

How Does Cannabis Real Estate Impact Local Cannabis Companies?



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Nearly nine out of 10 Americans say marijuana should be legal for medical and recreational use, according to the Pew Research Center. Now that the cannabis industry has grown in acceptance, business owners need to secure cannabis real estate to operate.

At the same time, however, the lingering stigma makes it harder for business owners to obtain property. If you're hoping to open a **cannabis business** in your area, this guide can orient you to the options and challenges of marijuana real estate.

Types of Cannabis Real Estate

The cannabis industry is surprisingly diverse. Your real estate needs may vary based on the type of business you're operating.

1. Retail Space

Retail space is needed for those who sell marijuana directly. Like other retail businesses, these properties should be chosen based on traffic, visibility and ease of access to ensure success. You'll also want to ensure that your store layout is conducive to an enjoyable, frictionless customer experience.

2. Commercial Warehouses

Warehouses are storage and linking points in the cannabis supply chain, so they may be operated by retailers directly, as well as producers and distributors. Warehouses should be selected based on proximity to their final destination and the source of their contents.

3. Rural Farmland

Producers require sufficient acreage to **grow marijuana**. Because space is needed, this type of cannabis property will typically be found in rural locations, and buyers will need to ensure that the land offers good runoff, quality soil and favorable weather.

Using a greenhouse gives you added security and can be used to cultivate plants in virtually any climate.

4. Commercial Plants

Producers and distributors may rely on commercial plants to process marijuana crops and prepare them for final sale. These facilities commonly require sufficient square footage to handle inventory, personnel and equipment.

Challenges for Cannabis Businesses Seeking Quality Real Estate

Despite widespread acceptance of recreational marijuana, cannabis business owners still face significant hurdles when it comes to securing cannabis **real estate**. Here are some of the biggest challenges affecting the industry.

Local Ordinances

Even though cannabis businesses are legal, some local communities prohibit cannabis businesses from operating.

For instance, 40% of Connecticut towns ban cannabis businesses, according to CT Insider. This factor forces business owners to pursue marijuana real estate in urban centers, which can raise prices and present stiff competition.

Financing Hurdles

Currently, most major banks and traditional financial institutions do not work with cannabis businesses. This issue can make it harder to obtain the financing needed to buy or lease a cannabis property in your community and may force you to rent a property until you build enough capital to fund your own real estate purchase.

Fortunately, some lenders specialize in cannabis business loans, though entrepreneurs may find themselves facing limited options compared to other types of business.

Strong Competition

Now that recreational marijuana is legal in at least 21 U.S. states, entrepreneurs are scrambling to get in on the action. But since cannabis businesses are often localized in urban centers because of local ordinances, cannabis business owners may face strong competition, making it harder to gain traction in a crowded marketplace.

Advantages of Diverse Real Estate Holdings for Cannabis Businesses

Diversification is a **sound investment strategy** regardless of whether you're talking about stocks, bonds or tangible assets, such as real estate property. Cannabis business owners can expect the following benefits when they pursue diverse real estate holdings – that is, owning multiple types of property.

Mitigates Risk

Having access to multiple properties can protect you from sudden economic changes. For instance, if you're renting a retail space, and the landlord increases the monthly fee, you can shift your business to an alternate location to trim expenses.

Presents Opportunity for Growth

Operating in multiple locations gives you added business opportunities and room to grow. You may discover that one location offers the physical space you need to introduce a new piece of equipment or product line.

Provides a Form of Passive Income

Renting out your real estate property gives you a source of passive income. For instance, you might consider renting a portion of your warehouse space to another business to keep costs down.

Considerations of Cannabis Real Estate

Cannabis business owners have some special considerations relating to their real estate.

Security

Cannabis properties – including warehouses and fields – require security to protect your money as well as your inventory. When selecting a property, ensure the building and area can be secured to protect your assets and employees.

Expansion Opportunities

A retail storefront in a crowded location might not provide the physical space you need if you plan on expanding soon. When possible, try to select properties that give you room to grow.

Ongoing Costs

If you're renting a property, you may face rising costs as landlords raise the cost of rent, which can put a damper on your cash flow and capacity for expansion. Even if you own

the property, you'll have to plan carefully to manage your tax liability, which will increase as your business grows.

Give Yourself Room to Grow

Choosing the right cannabis property is important since it affects business now and in the future. That's why it's important to select a property that fits your business goals and gives you room to **expand your horizons** as business improves.

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