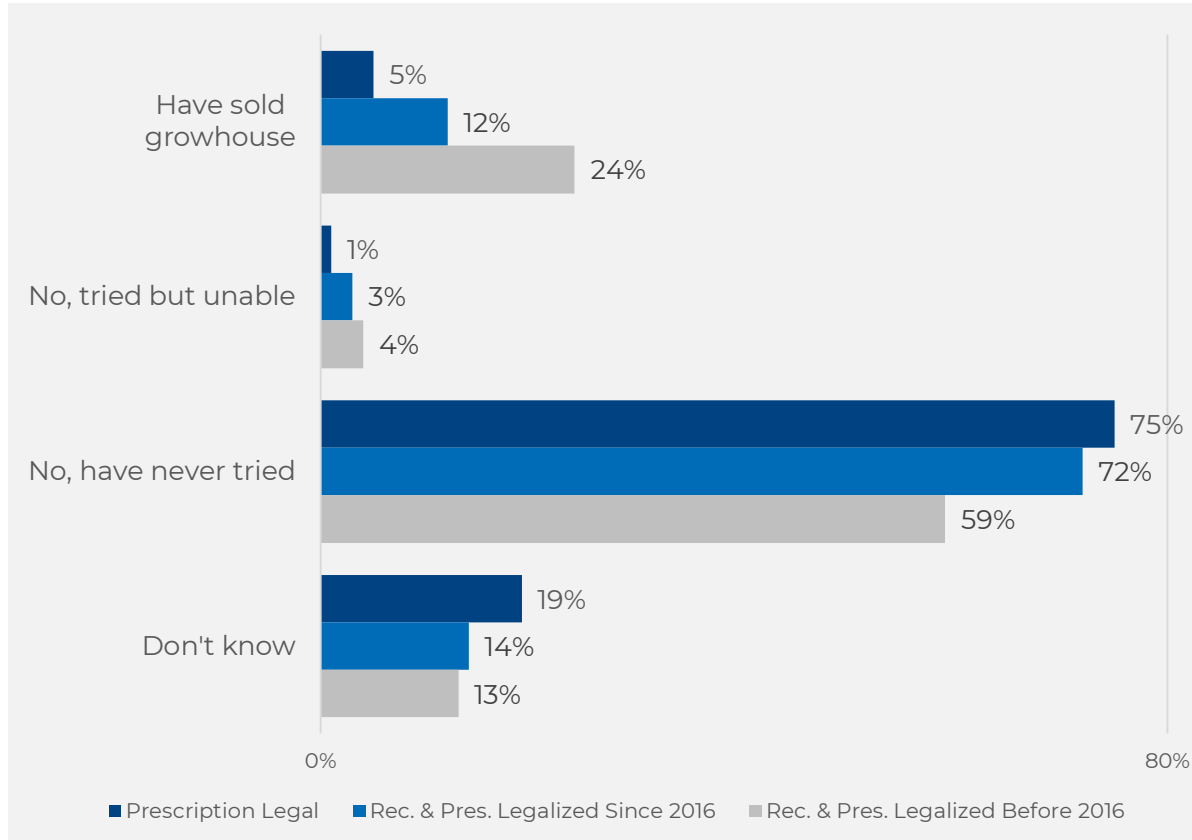
Respondents in states with only prescription marijuana stated there often were not homeowner association rules and regulations related to marijuana.

* = less than 1%



Selling a Grow House

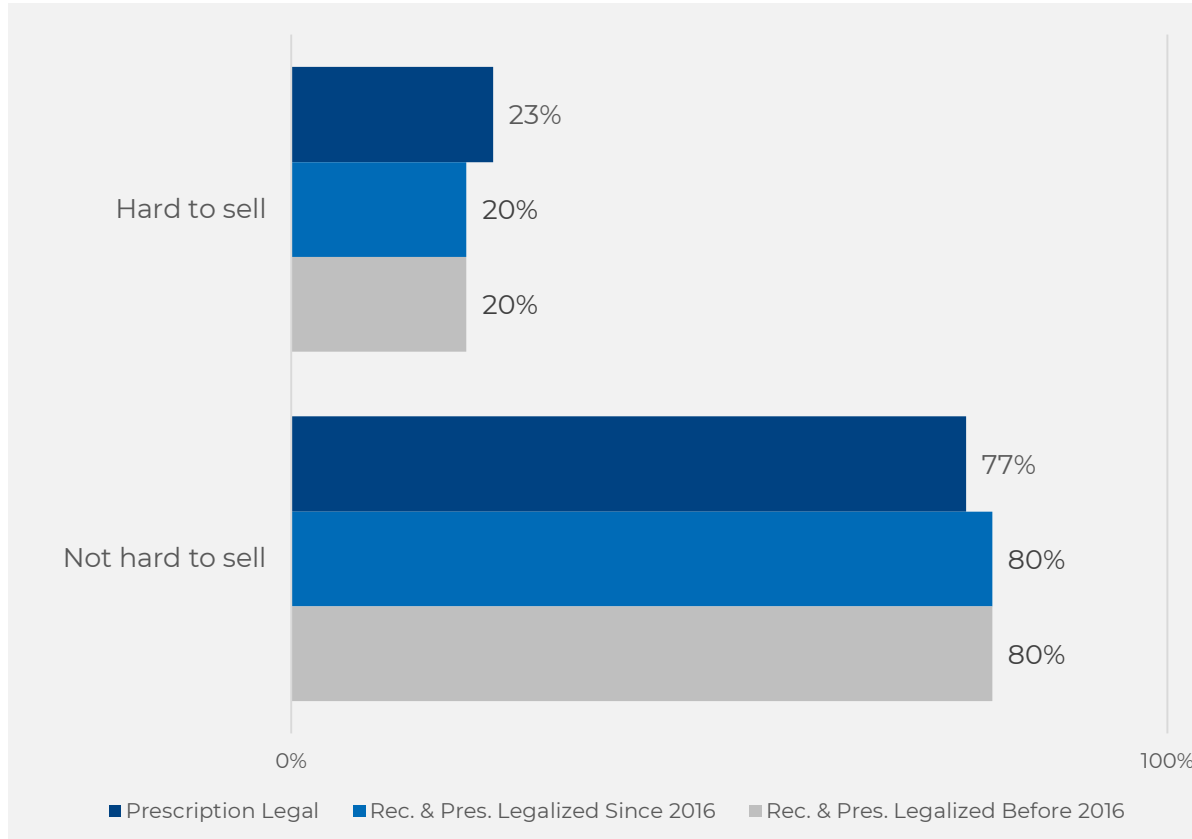
Experience Selling Grow Houses



Approximately three-quarters of respondents in states with legal medical marijuana or recently legalized recreational marijuana had never tried selling a grow house, compared to nearly six out of 10 in states that legalized more than four years ago.

One-quarter of residential members in states that legalized recreational more than four years ago had sold a grow house in the past.

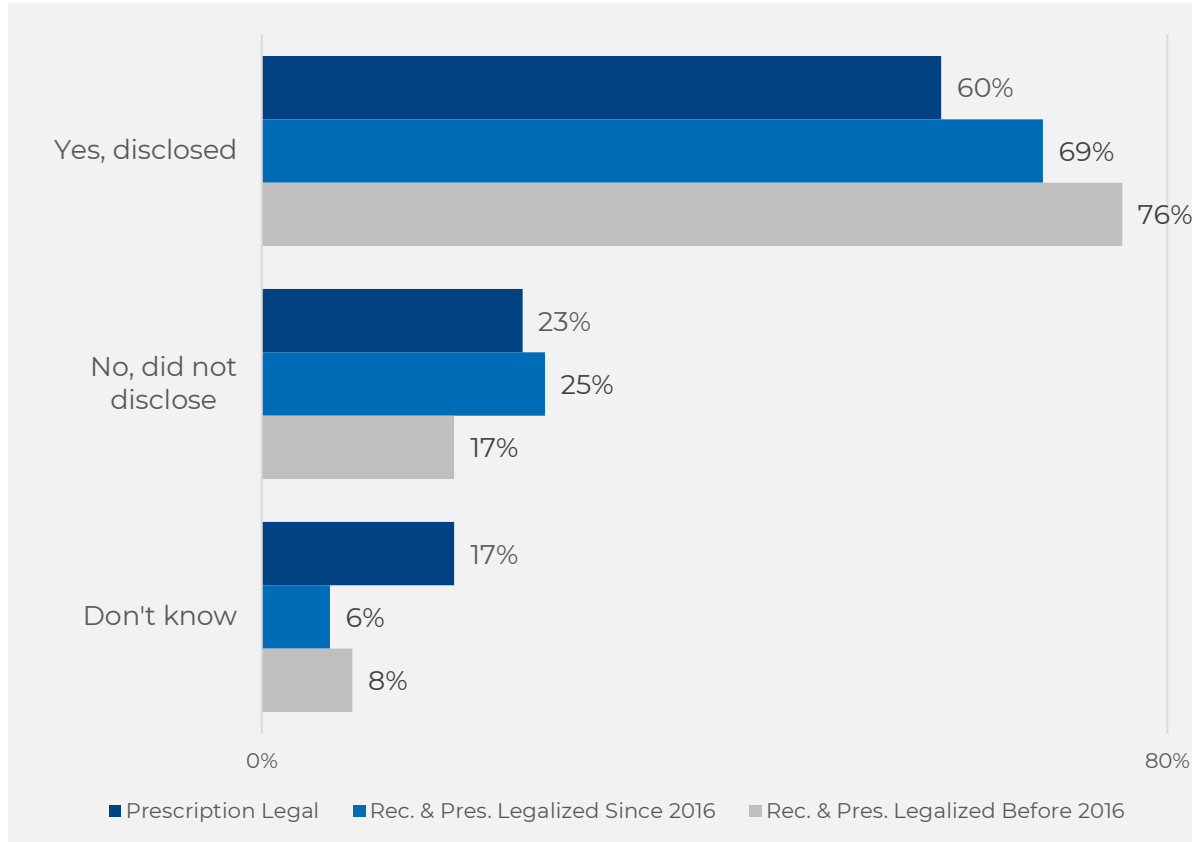
Difficulty Selling Grow Houses



Among residential members who had sold a grow house, 23 percent in states where medical marijuana is legal had a difficult time selling a grow house (29 percent last year).

Twenty percent of members who sold a grow house in states where recreational marijuana was legal had a hard time selling the home.

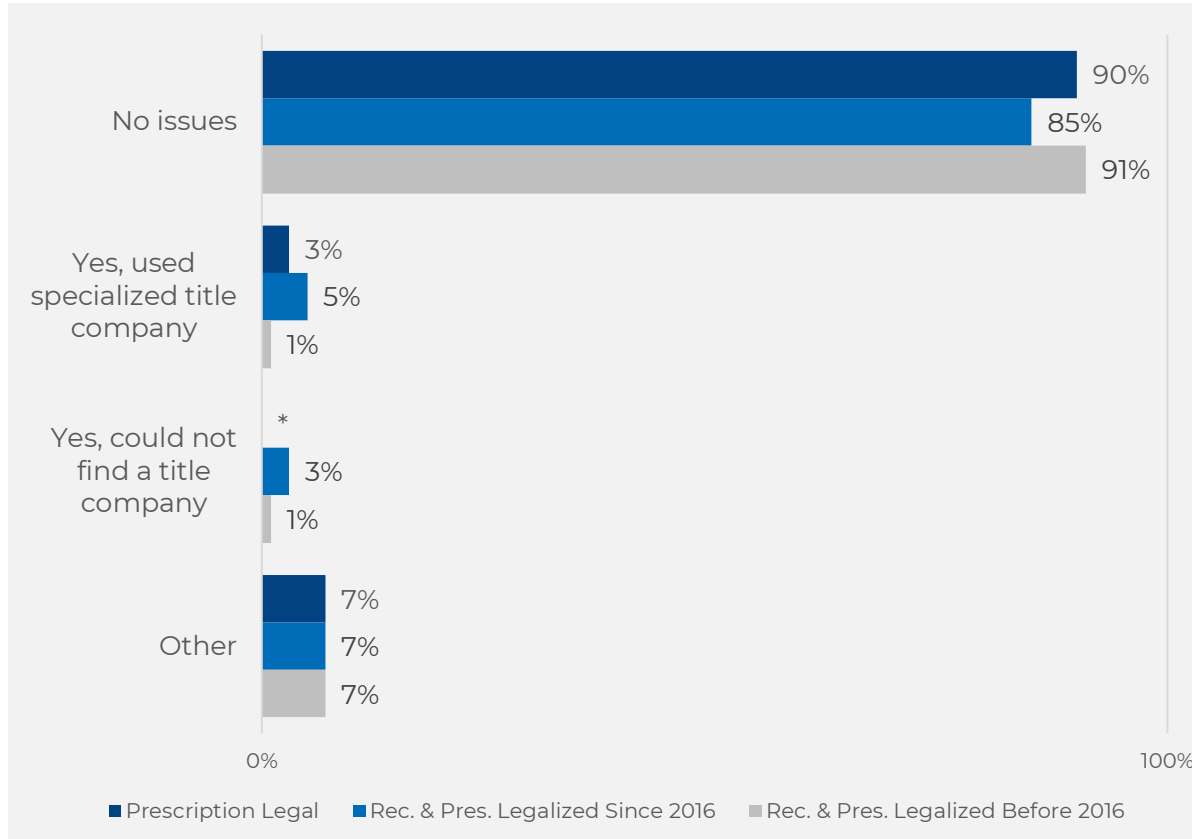
Disclosed Home Sale As Grow House



Among members who had sold a grow house, more than three-fourths in states that legalized recreational marijuana more than four years ago did disclose that the house was used as a grow house.

This share decreased to more than two-thirds in states where medical and recreational marijuana legalized more recently, and three-fifths in states where only medical marijuana is legal.

Title Issues Selling a Grow House



Among those who sold a grow house in the past, nearly nine in 10 had no title issues selling the house.

Five percent of members who have sold a grow house in states where recreational marijuana was legalized in the past four years used a specialized company for the title.

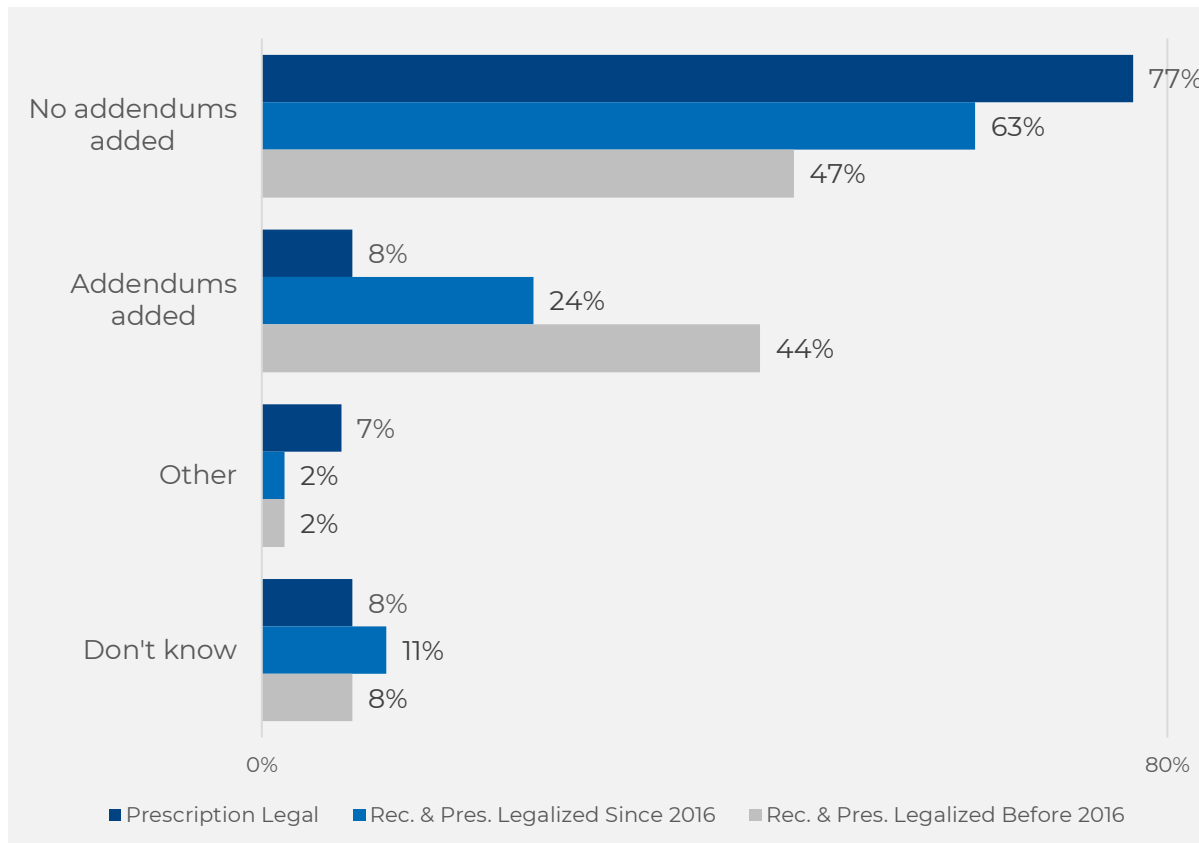
Those in states where recreational marijuana was more recently legalized were most likely to have not found a title company for their sale at only three percent.

* = less than 1%

Residential Property Management Experience



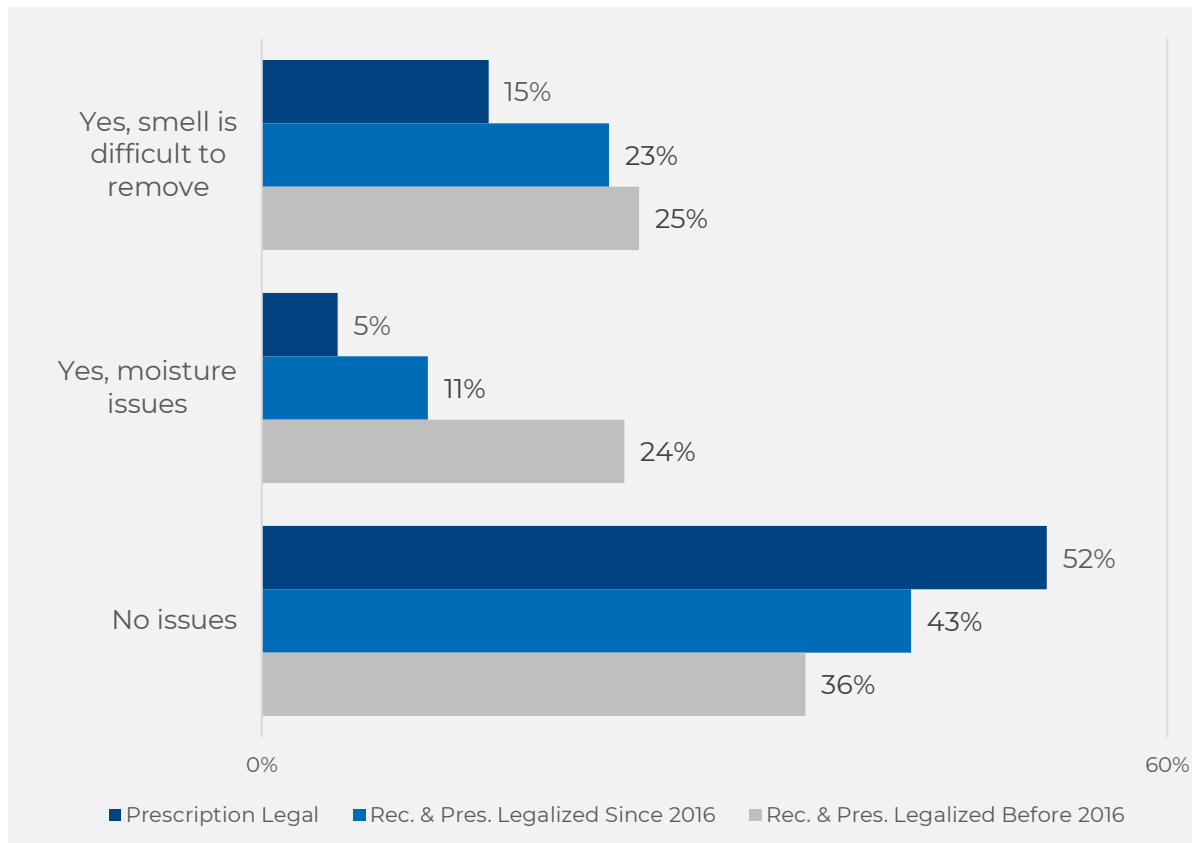
Addendum/Provisions in Leases: Restrictions on Growing



The majority of residential property managers in states with only legal medical marijuana or more recently legalized recreational marijuana had not seen addendums added to leases which restrict growing on properties.

Nearly half of those in states that legalized both medical and recreational marijuana prior to 2016 have seen addendums added to leases which restrict growing on properties, compared to one-quarter or less in other states.

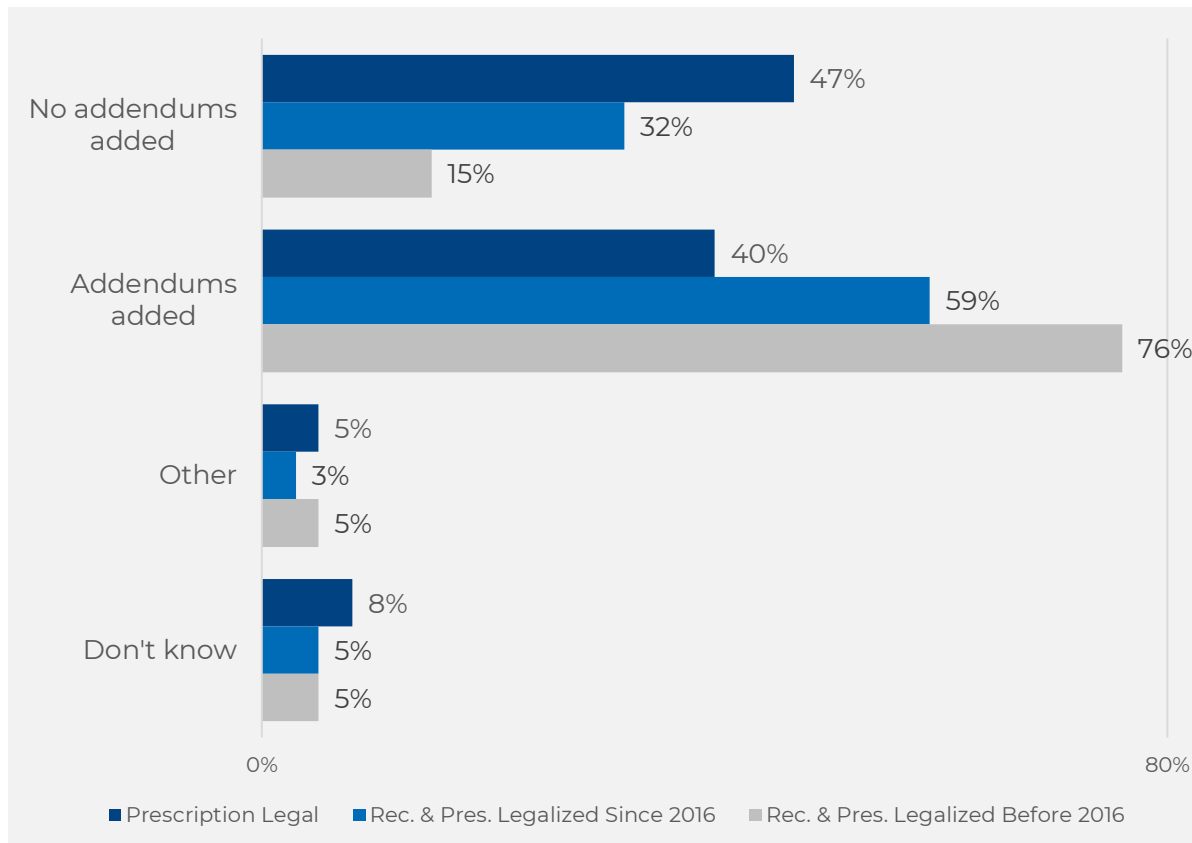
Difficulty Leasing Property After Growing of Marijuana



Fifty-two percent of members in states where medical marijuana is legal and 36 to 43 percent of members in states where both medical and recreational marijuana are legal had no issues leasing a property after the growth of marijuana in a property.

The most common issue was the smell, followed by moisture issues. Both issues were more common in areas where recreational marijuana has been legal for more than four years.

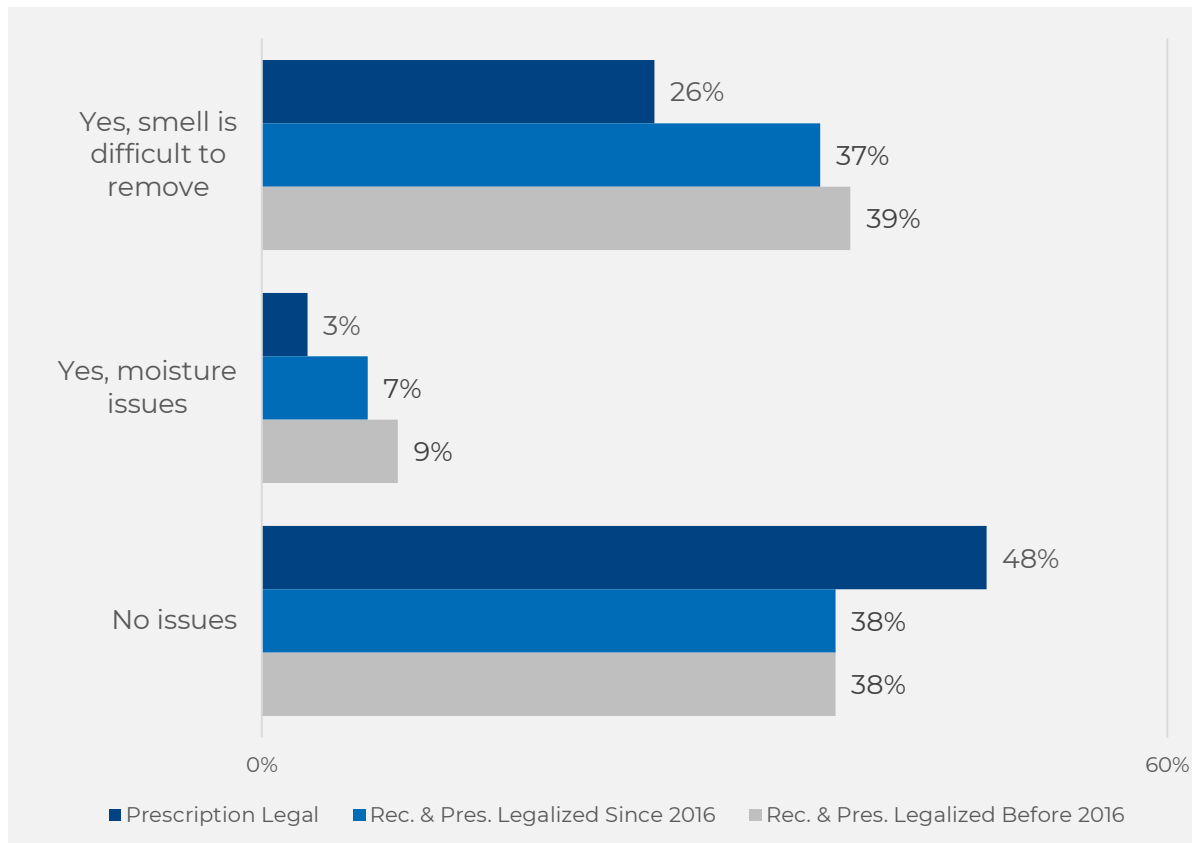
Addendum/Provisions in Leases: Restrictions on Smoking



In states where recreational marijuana is legal, 59 to 76 percent of residential property managers have seen addendums added to leases which restrict smoking on properties.

In states where only medical marijuana is legal, two-fifths had not seen addendums added to leases which restrict smoking on properties.

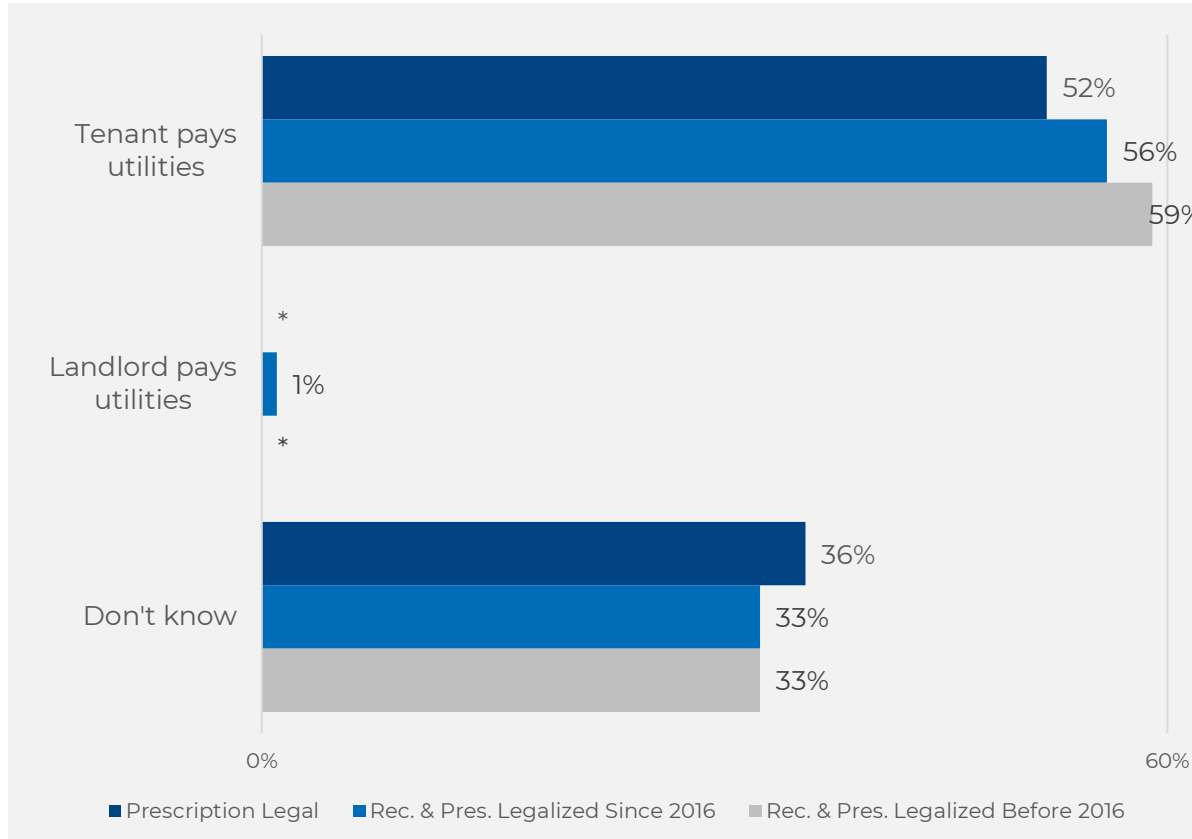
Difficulty Leasing Property After Smoking of Marijuana



Forty-eight percent of members in states where medical marijuana is legal and 38 percent of members in states where both medical and recreational marijuana are legal had no issues leasing a property after the use of marijuana in a property.

The most common issue was the smell, which one-quarter to more than one-third of these members had encountered.

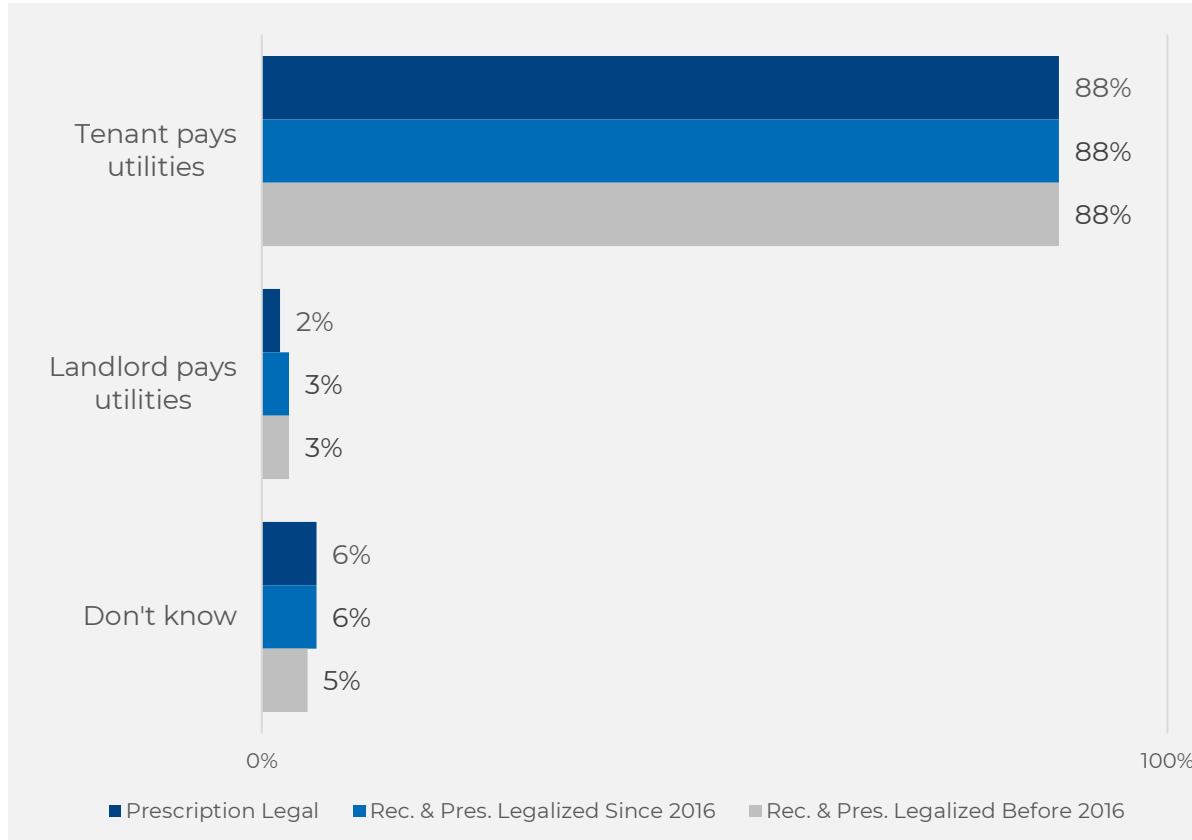
Tenant Growing: Utility Costs



When a tenant was allowed to grow marijuana in their rental property, it was most common for the tenant to pay the utility costs.

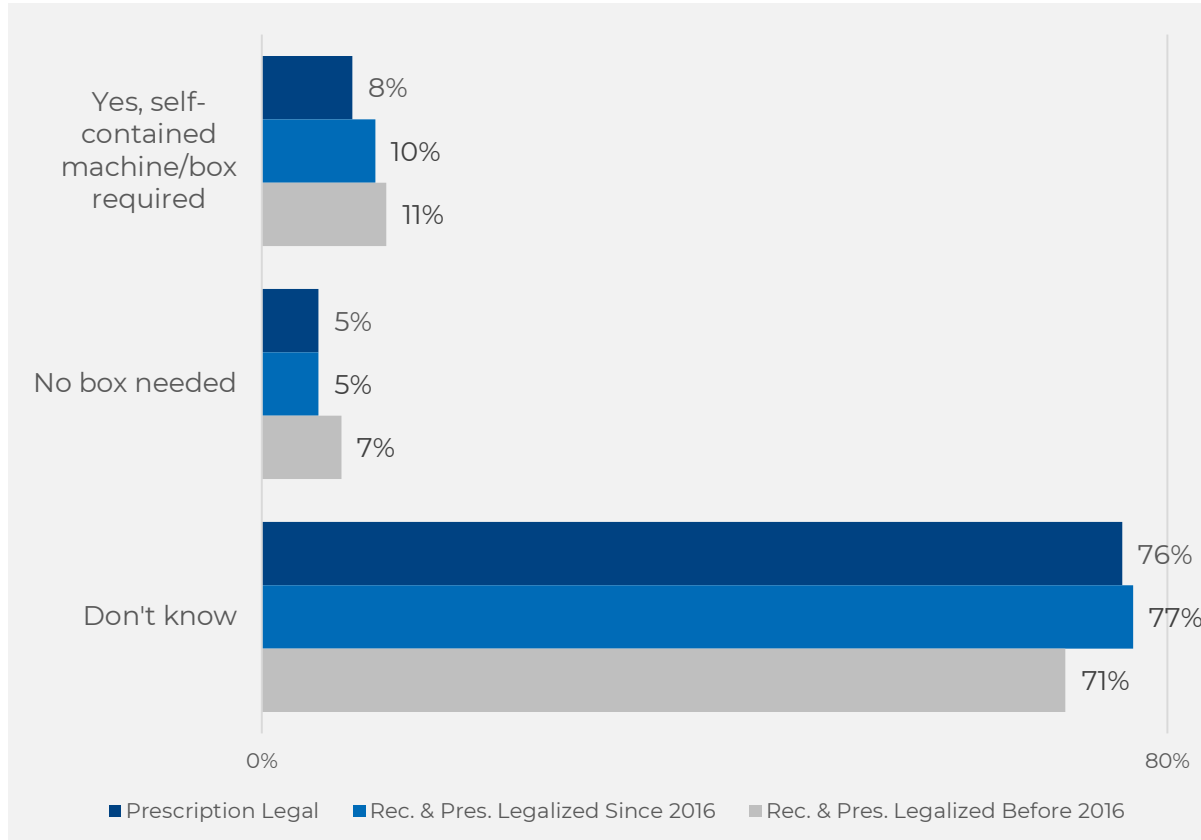
* = less than 1%

Tenant Smoking: Utility Costs



When a tenant consistently smoked marijuana in their rental property, nearly nine out of ten tenants pay the utility costs.

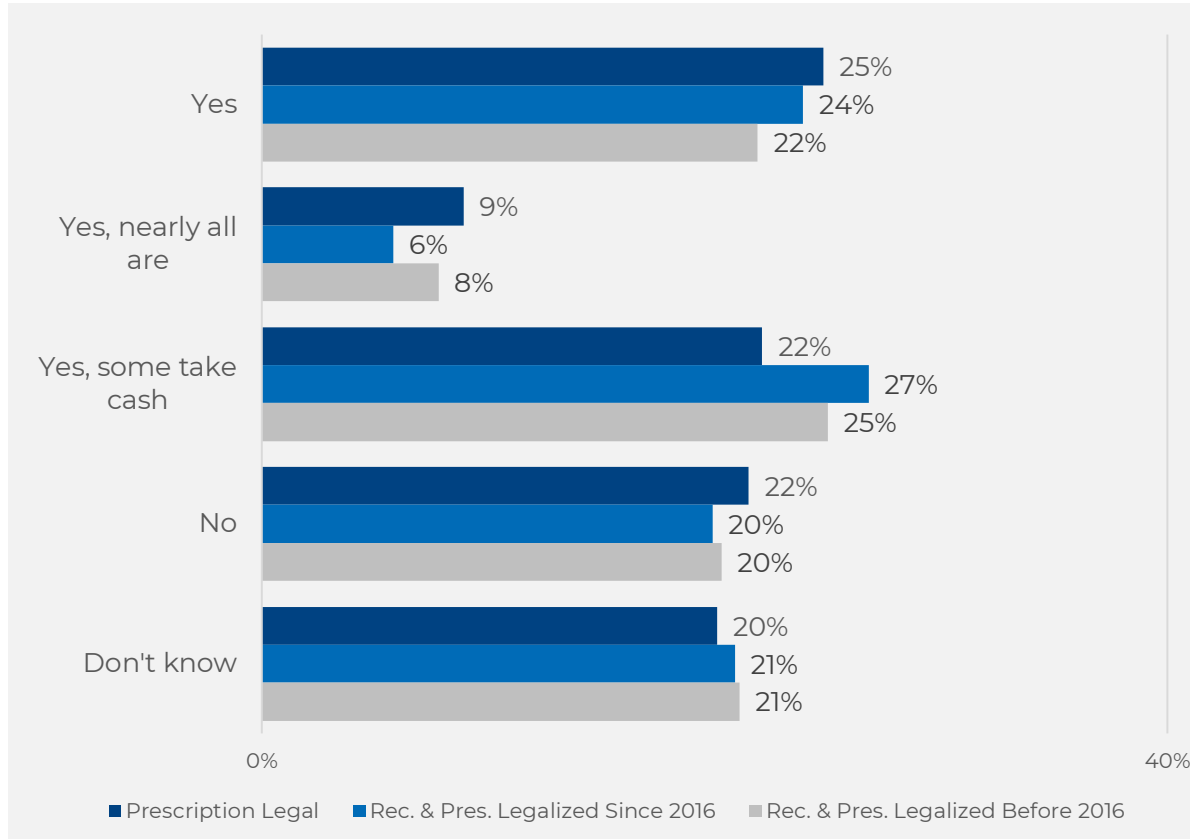
Tenant Growing: Self-Contained Growing Box/Machine



When tenants were allowed to grow marijuana in their rental units, eight percent of those in states with legal medical marijuana said self-contained machine/boxes were required (five percent last year).

This was also the case among 10 to 11 percent of those in states where both medical and recreational marijuana are legal.

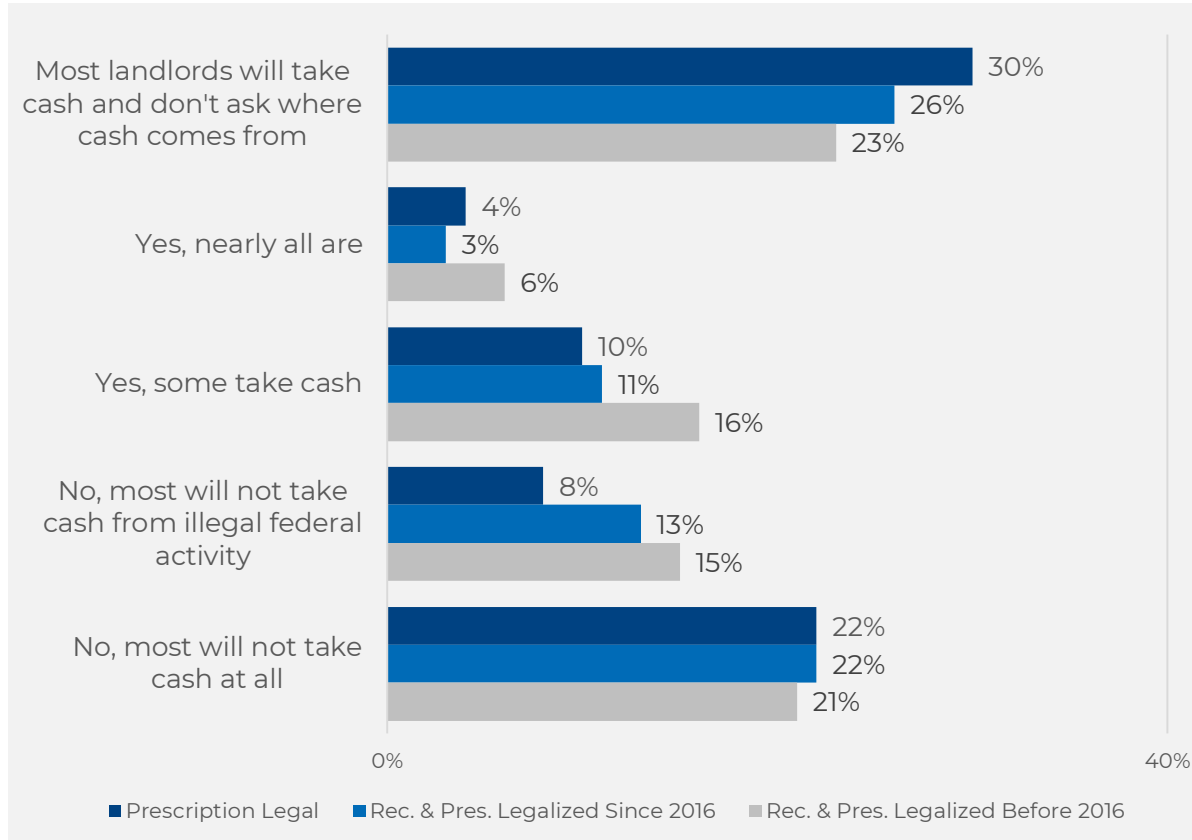
Landlords Willing to Accept Cash for Rent



Approximately one-fifth of landlords were unwilling to take cash for rent.

More than half of all respondents said at least some landlords would take cash for rent.

Landlords Willing to Accept Cash from Marijuana Proceeds for Rent



As marijuana is an all-cash business, earnings from people in the business are cash proceeds. About one-third of landlords were unwilling to take cash at all for rent, and eight to 15 percent will not take cash from an illegal federal activity for rent.

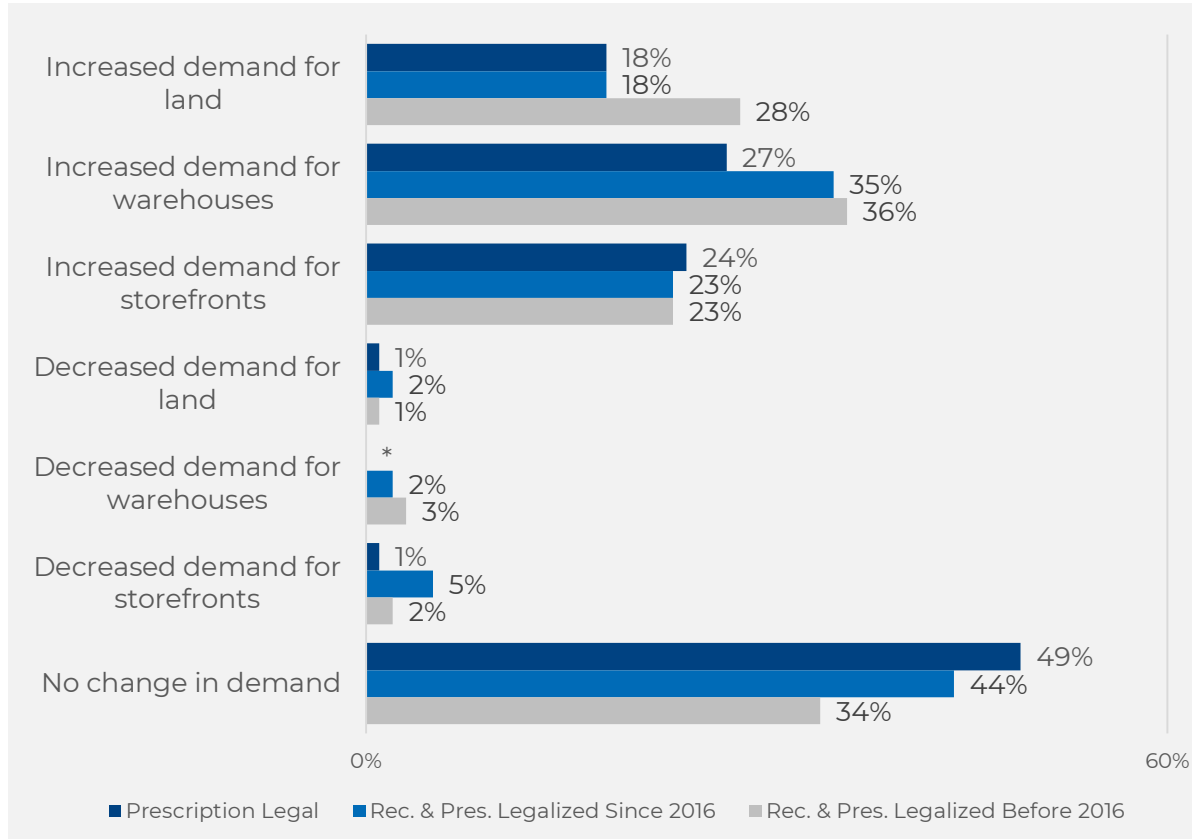
Forty-four percent of those in states where prescription marijuana is legal would take cash for rent, and 40 to 45 percent of those where marijuana is legal for both prescription and recreational use would take cash for rent.



Commercial Real Estate

Marijuana & Real Estate: A Budding Issue

Commercial Inventory Changes from Marijuana Legalization



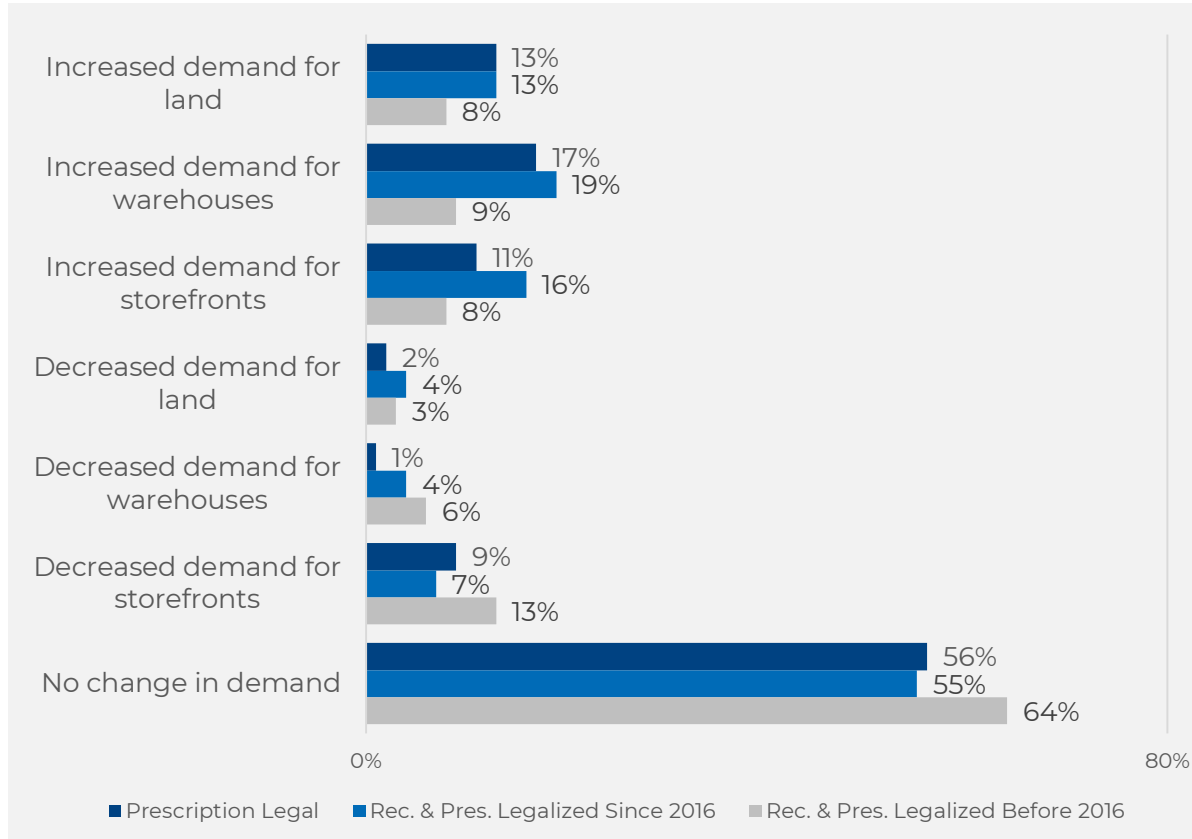
States where medical and recreational marijuana have been legalized for more than four years have seen more increases in demand for commercial properties.

In states where only prescription marijuana use is legal, 27 percent of members had seen an increased demand in warehouses, 24 percent in storefronts, and 18 percent in land.

In states where prescription and recreational marijuana use is legal, 35 to 36 percent of members had seen an increased demand in warehouses, 23 percent in storefronts, and 18 to 28 percent in land.

* = less than 1%

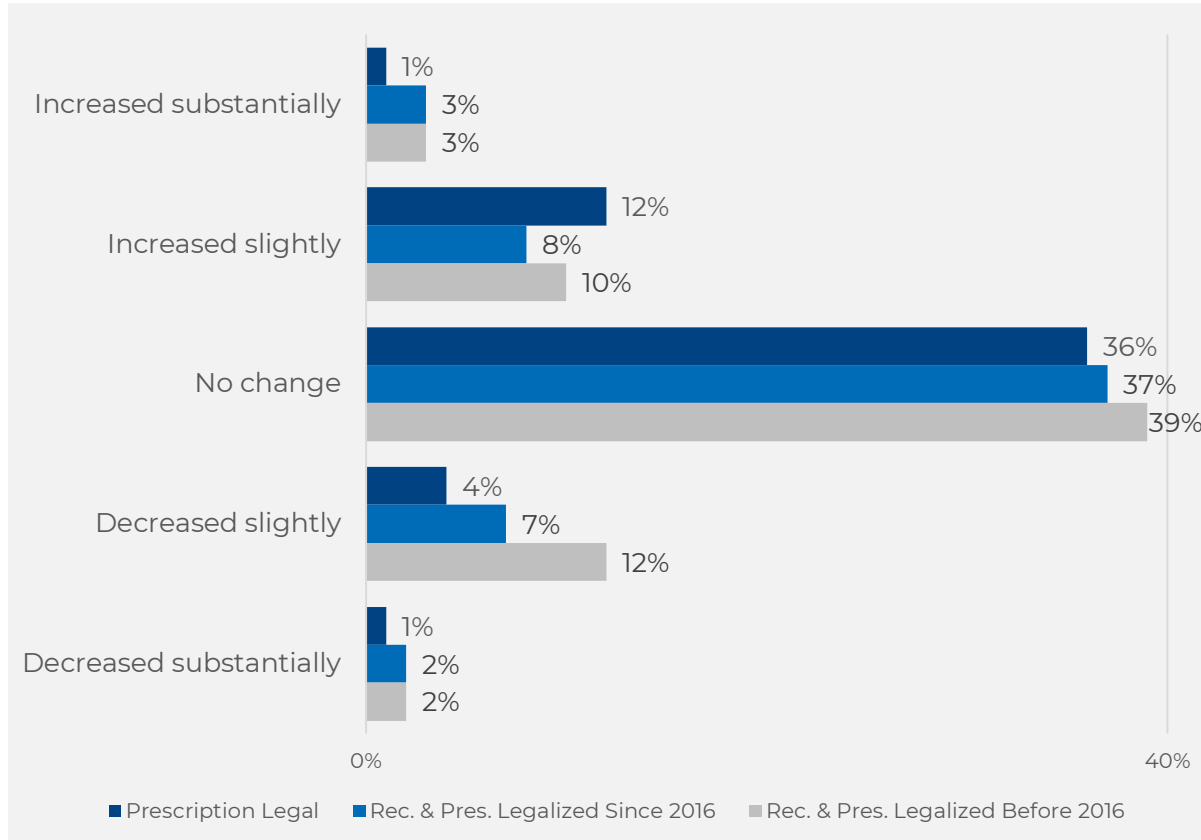
Commercial Inventory Changes Since Onset of COVID-19



States where medical and recreational marijuana have been legalized in the past four years have seen the most increases in demand for commercial properties from marijuana-related businesses since the onset of COVID-19.

The biggest increase in demand occurred in states where prescription marijuana use was legalized more recently, in warehouses at 19 percent, followed by storefronts at 16 percent, and land at 13 percent.

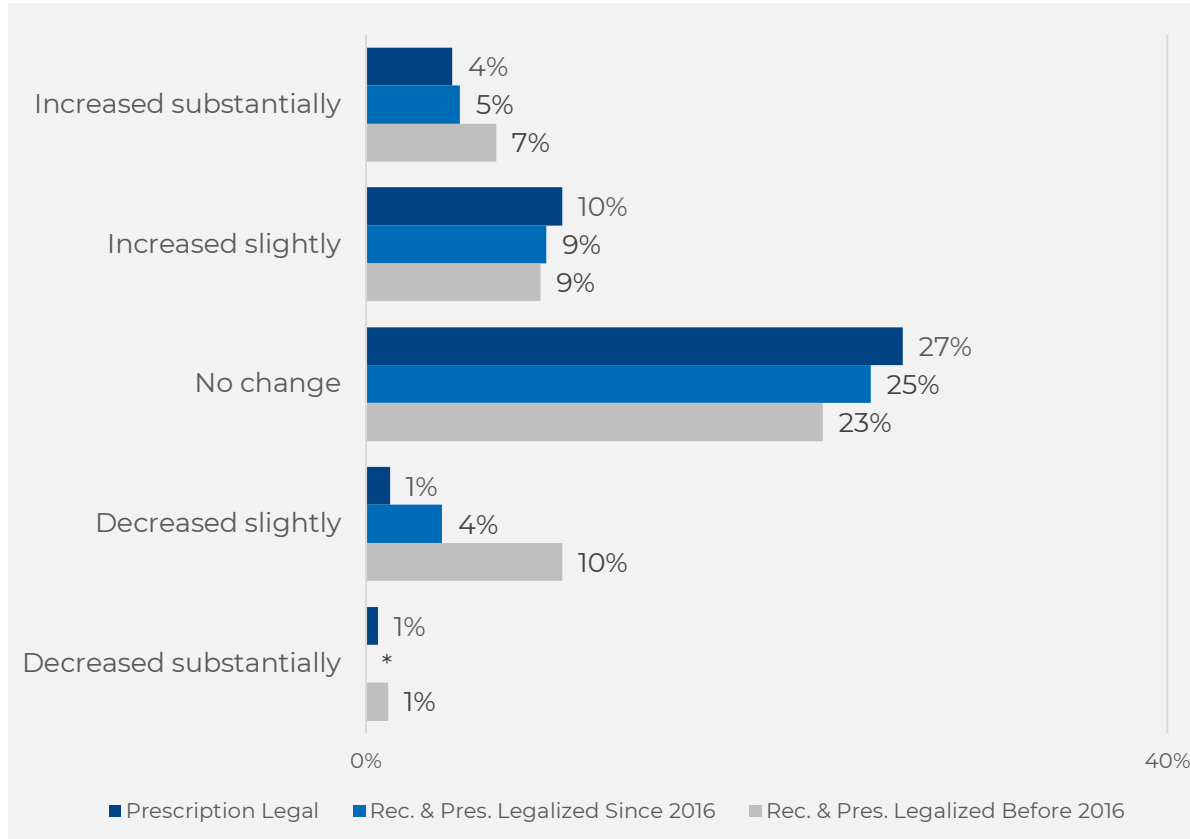
Commercial Property Values Near Dispensaries



More than one-third of members in states where only medical marijuana is legal had not seen a change in commercial property values near dispensaries, compared to nearly three in five of those in states where medical and recreational marijuana are legal.

Eleven to 13 percent of members had seen an increase and five to 14 percent had seen a decrease in commercial property values near dispensaries.

Commercial Property Values Near Growing Land

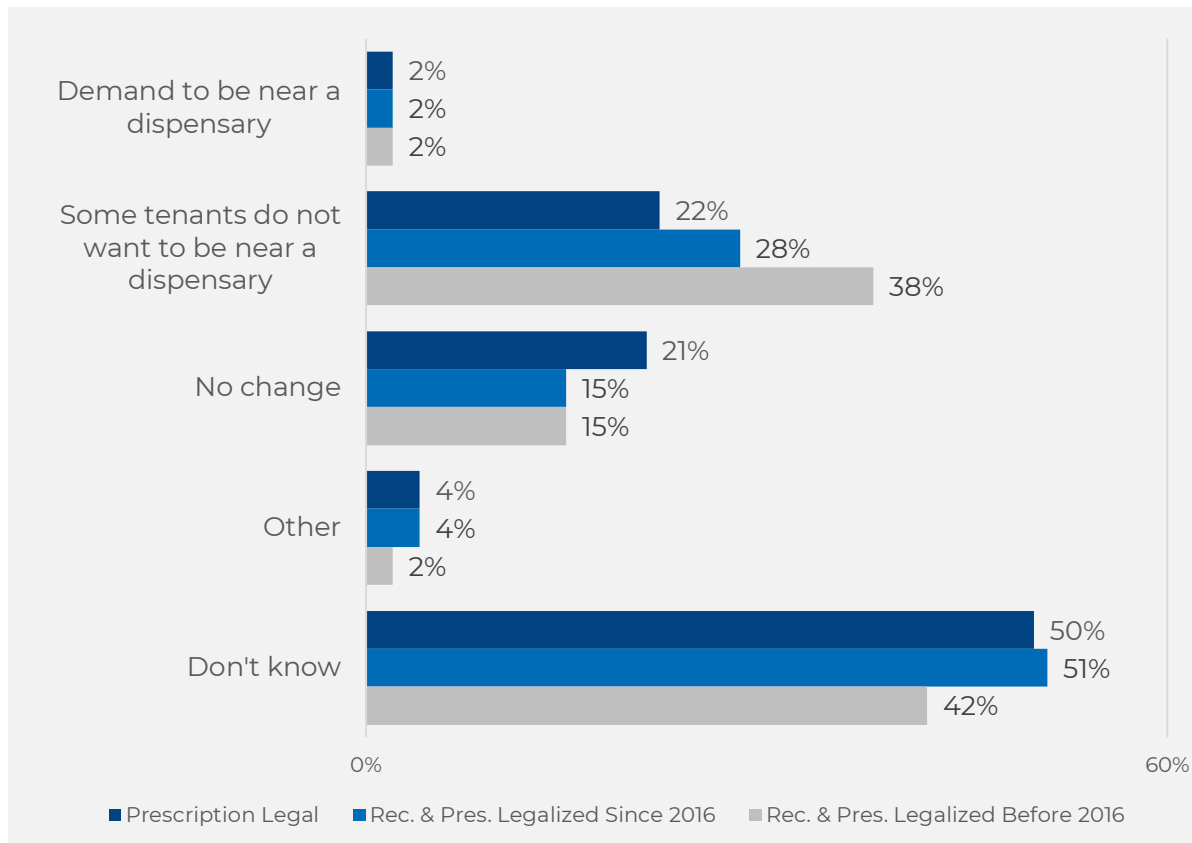


* = less than 1%

One-quarter or more of members in states where marijuana is legal to some extent had not seen a change in commercial property values near growing lands.

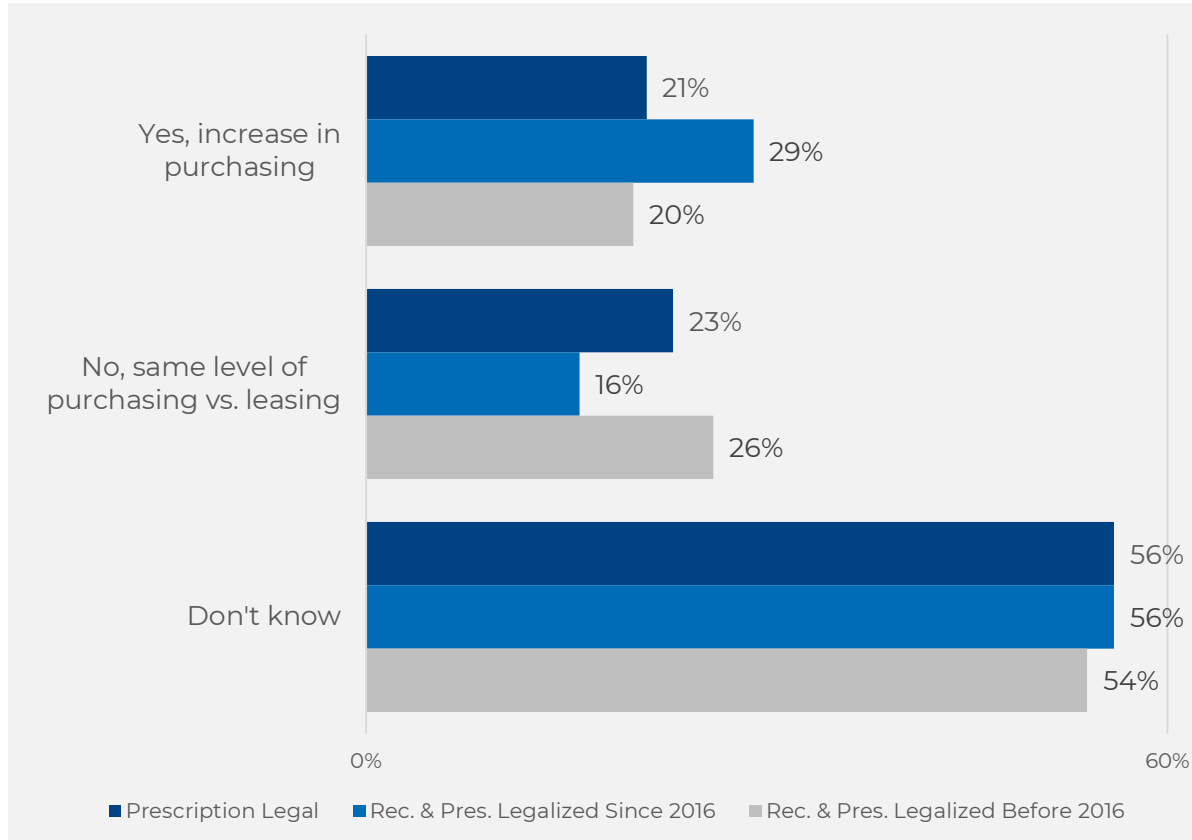
Fourteen to 16 percent of members in these states had seen an increase and only two to 11 percent had seen a decrease in commercial property values near growing lands.

Change in Who Will Lease Near a Dispensary



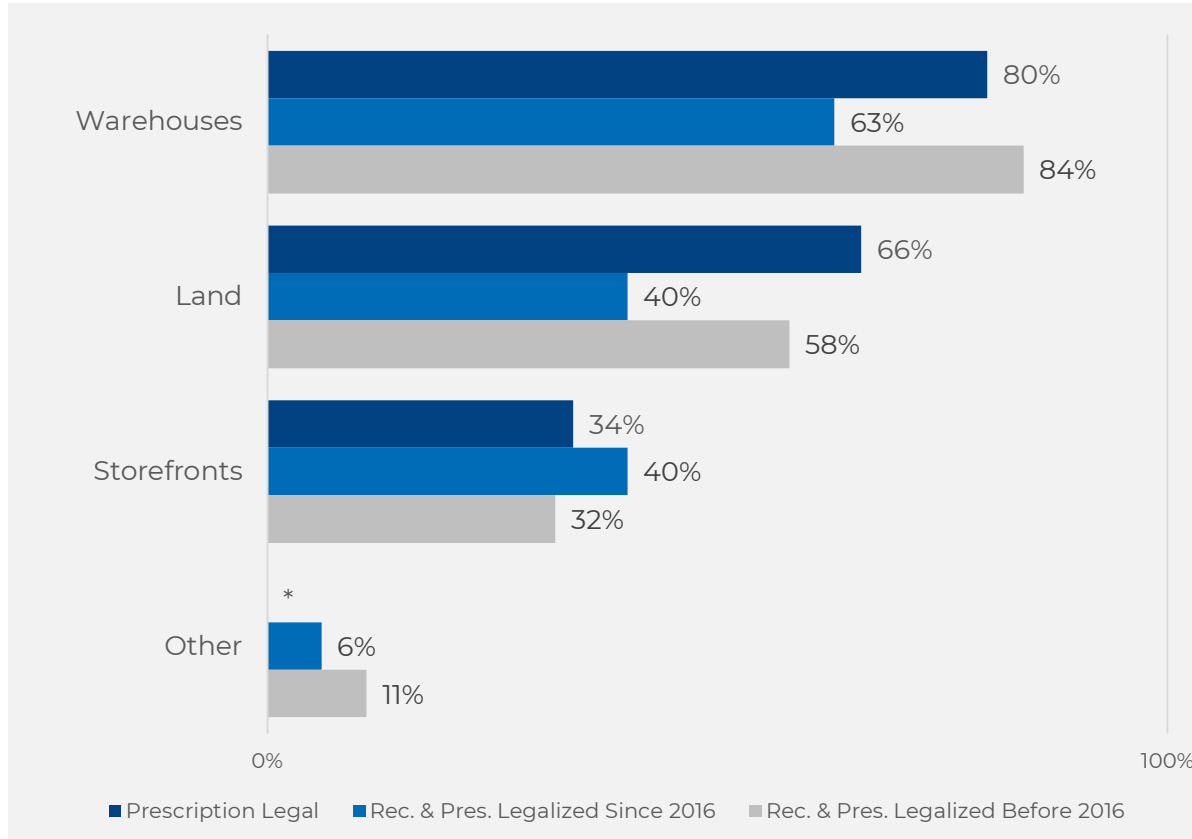
Twenty-two percent of commercial members in states where only medical marijuana is legal noted some tenants do not want to be near a dispensary, compared to 28 percent where both medical and recreational were legalized in the past four years, and 38 percent in states where both were legalized more than four years ago.

Seen Increase in Property Purchases vs. Leases in Past Year



Twenty-nine percent of commercial members in states that legalized recreational marijuana in the past four years reported an increase in property purchasing over leasing in the past year, compared to 21 percent of those in states where only medical marijuana is legal, and 20 percent in states that legalized more than four years ago.

Properties Seeing Increase in Purchases vs. Leasing



Among commercial members who have seen an increase in property purchasing over leasing in the past year, the majority have seen the increases with warehouses, followed by land, and storefronts.

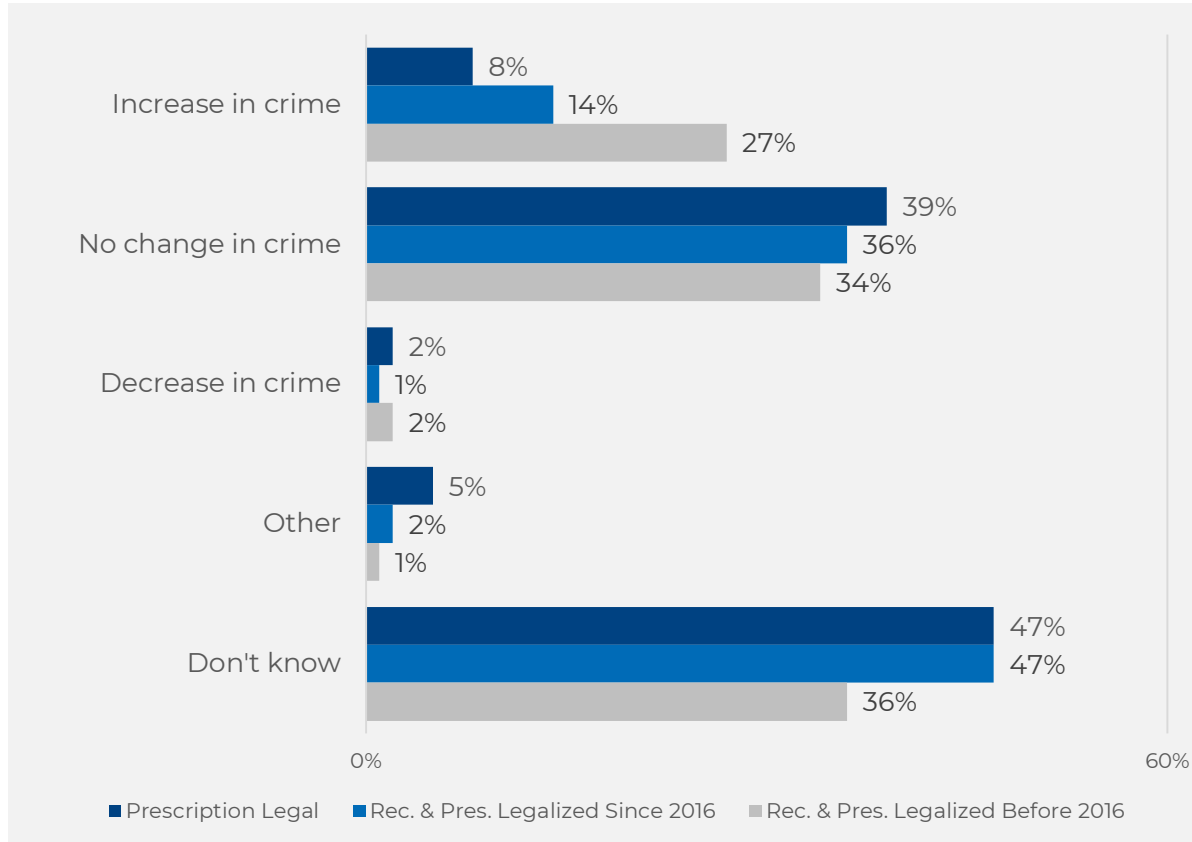
Sixty-three to 84 percent of these members reported an increase of purchasing warehouses over leasing in the past year.

* = less than 1%



Perception of Crime

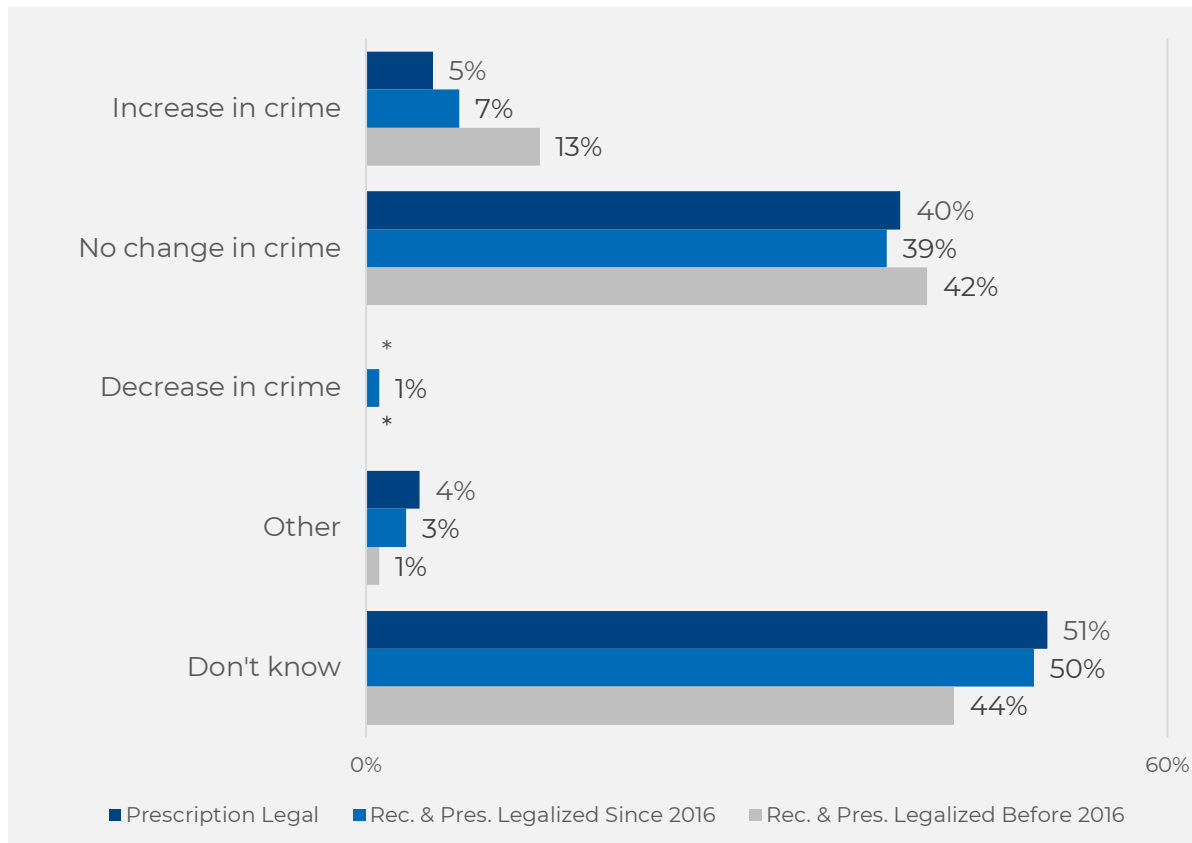
Perception of Change in Crime Near Dispensaries



In states where only prescription marijuana is legal, 39 percent of commercial members said there was no change in the perception of crime. Only eight percent cited an increase in the perception of crime.

In comparison, in states where both prescription and recreational marijuana were legalized over four years ago, 27 percent of commercial members reported a perception of an increase in crime near dispensaries (30 percent last year).

Actual Change in Crime Near Dispensaries



In states where only prescription marijuana is legal, 40 percent of commercial members cited no actual change in crime and only five percent said there was an increase in crime.

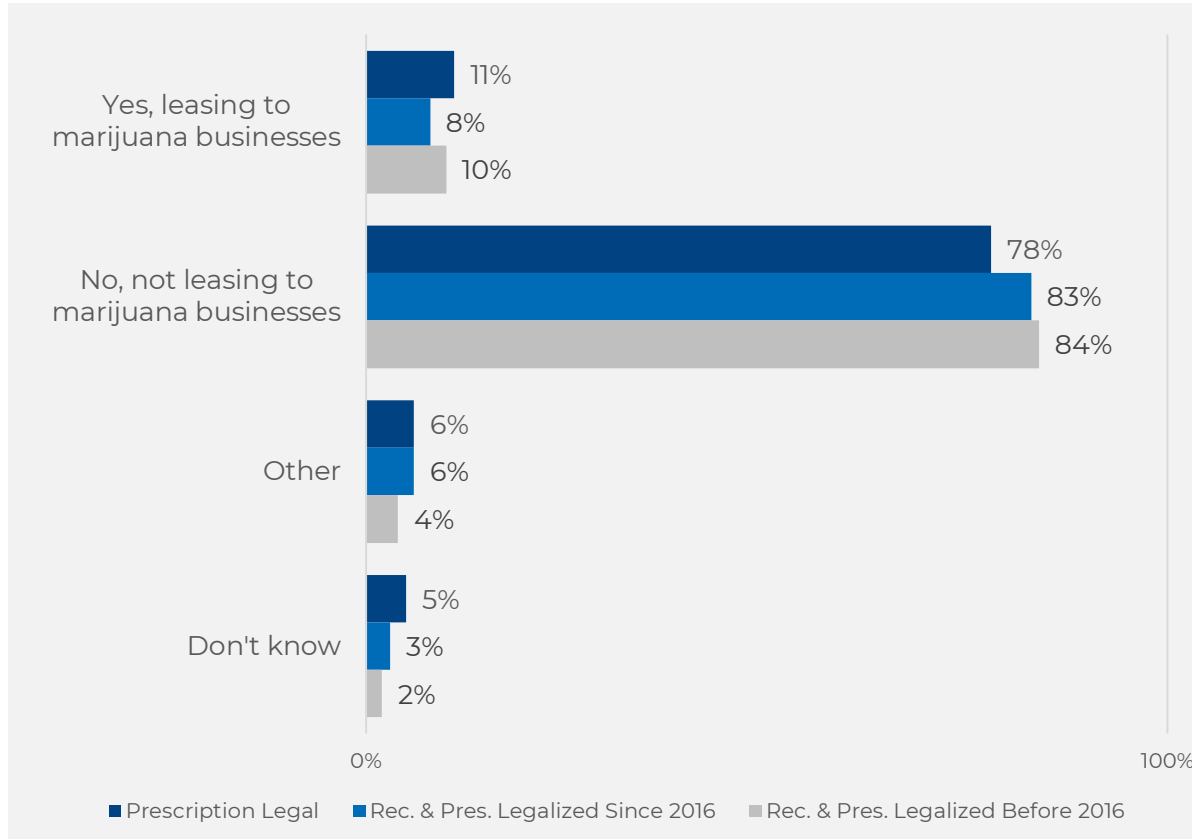
In comparison, in states where both prescription and recreational marijuana has been legal the longest 13 percent reported an increase in crime near dispensaries (17 percent last year).

* = less than 1%

Commercial Leasing



Leasing to Marijuana Related Businesses

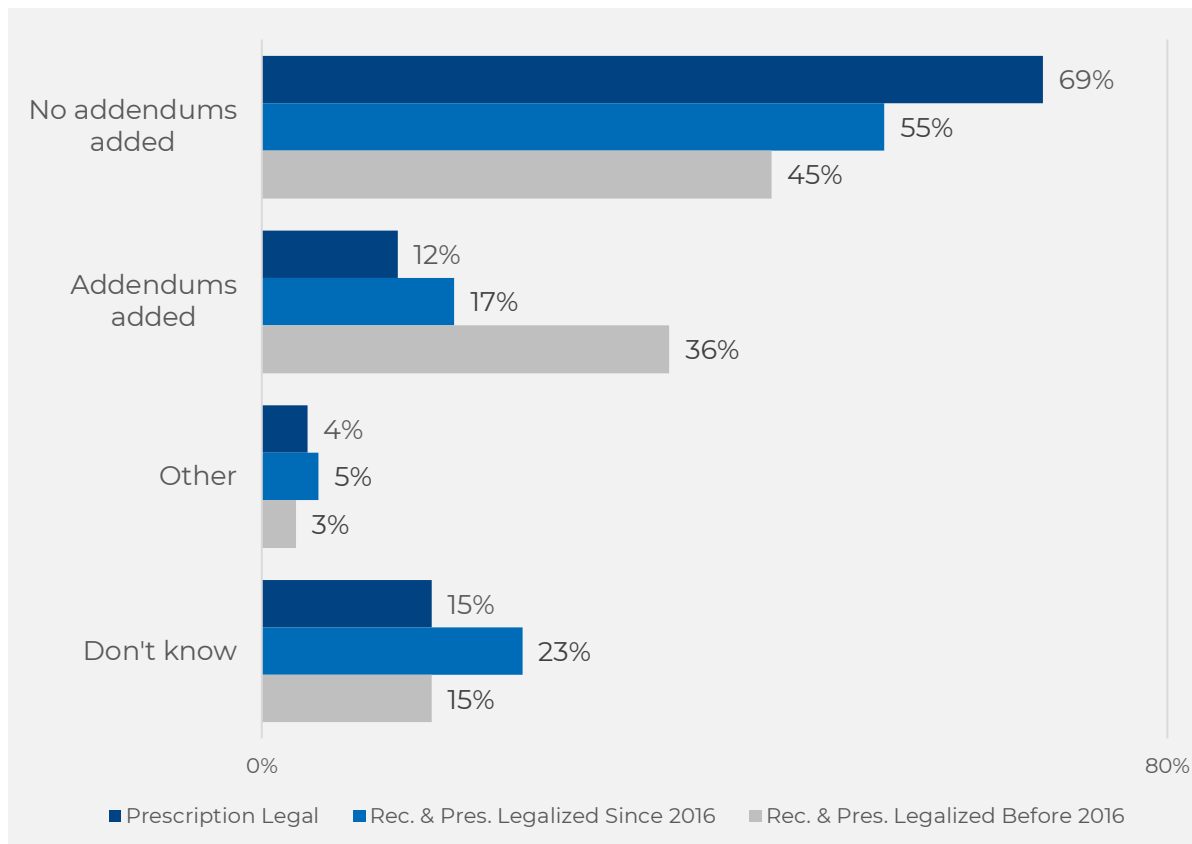


The majority of commercial members were not currently leasing to marijuana related businesses.

Eleven percent of commercial members in states where prescription marijuana is legal were leasing to marijuana related businesses.

In states where both recreational and prescription marijuana is legal, eight to 10 percent were leasing to marijuana related businesses.

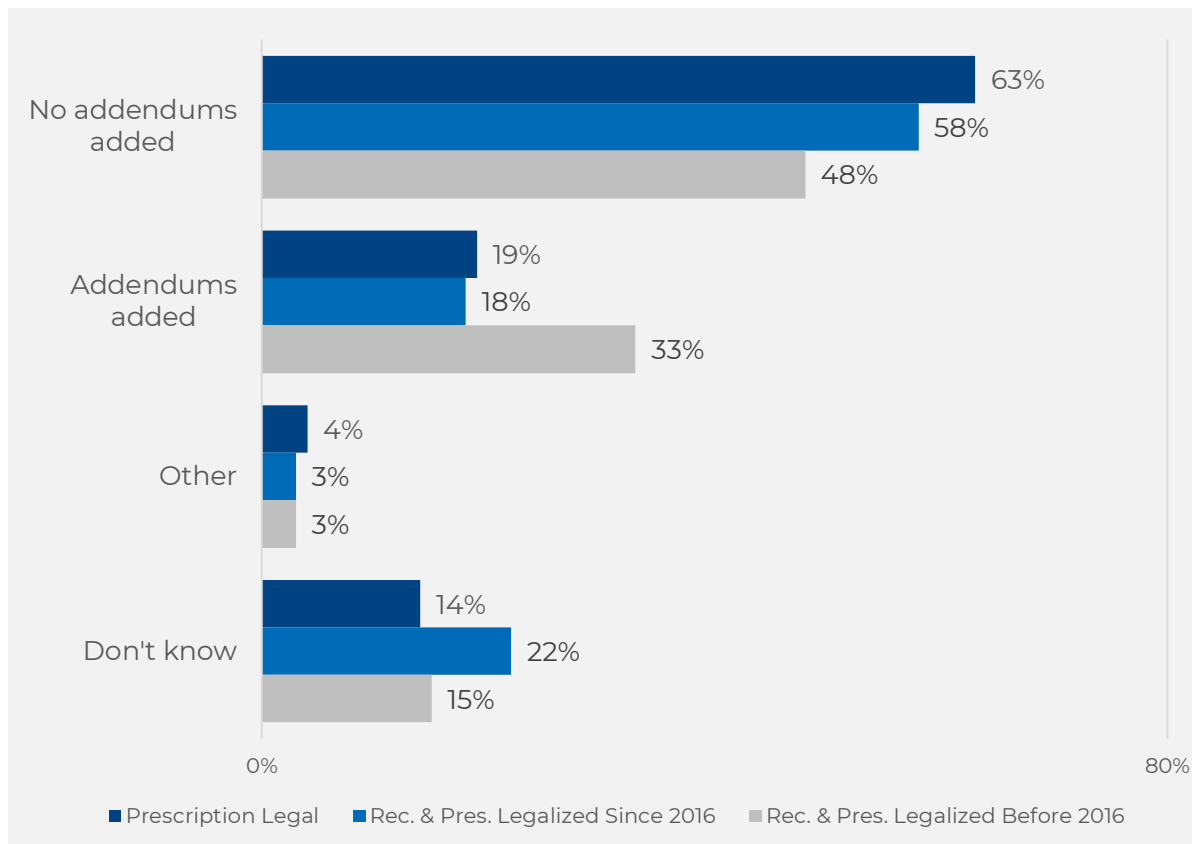
Addendum/Provisions in Leases: Restrictions on Growing



Sixty-nine percent of commercial members in states where only medical marijuana is legal reported that no additional addendums were added to leases regarding the growing of marijuana, compared to 45 to 55 percent of those where medical and recreational are legal.

Thirty-six percent in states where medical and recreational marijuana were legal the longest did have lease addendums regarding growing of marijuana (32 percent last year).

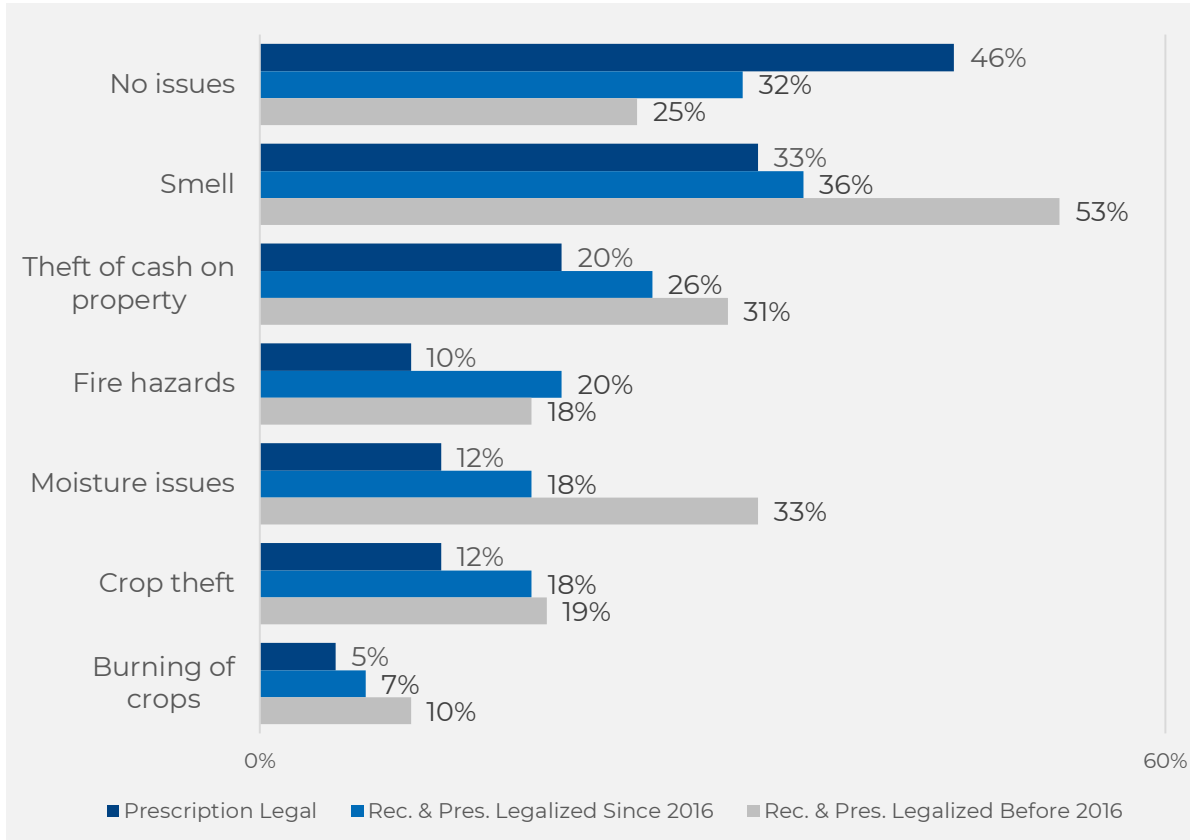
Addendum/Provisions in Leases: Restrictions on Selling



Nearly two-thirds of commercial members in states where only medical marijuana is legal reported that no additional addendums were added to leases regarding the sale of marijuana, compared to approximately 48 to 58 percent of those where medical and recreational are legal.

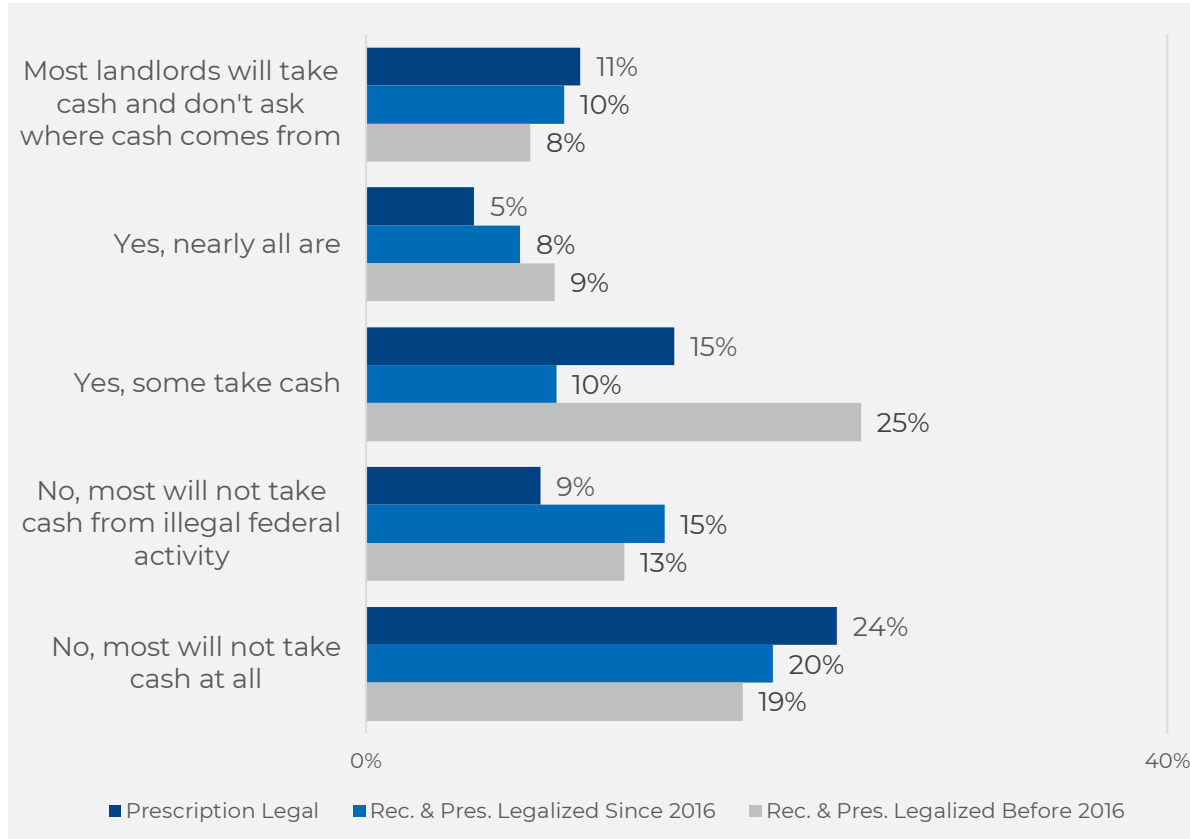
Thirty-three percent in states where medical and recreational marijuana were legal the longest did have lease addendums regarding sales of marijuana (30 percent last year).

Leasing Concerns of Marijuana Businesses



The most frequently cited concern of commercial members was the smell when leasing to marijuana related businesses, followed by theft of cash on property, fire hazards, and moisture issues.

Landlords Willing to Accept Cash from Marijuana Proceeds for Rent



Nearly one-third of commercial landlords in states where only medical marijuana is legal were willing to take cash at all for rent.

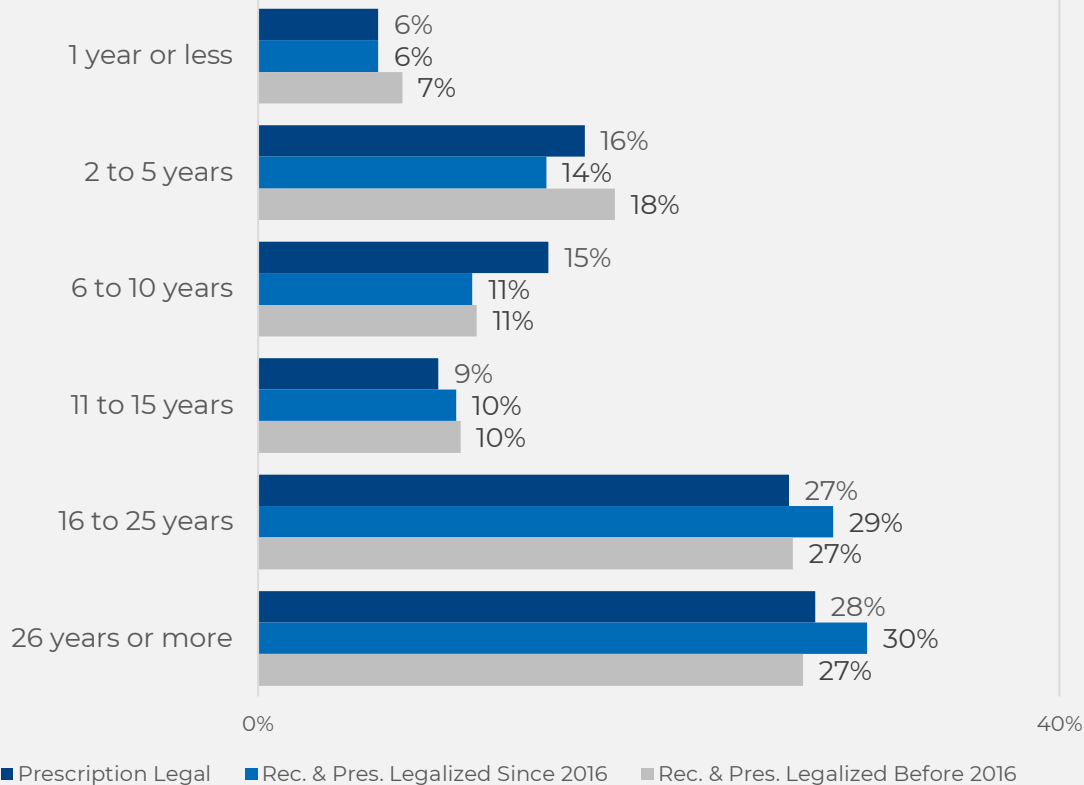
About one-tenth will not take cash from an illegal federal activity for rent regardless of marijuana legality in the state.

In states where recreational marijuana has been legal the longest, more than two-fifths say landlords are willing to take cash for rent.



Survey Respondent Demographics

Years Active as Real Estate Professional



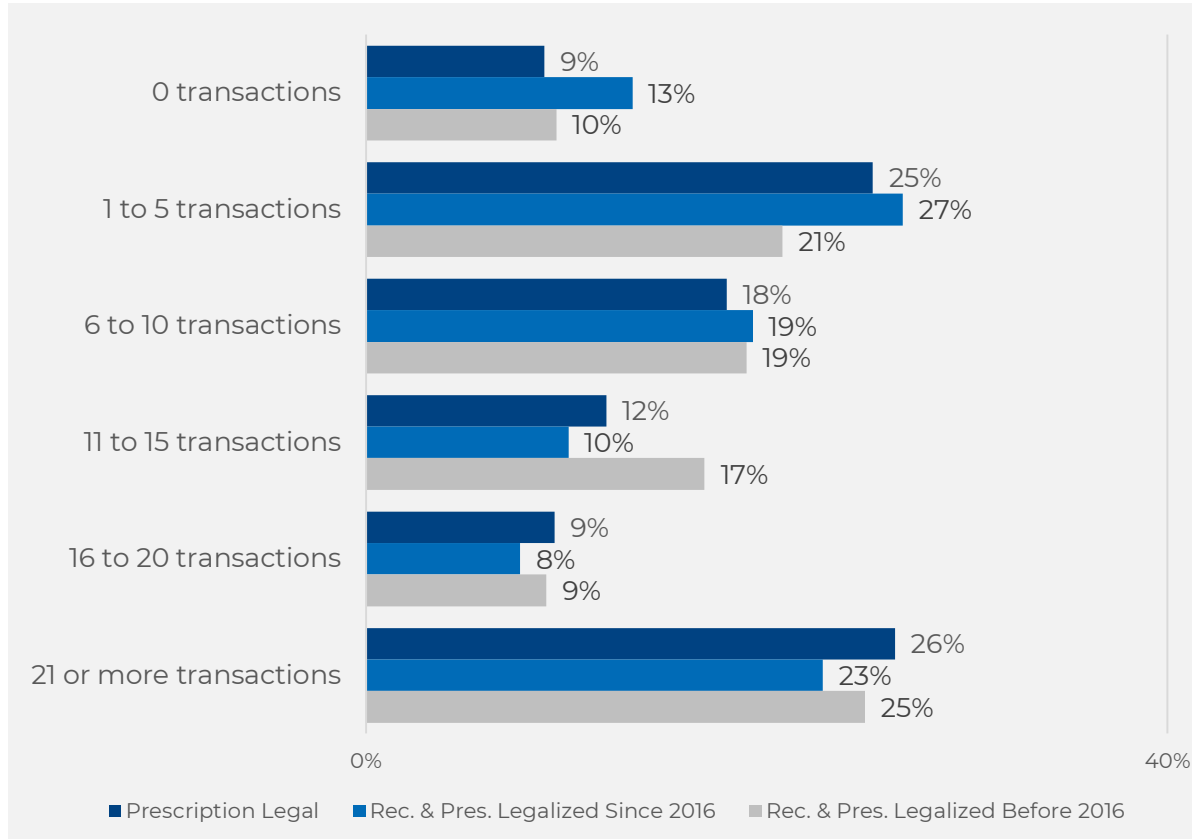
Medians

Prescription Legal: 17 years

Rec. & Pres. Legalized Since 2016: 18 years

Rec. & Pres. Legalized Before 2016: 17 years

Transactions Completed in 2020



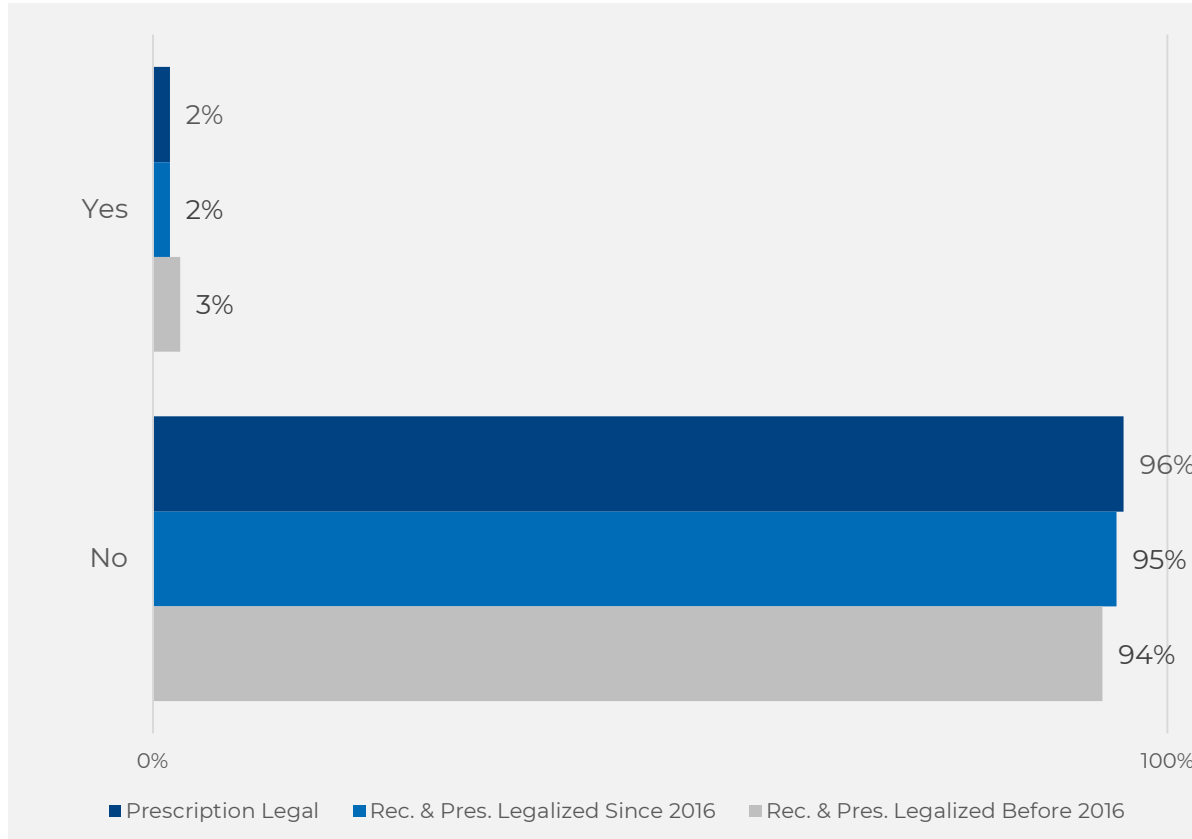
Medians

Prescription Legal: 10 transactions

Rec. & Pres. Legalized Since 2016: 8 transactions

Rec. & Pres. Legalized Before 2016: 11 transactions

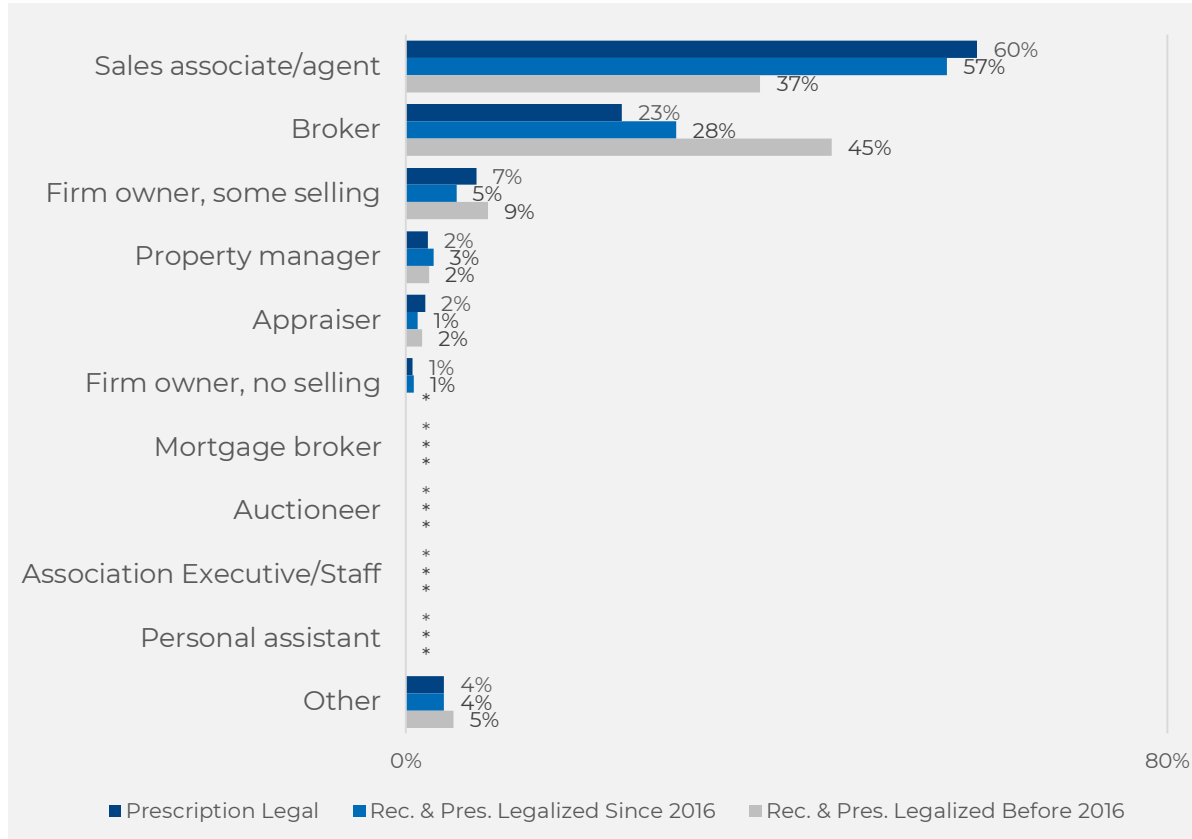
Works as Marijuana Specialist



Only two percent of respondents identify as marijuana specialists in states where only prescription marijuana is legal, or where they've legalized recreational marijuana in the past four years.

This increases to three percent in states where recreational marijuana has been legalized for more than four years.

Main Function in Real Estate Industry



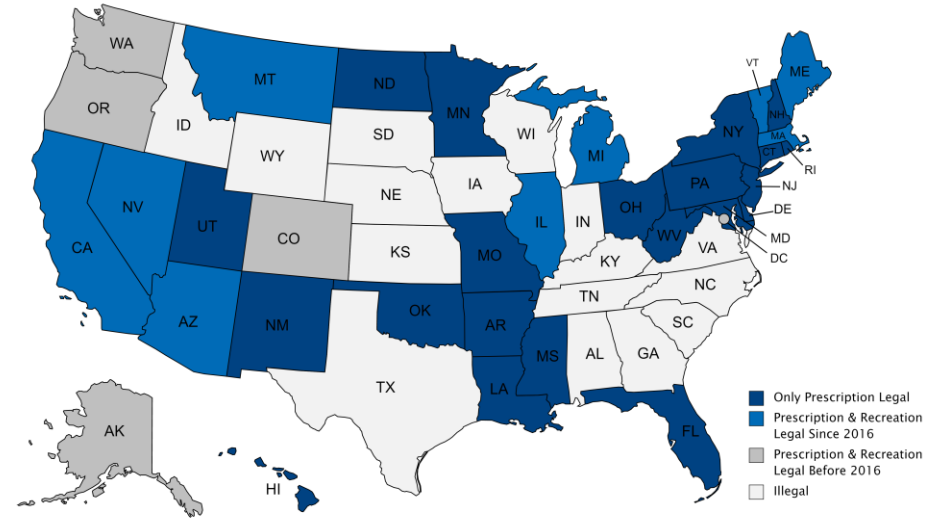
Respondents primarily work as sales associates/agents. Respondents in states where recreational marijuana has been legalized for more than four years are most likely to be brokers.

* = less than 1%

Methodology

The 2021 Marijuana and Real Estate survey was sent through email in March 2021 to a random sample of 75,000 NAR members who practice residential real estate and 72,000 NAR members who practice commercial real estate. The survey received 8,320 responses for an overall response rate of 5.7 percent. The confidence interval at a 95 percent level of confidence is +/-1.1 percent. All information in this report is representative of NAR member characteristics in 2020.

The sample was divided by states who legalize medical marijuana only and states who legalize marijuana for both medical and recreational use. As of March 2021, 13 states and D.C. legalize both medical and recreational marijuana use (Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Montana, Nevada, Oregon, Vermont, Washington, and Washington, D.C.). As of March 2021, 22 states legalize only medical marijuana use (Arkansas, Connecticut, Delaware, Florida, Hawaii, Louisiana, Maryland, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, Utah, and West Virginia). There were 1,001 respondents from states who legalize only medical marijuana and 2,279 respondents from states who legalize marijuana for both medical and recreational use.





The National Association of REALTORS® is America's largest trade association, representing more than 1.4 million members, including NAR's institutes, societies and councils, involved in all aspects of the real estate industry. NAR membership includes brokers, salespeople, property managers, appraisers, counselors and others engaged in both residential and commercial real estate.

The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict Code of Ethics.

Working for America's property owners, the National Association provides a facility for professional development, research and exchange of information among its members and to the public and government for the purpose of preserving the free enterprise system and the right to own real property.

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