

From the Sacramento Business Journal:

<http://www.bizjournals.com/sacramento/news/2016/10/13/exclusive-operating-illegally-pot-growers-spike.html>

EXCLUSIVE: Operating illegally, pot growers spike industrial building prices in Sacramento

🔑 SUBSCRIBER CONTENT:

Oct 13, 2016, 5:52am PDT

In case you were wondering if a green rush of marijuana business would swarm Sacramento if voters legalize recreational use of the plant in November — too late. It's already here.

The city of Sacramento is already home to 3 million square feet of cannabis growing operations, according to estimates from commercial real estate brokerage Colliers International. Local brokers say that aging industrial buildings that struggled to sell are now being snatched up at well over asking prices.

Brokers attribute the rush to an upcoming vote by the Sacramento City Council to sanction marijuana cultivation within the city.

Although the activity is still illegal, a series of community discussions this summer about the ordinance led to a subsequent interest in growing facilities.

Broker Tom Tyer said that roughly every other call he received this summer came from pot cultivators seeking space.

"It went from zero to 100. A year ago, we didn't get any calls," said Tyer, a senior vice president at Colliers. "The general vibe was they were willing to pay more than the asking price."

An aging industrial building on Elder Creek Road recently sold to cultivators for \$2.5 million, or \$500,000 over asking price, according to Colliers data. Another industrial building on 88th Street went for \$100,000 over asking price amid a bidding war between growers.

"All of a sudden, these guys go crazy and now there's a bidding war on the building," said Tommy Ponder, a vice president at Colliers. "It went quick once the industry hit the market."

The rise in marijuana cultivation has been a boon for landlords and retail in the areas of lighting, hydroponics, water filtration equipment and even vaults to store large amount of cash, Ponder said. He added that plumbers, electricians and others in the construction trades have struggled with the trend because they can no longer compete on price in bidding for industrial space.



MATTHEW STAVER | BLOOMBERG

Illegal marijuana growing operations are said to be bidding up prices of Sacramento industrial property ahead of a City Council vote to sanction marijuana growing in the city.

About 180 marijuana growers have acknowledged to city officials that they they are currently operating commercial sites in Sacramento. Another 800 individuals have signed up as “stakeholders” for community discussions about how a cannabis cultivation ordinance should be crafted, said Randi Knott, director of governmental affairs for the city of Sacramento.

Since the council has yet to act on the ordinance, leasing or purchasing space for cultivation presents a risky endeavor, said Tracey Schaal, executive director of the Power Inn Alliance, a community assessment district that advocates for businesses based in southeast Sacramento.

The council hasn't even agreed on the geographic boundaries for cultivation, Schaal noted.

“It’s a bit of a game of roulette because you never know if that building is going to work until the ordinance is passed,” she said.

Allen Young

Staff Writer

Sacramento Business Journal

