

Marijuana & Real Estate: A Budding Issue

April 2023



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Marijuana & Real Estate: A Budding Issue

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Marijuana & Real Estate: A Budding Issue

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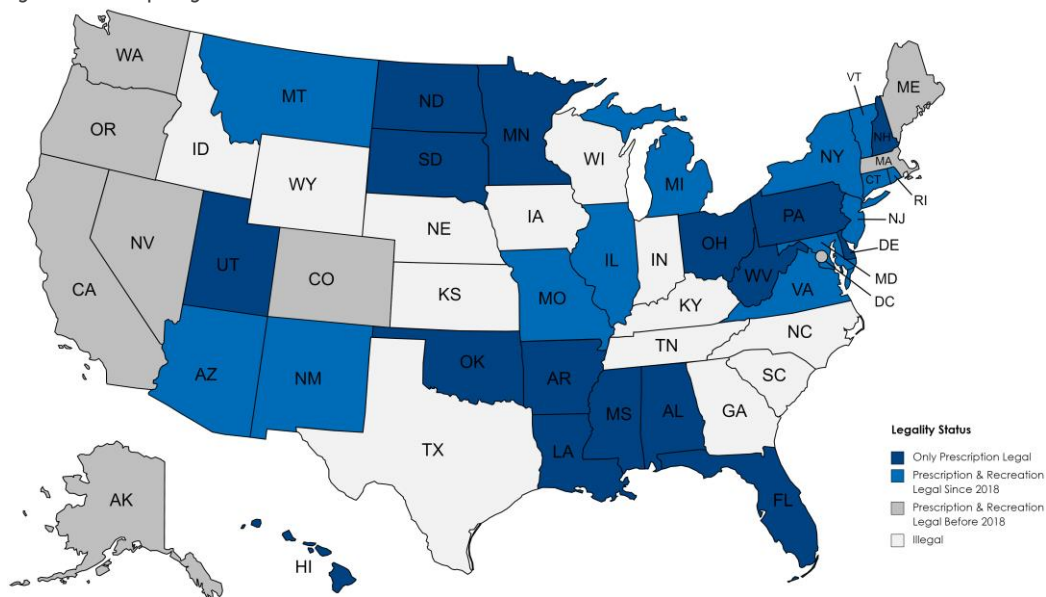
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Introduction

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 2023.



Overview

The real estate industry and its professionals consistently adapt to not only national and local trends, but also local laws and regulations. With changes in the legal status of both medical and recreational marijuana, there have been observed direct effects on multiple facets of real estate. In this report, we compare the effects from marijuana legality on various aspects of real estate, as well as any shifts from the last time the study was conducted in 2021.

Residential Real Estate

- Eighteen percent of respondents in states where marijuana was legal the longest and 14 percent in states where marijuana has been more recently legalized believed inventory was tight for multiple reasons, including as a result of this industry.
- **Nearly one-fifth of respondents where marijuana was legal the longest had seen a change in residential property values near dispensaries (one-quarter in 2021).**
- 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

- **Fifteen percent of residential members in states that legalized recreational more than five years ago had sold a grow house.**

- Among residential members who had sold a grow house, 25 percent in states where medical marijuana is legal had a difficult time selling a grow house (23 percent in 2021).
- 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 four percent.

Residential Property Management

- **Twenty-seven percent in states that legalized both medical and recreational marijuana prior to 2018 have seen addendums added to leases which restrict growing on properties (down from 44 percent in 2021), compared to 16 percent in other states.**
- Half of members in states where medical marijuana is legal and roughly two-fifths 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.
- In states where recreational marijuana is legal, 56 to 65 percent of residential property managers have seen addendums added to leases which restrict smoking on properties.
- **Fourteen to 25 percent of landlords were unwilling to take cash at all for rent, and eight to 14 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, 25 to 29 percent of members had seen an increased demand in warehouses, 18 percent in storefronts, and 13 to 15 percent in land.**
- Nine to 17 percent of members had seen an increase and four to 18 percent had seen a decrease in commercial property values near dispensaries.
- **Eighteen percent of commercial members in states that legalized recreational marijuana in the past five years reported an increase in property purchasing over leasing in the past year (29 percent in 2021), compared to 14 percent in states that legalized more than five years ago 20 percent in 2021), and four percent of those in states where only medical marijuana is legal (21 percent in 2021).**
- 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, 22 to 28 percent of commercial members reported a perception of an increase in crime near dispensaries, while 39 to 42 percent saw no change in perception of crime.

- In states where both prescription and recreational marijuana has been legal the longest 18 percent reported an increase in crime near dispensaries (13 percent in 2021).

Commercial Leasing

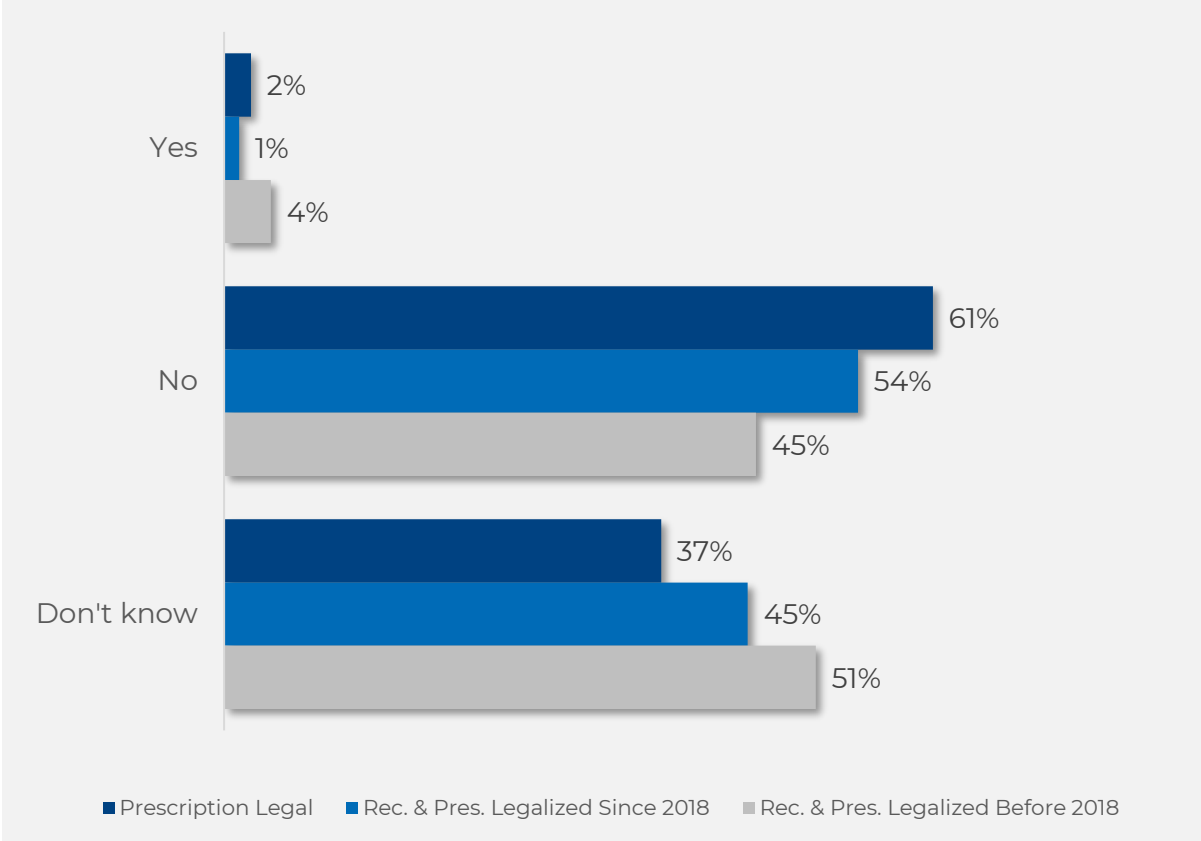
- Seven percent of commercial members in states where only prescription marijuana is legal or where recreational marijuana was more recently legalized were leasing to marijuana related businesses.
- **In states where recreational marijuana was legalized the longest, 11 percent were leasing to marijuana related businesses.**
- More than 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 (63 percent in 2021), compared to 49 to 63 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, moisture issues, and fire hazards.
- **In states where recreational marijuana has been legal the longest, 45 percent say landlords are willing to take cash for rent (42 percent in 2021).**



Residential Real Estate

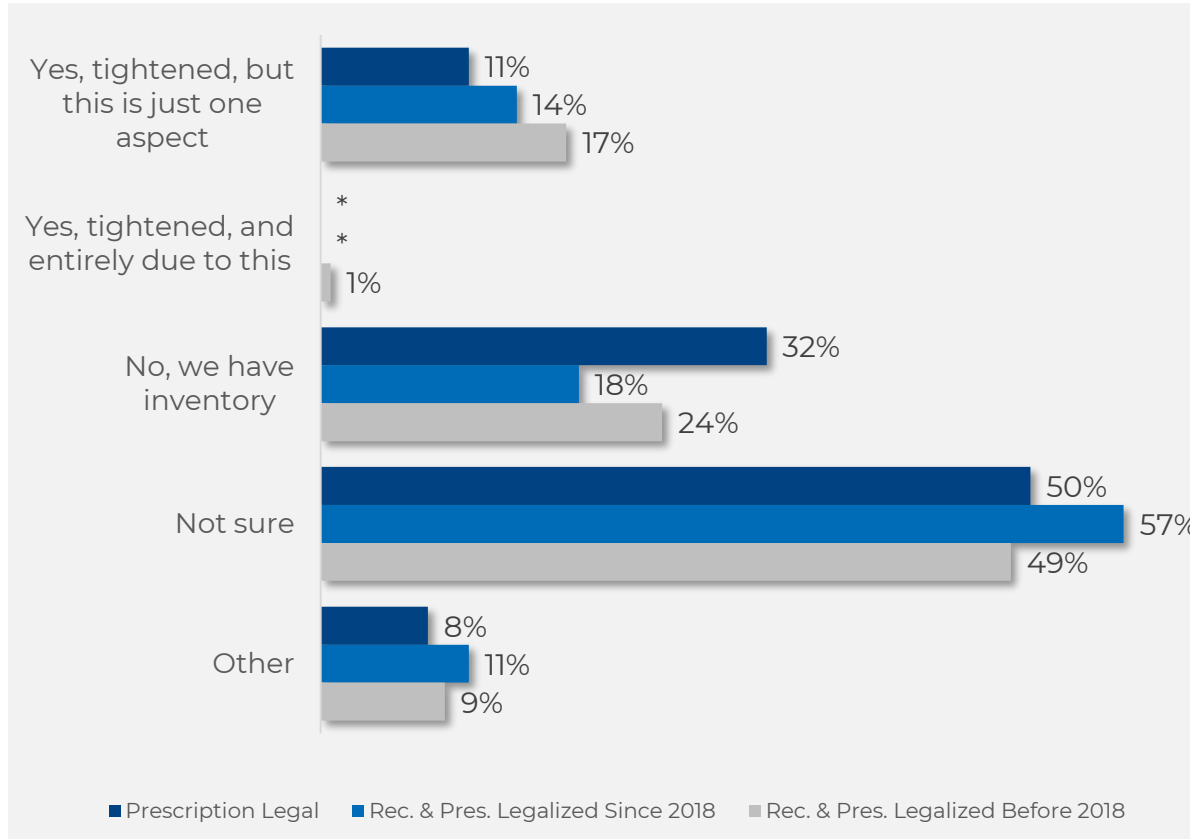
Marijuana & Real Estate: A Budding Issue

MLS Contains Marijuana Fields



As marijuana-related real estate is a continually growing market, currently only one to four percent of respondents were aware of their MLS containing a specific marijuana field.

Residential Inventory Due to All-Cash Purchases

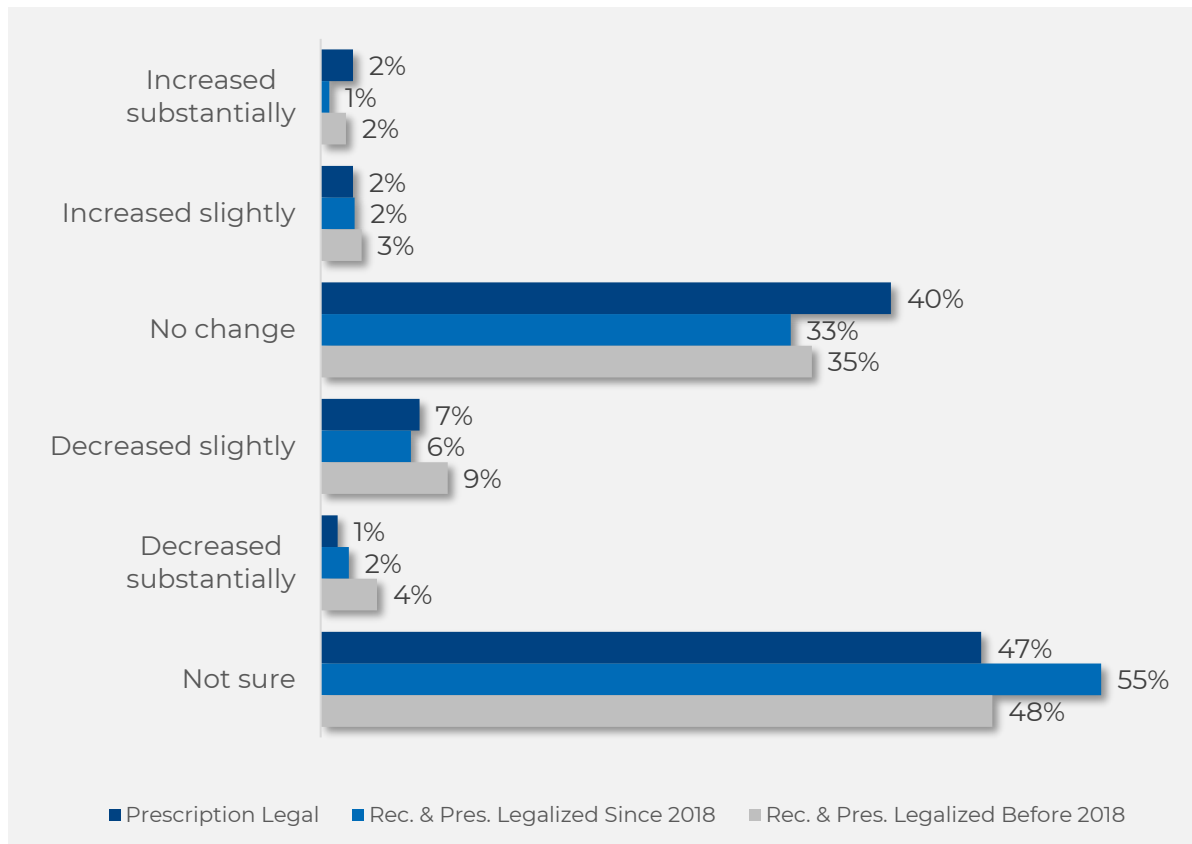


The highest share of respondents reported they weren't sure or aware of an effect on inventory due to all-cash purchases from the marijuana industry.

Eighteen percent of respondents in states where marijuana was legal the longest and 14 percent in states where marijuana has been more recently legalized believed inventory was tight for multiple reasons, including as a result of this industry.

* = less than 1%

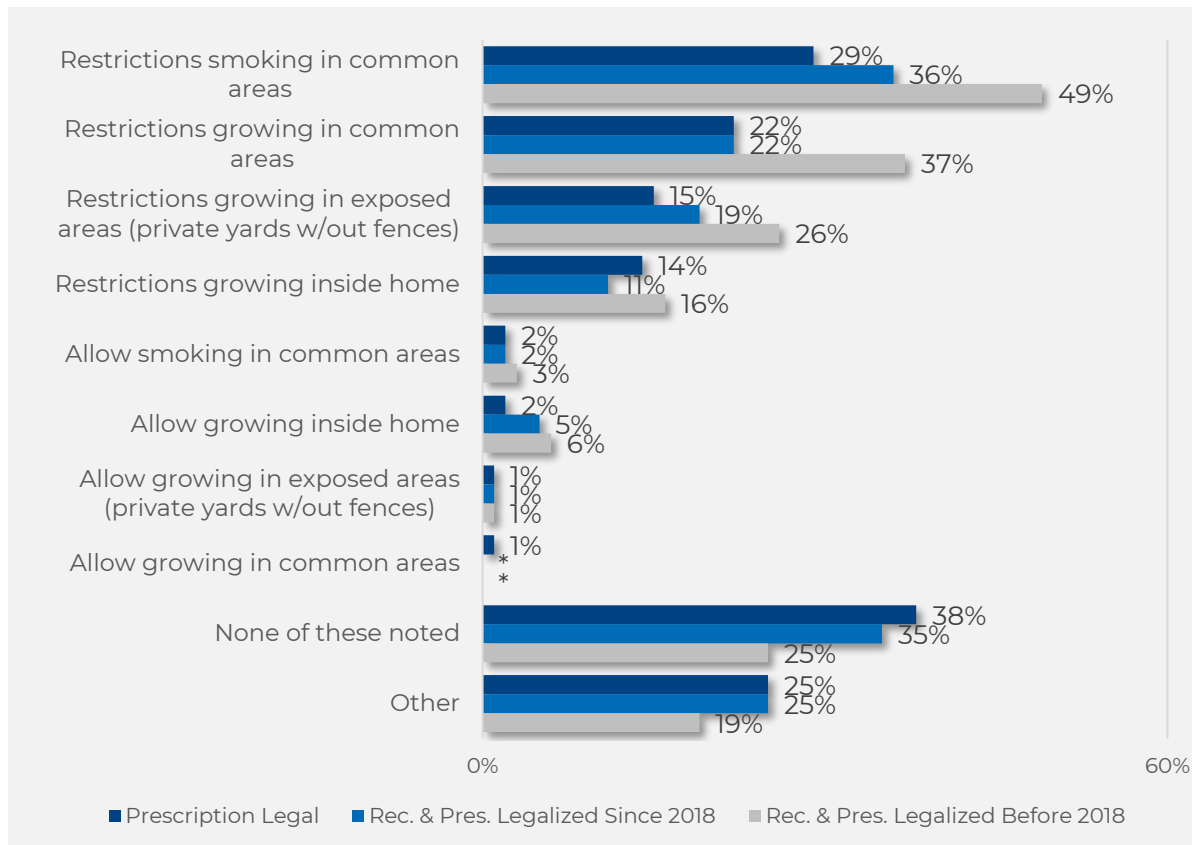
Residential Property Values Near Dispensaries



Nearly one-fifth 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 (13 percent in 2021) and 5 percent had seen an increase (10 percent in 2021).

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 more often stated there were not homeowner association rules and regulations related to marijuana.

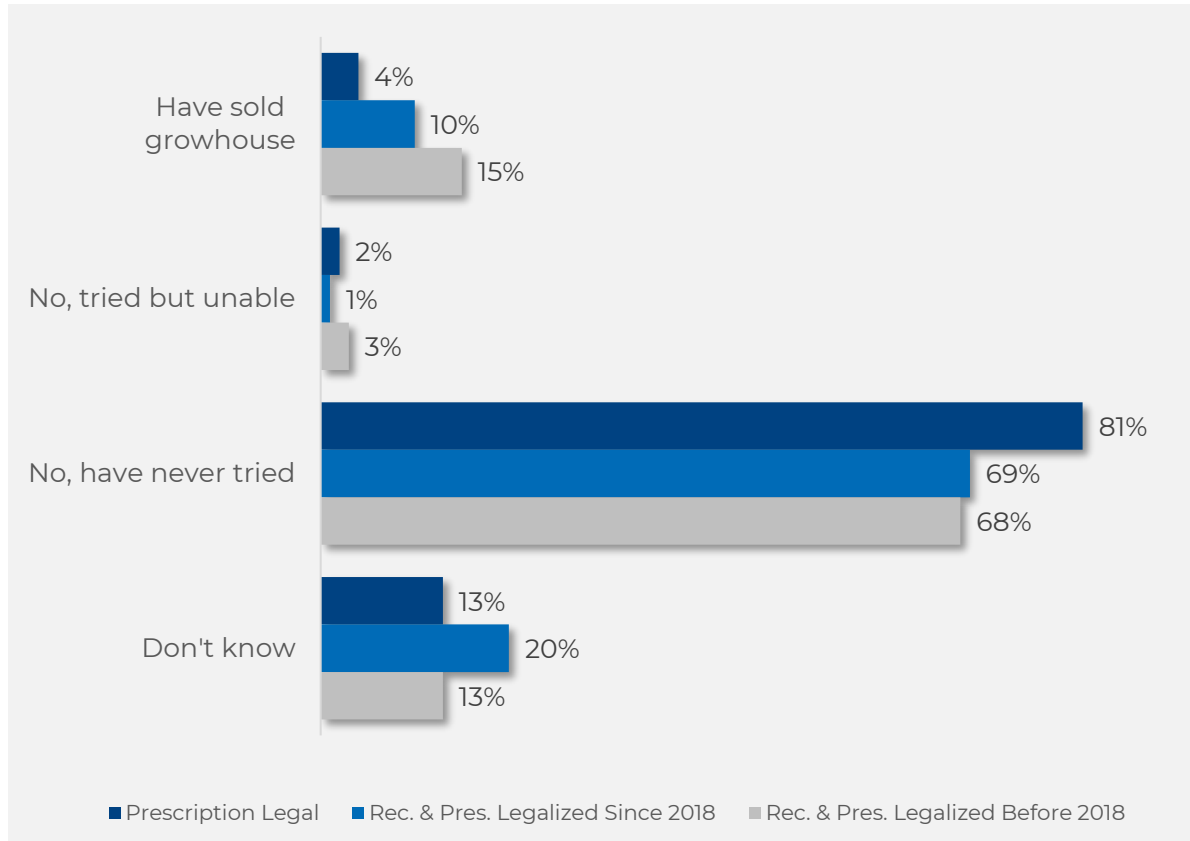
* = less than 1%



Selling a Grow House

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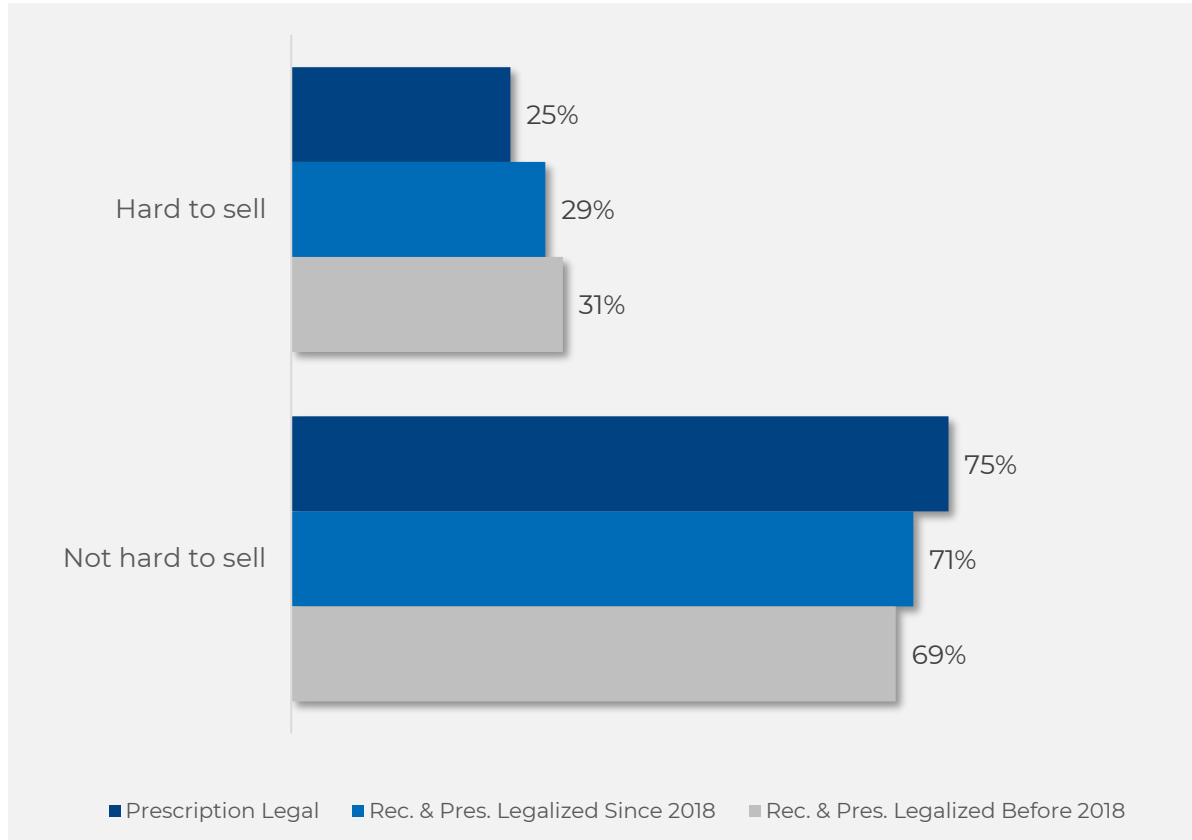
Experience Selling Grow Houses



Approximately three-fifths of respondents in states with legal medical marijuana had never tried selling a grow house, compared to more than two-thirds in states that legalized recreational marijuana.

Fifteen percent of residential members in states that legalized recreational marijuana more than five years ago had sold a grow house in the past.

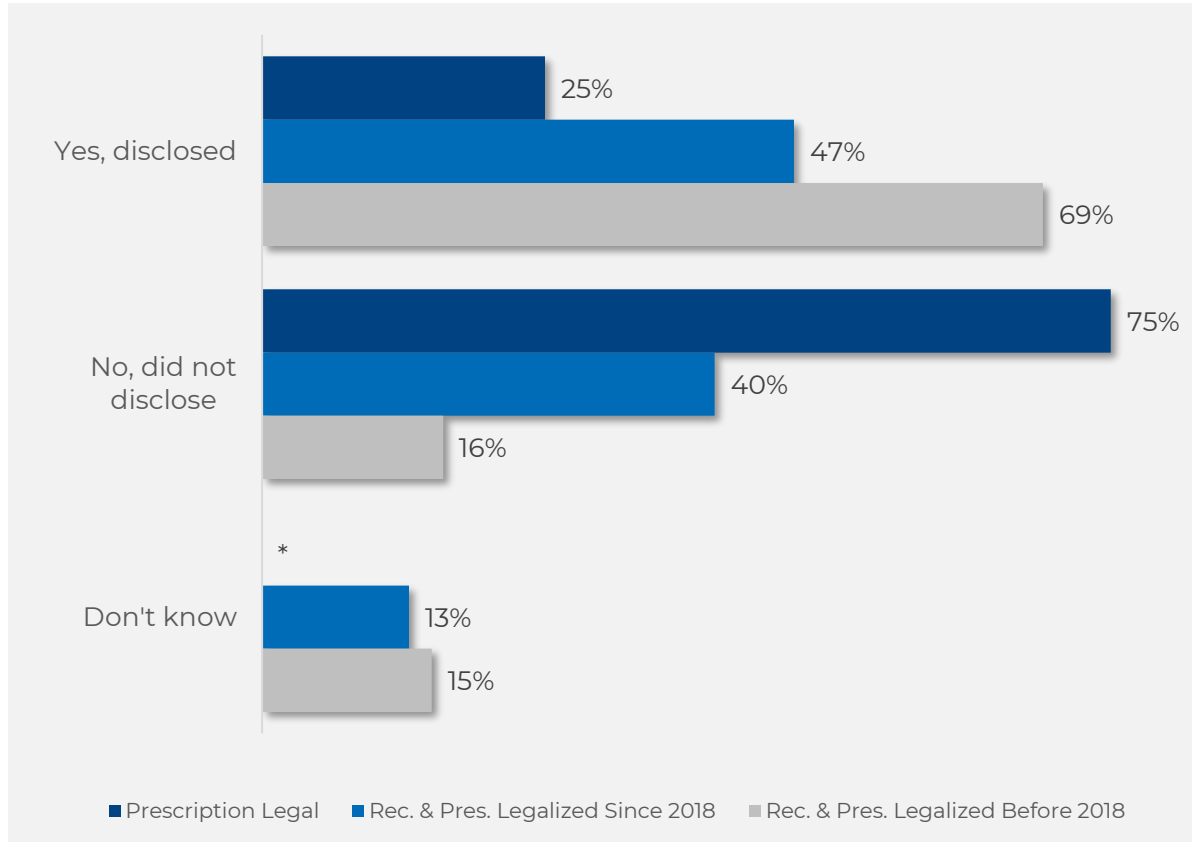
Difficulty Selling Grow Houses



Among residential members who had sold a grow house, 25 percent in states where medical marijuana is legal had a difficult time selling a grow house (23 percent in 2021).

Approximately three in ten 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

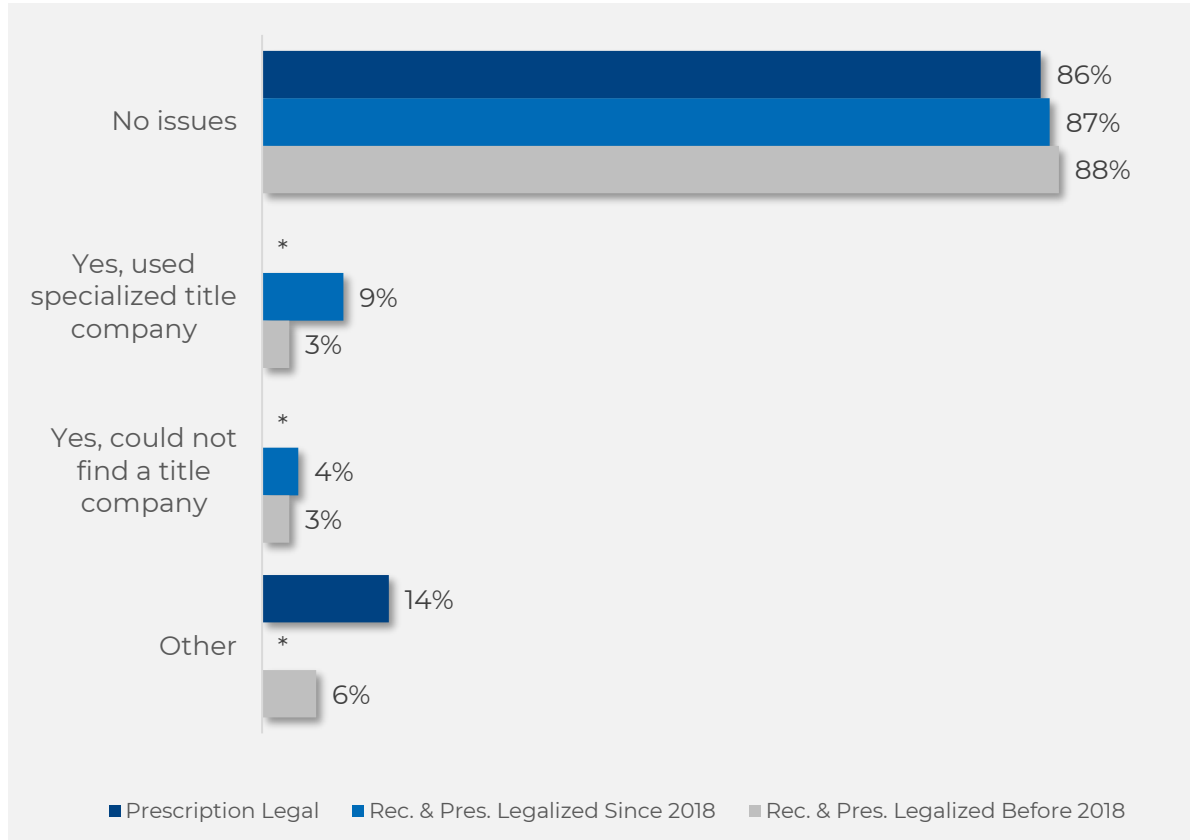


Among members who had sold a grow house, more than two-thirds in states that legalized recreational marijuana more than five years ago did disclose that the house was used as a grow house.

This share decreased to nearly half in states where medical and recreational marijuana legalized more recently, and one-fourth in states where only medical marijuana is legal.

* = less than 1%

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.

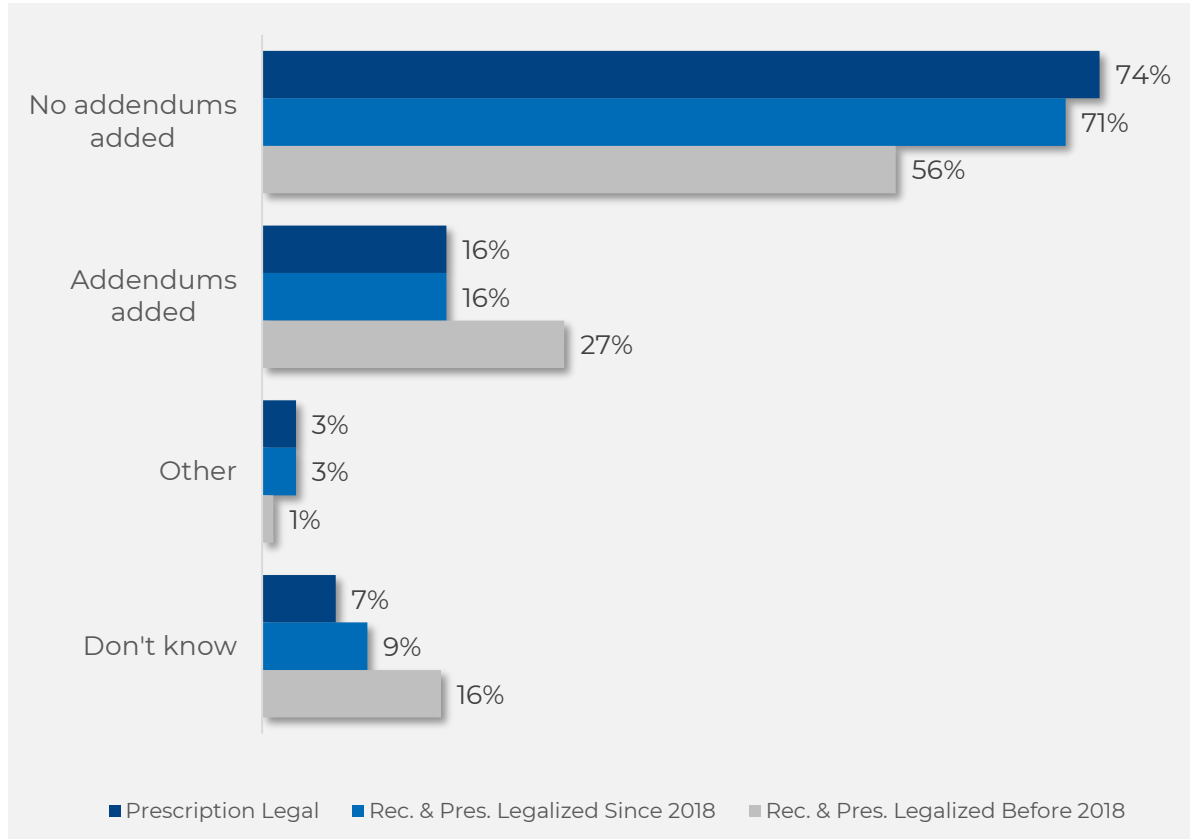
Nine percent of members who have sold a grow house in states where recreational marijuana was legalized in the past five years used a specialized company for the title.



Residential Property Management Experience

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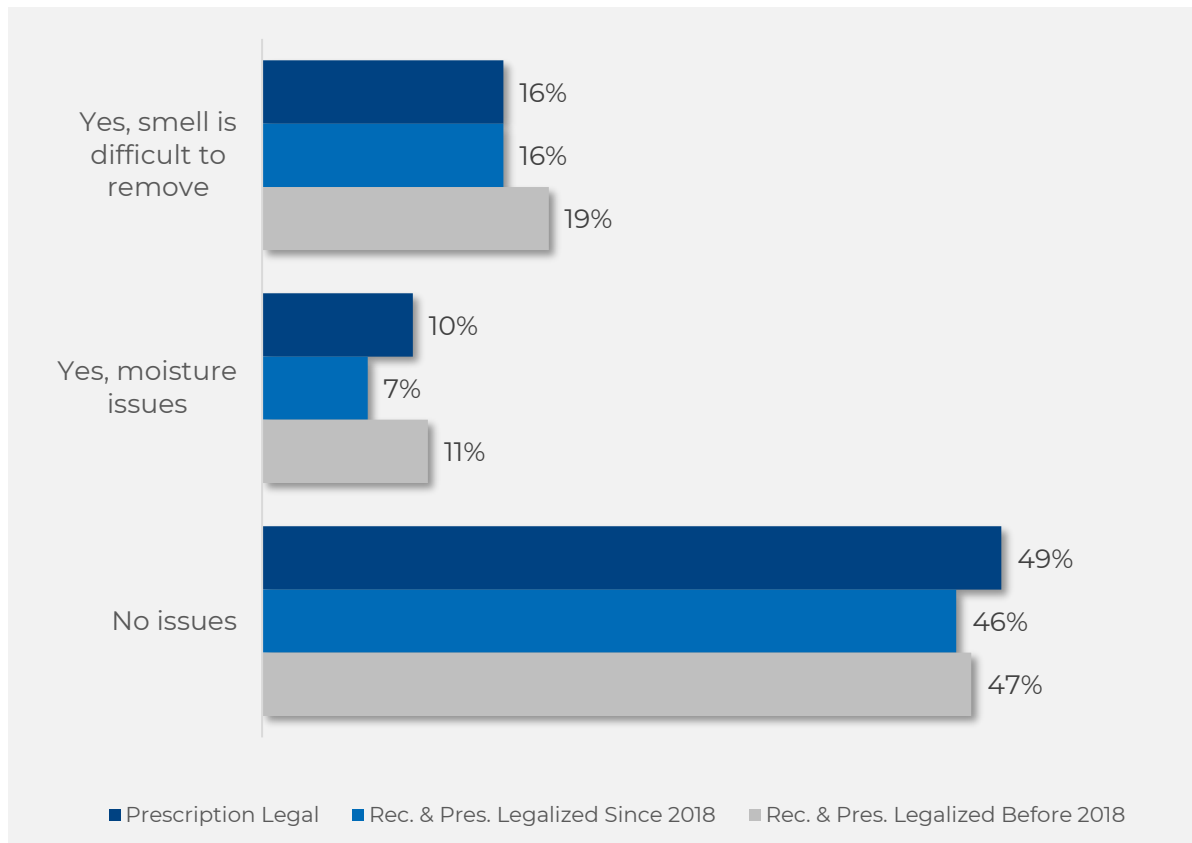
Addendum/Provisions in Leases: Restrictions on Growing



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.

Twenty-seven percent in states that legalized both medical and recreational marijuana prior to 2018 have seen addendums added to leases which restrict growing on properties (44 percent in 2021), compared to 16 percent in other states.

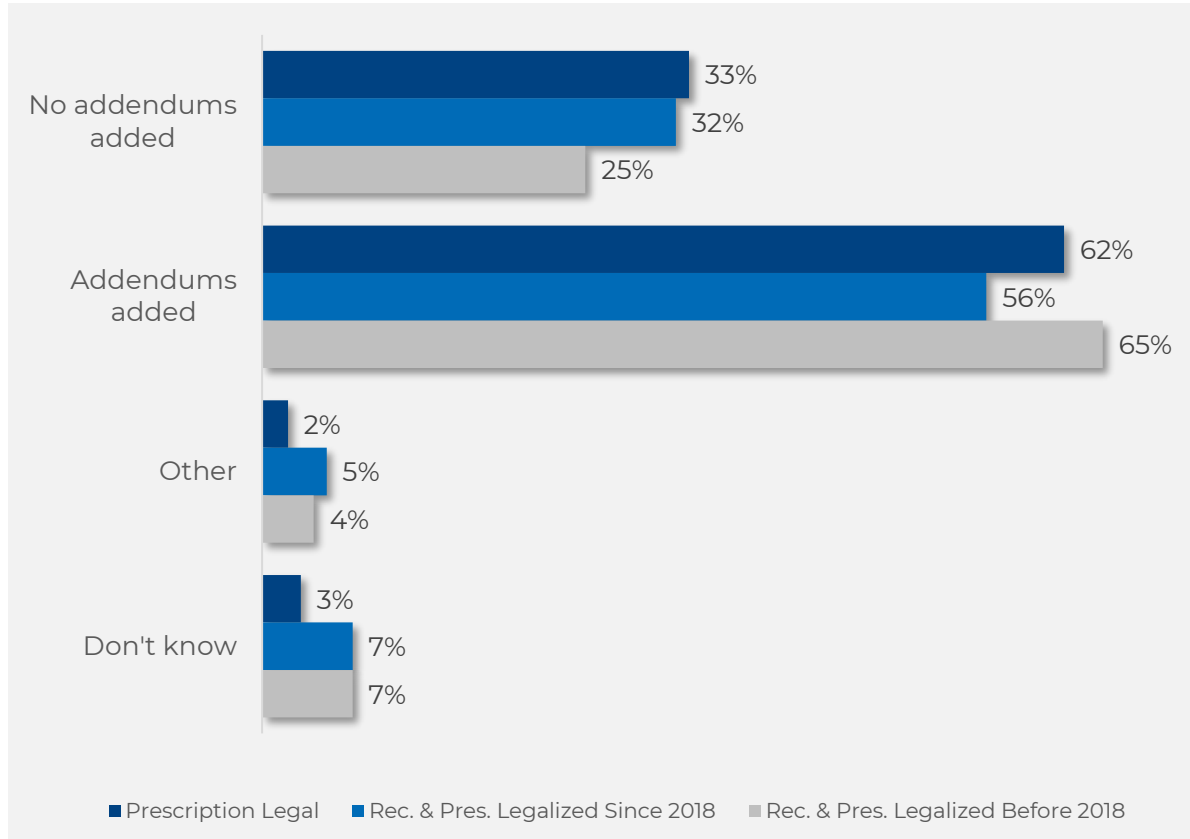
Difficulty Leasing Property After Growing of Marijuana



Nearly half of respondents, regardless of legality status, had no issues leasing a property after the growth of marijuana in a property.

When issues have occurred, the most common was the smell, followed by moisture issues. Both issues were more common in areas where recreational marijuana has been legal for more than five years.

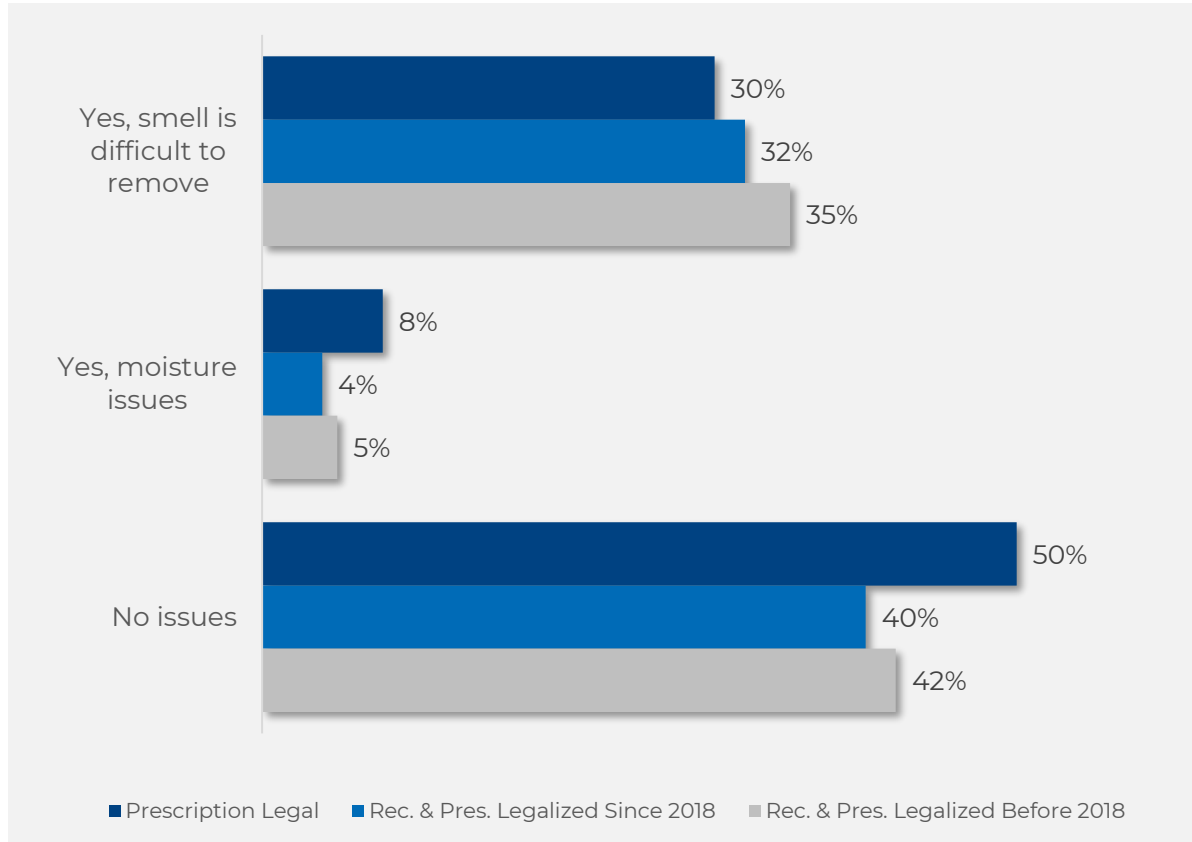
Addendum/Provisions in Leases: Restrictions on Smoking



In states where recreational marijuana is legal, 56 to 65 percent of residential property managers have seen addendums added to leases which restrict smoking on properties (59 to 76 percent in 2021).

In states where only medical marijuana is legal, one-third had not seen addendums added to leases which restrict smoking on properties (47 percent in 2021).

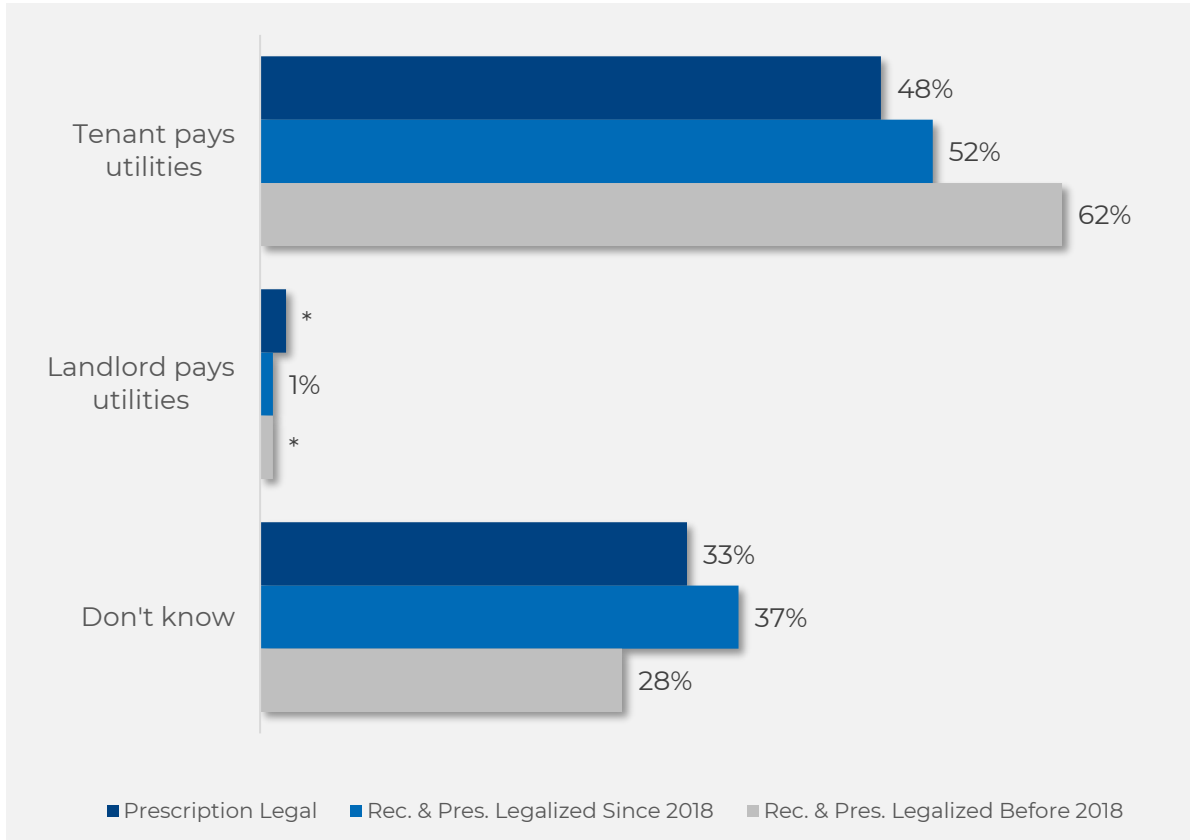
Difficulty Leasing Property After Smoking of Marijuana



Half of members in states where medical marijuana is legal and roughly two-fifths 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 (similar to 2021).

When there were issues, the most common issue was the smell, which 30 to 35 percent of these members had encountered.

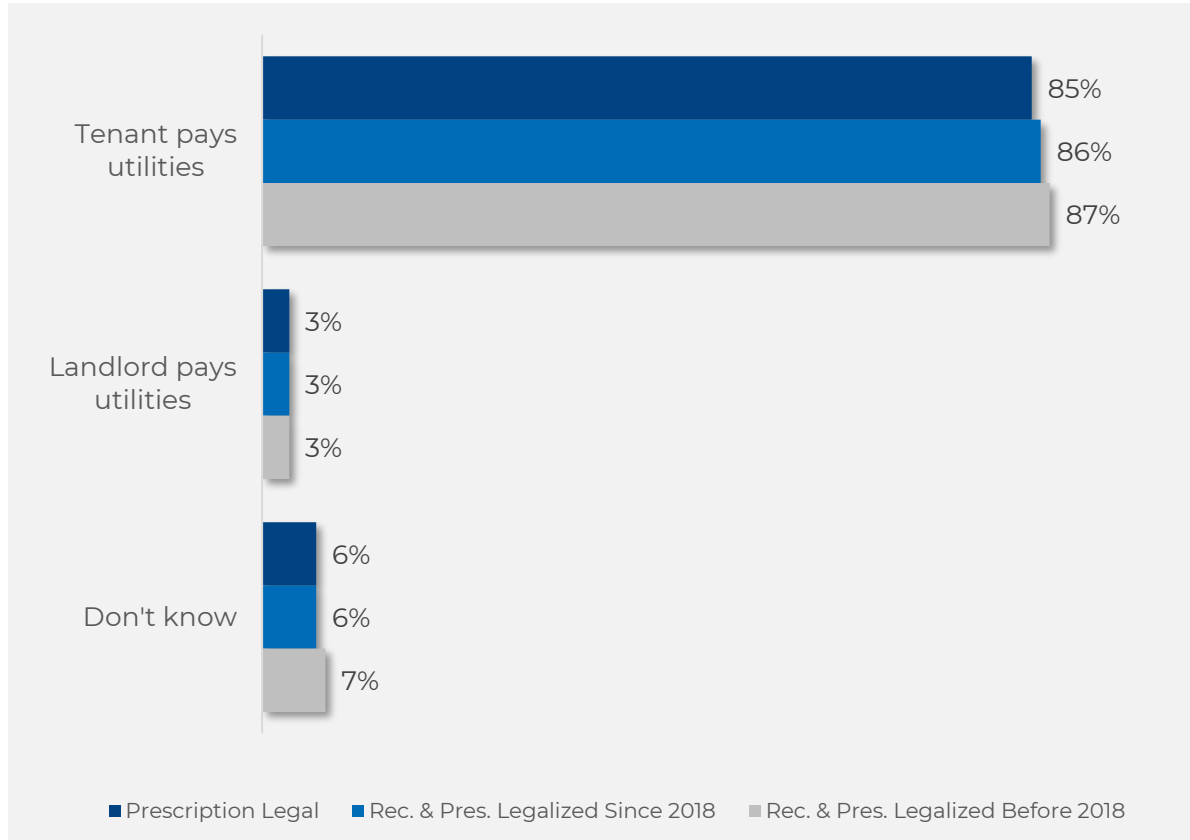
Tenant Growing: Utility Costs



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

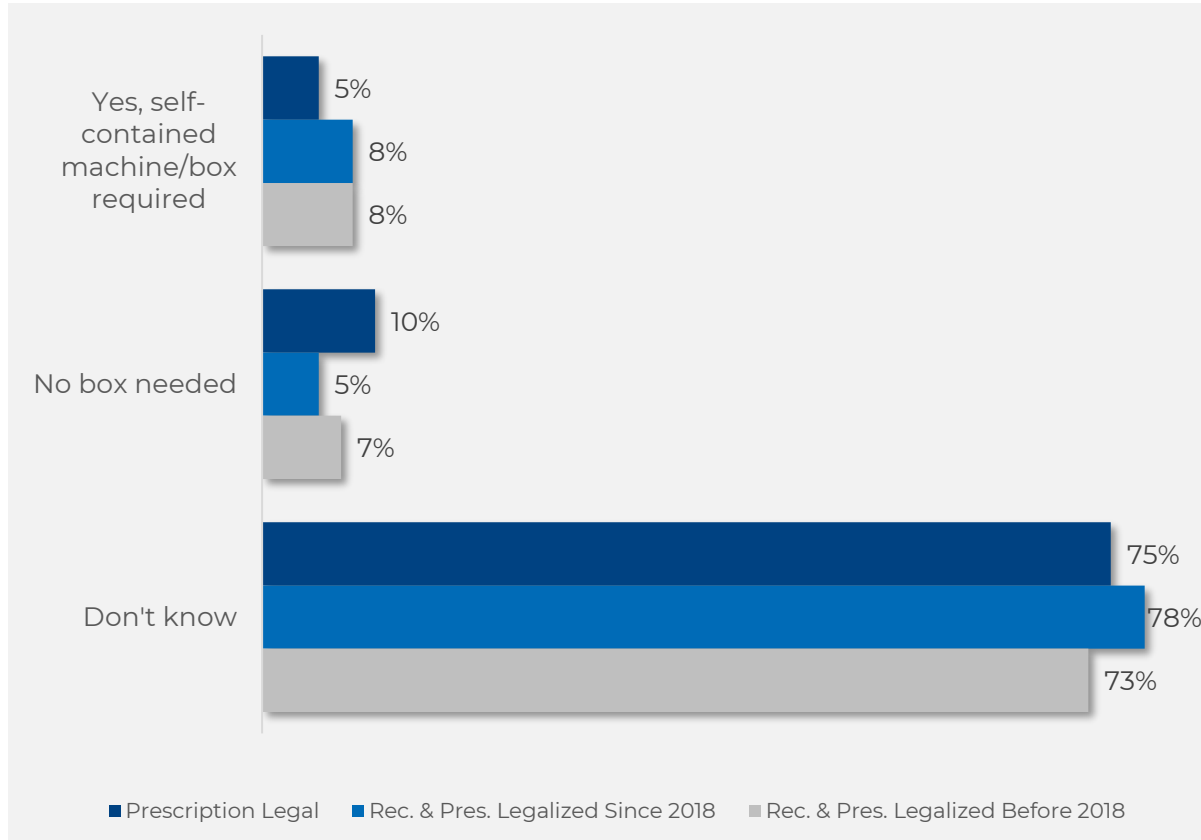
* = less than 1%

Tenant Smoking: Utility Costs



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

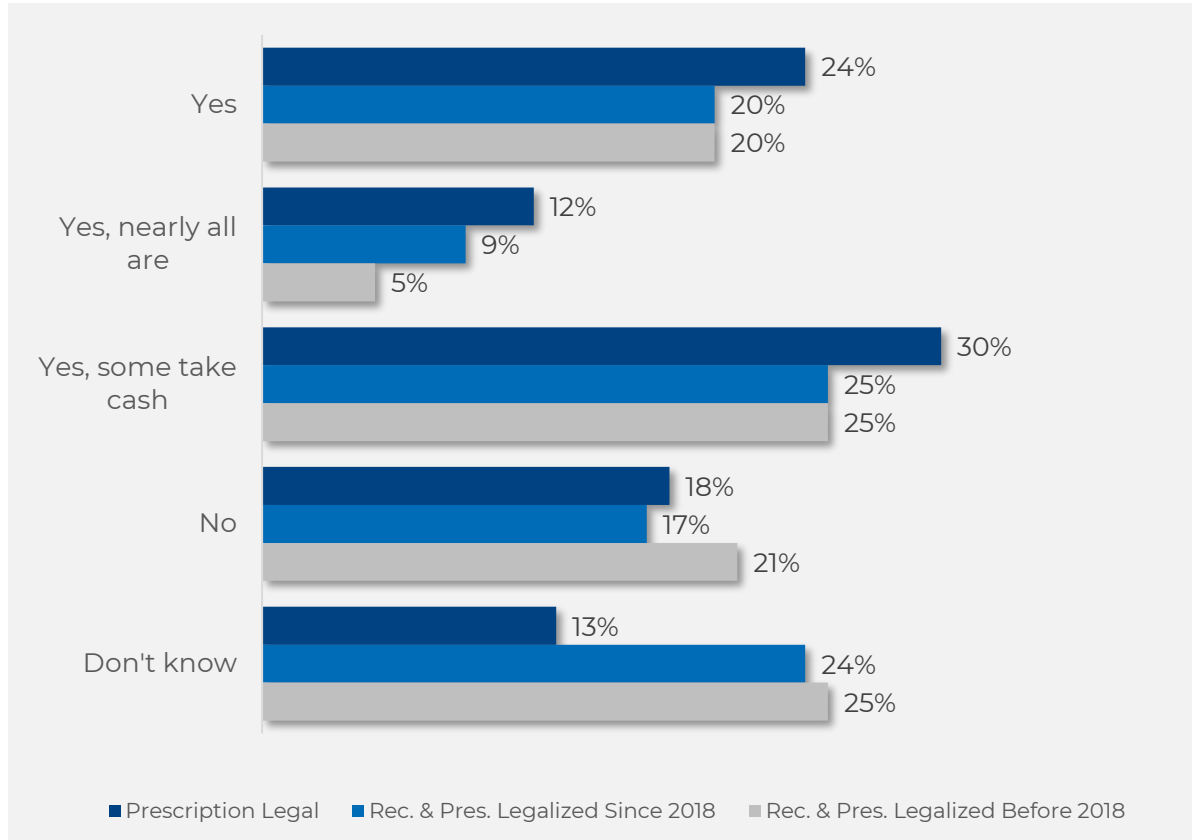
Tenant Growing: Self-Contained Growing Box/Machine



When tenants were allowed to grow marijuana in their rental units, five percent of those in states with legal medical marijuana said self-contained machine/boxes were required (eight percent in 2021).

This was also the case among eight percent of those in states where both medical and recreational marijuana are legal (10 to 11 percent in 2021).

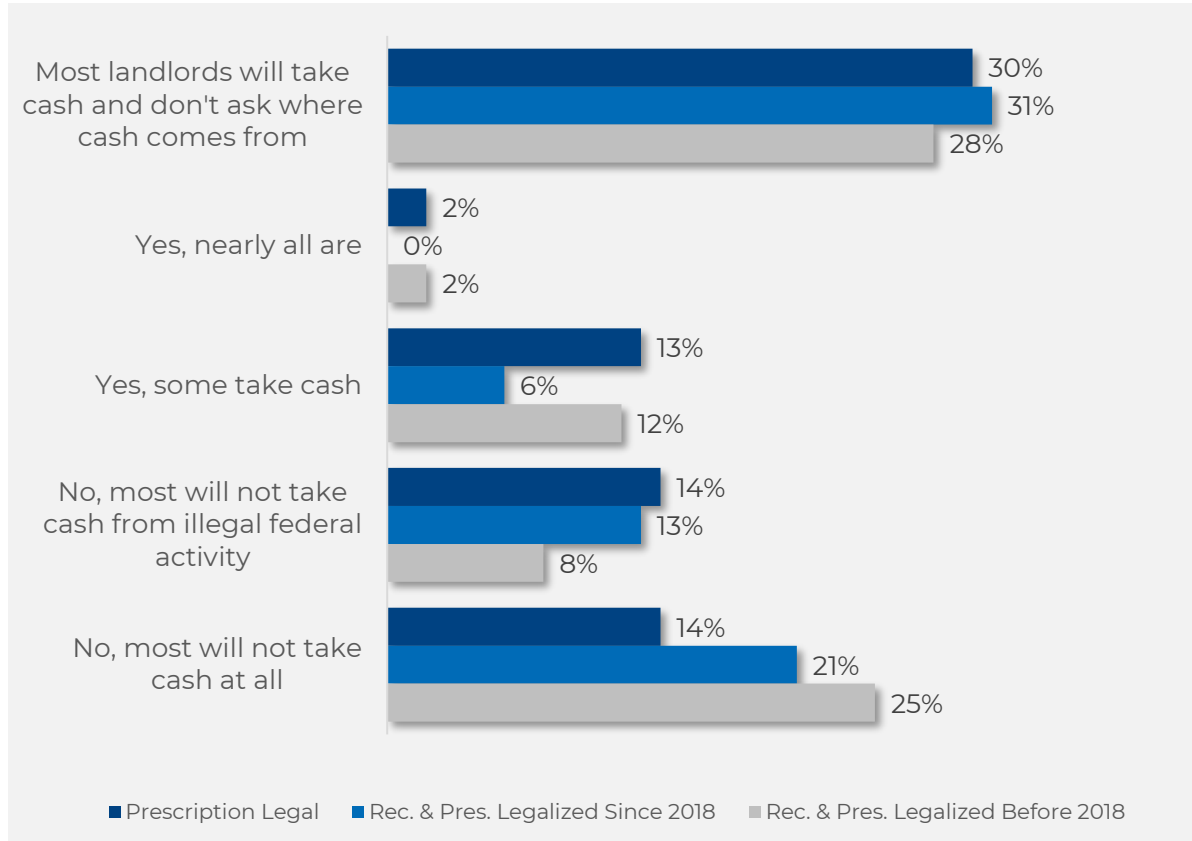
Landlords Willing to Accept Cash for Rent



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

More than half of those in states where recreational marijuana is legal said at least some landlords would take cash for rent, compared to two-thirds of those in states where only prescription marijuana is legal.

Landlords Willing to Accept Cash from Marijuana Proceeds for Rent



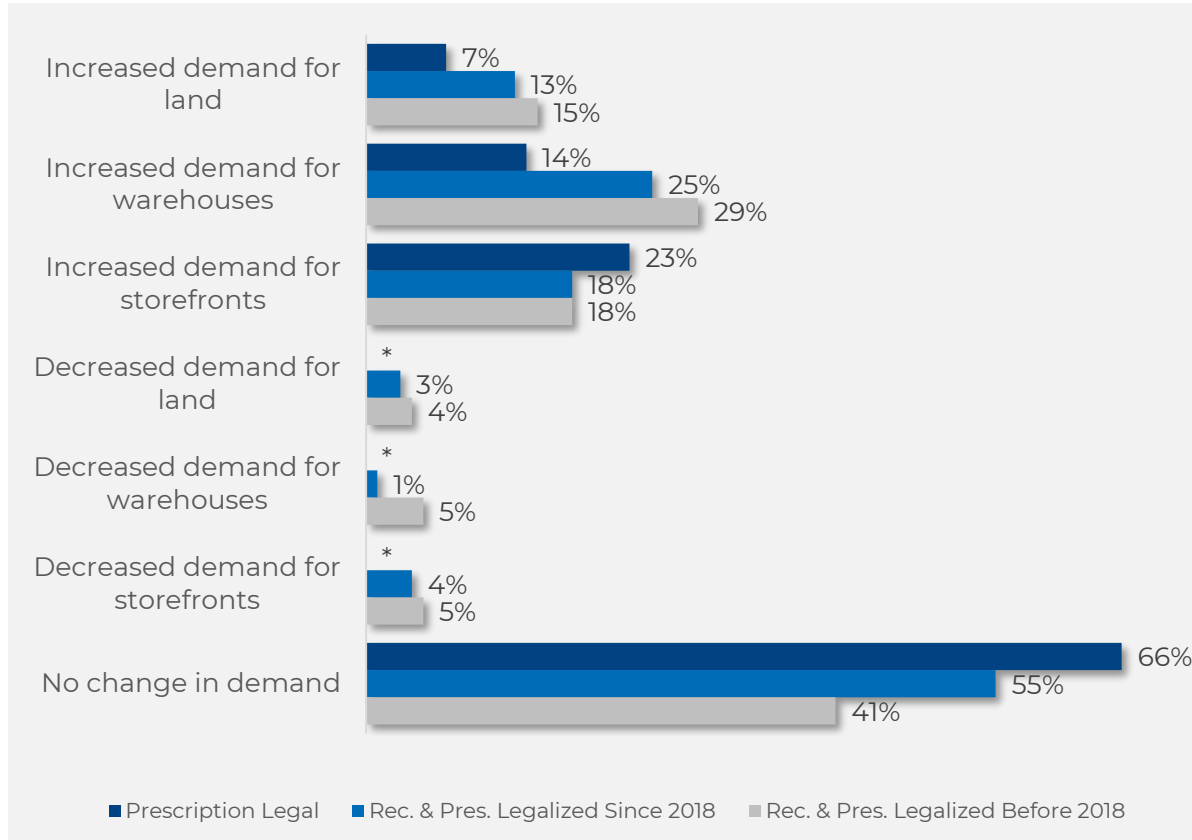
As marijuana is often an all-cash business, earnings from people in the business are cash proceeds. Fourteen to 25 percent of landlords were unwilling to take cash at all for rent, and eight to 14 percent will not take cash from an illegal federal activity for rent.

Forty-five percent of those in states where prescription marijuana is legal would take cash for rent, and 37 to 42 percent of those where marijuana is legal for both prescription and recreational use would take cash for rent.

Commercial Real Estate



Commercial Inventory Changes from Marijuana Legalization



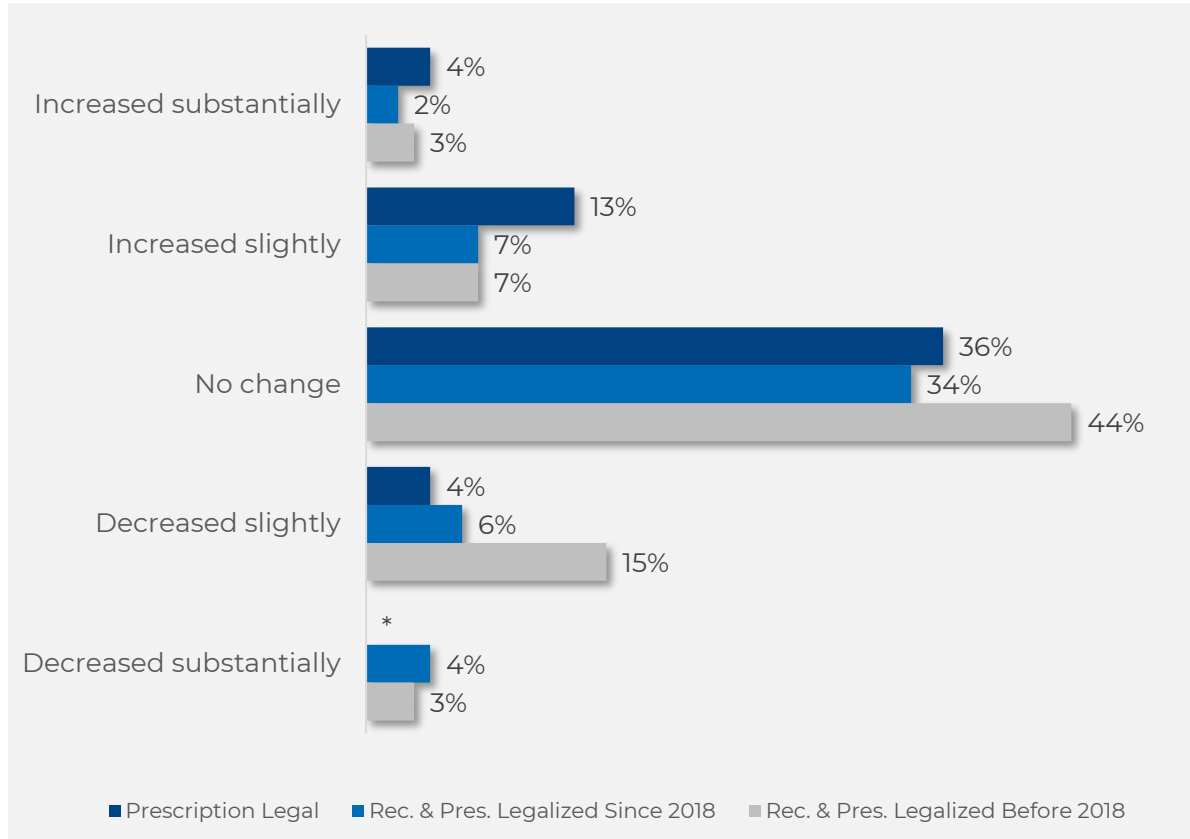
States where medical and recreational marijuana have been legalized for more than five years have seen more increases in demand for commercial properties.

In states where only prescription marijuana use is legal, 23 percent of members had seen an increased demand in storefronts, 14 percent in warehouses, and seven percent in land.

In states where prescription and recreational marijuana use is legal, 25 to 29 percent of members had seen an increased demand in warehouses, 18 percent in storefronts, and 13 to 15 percent in land.

* = less than 1%

Commercial Property Values Near Dispensaries

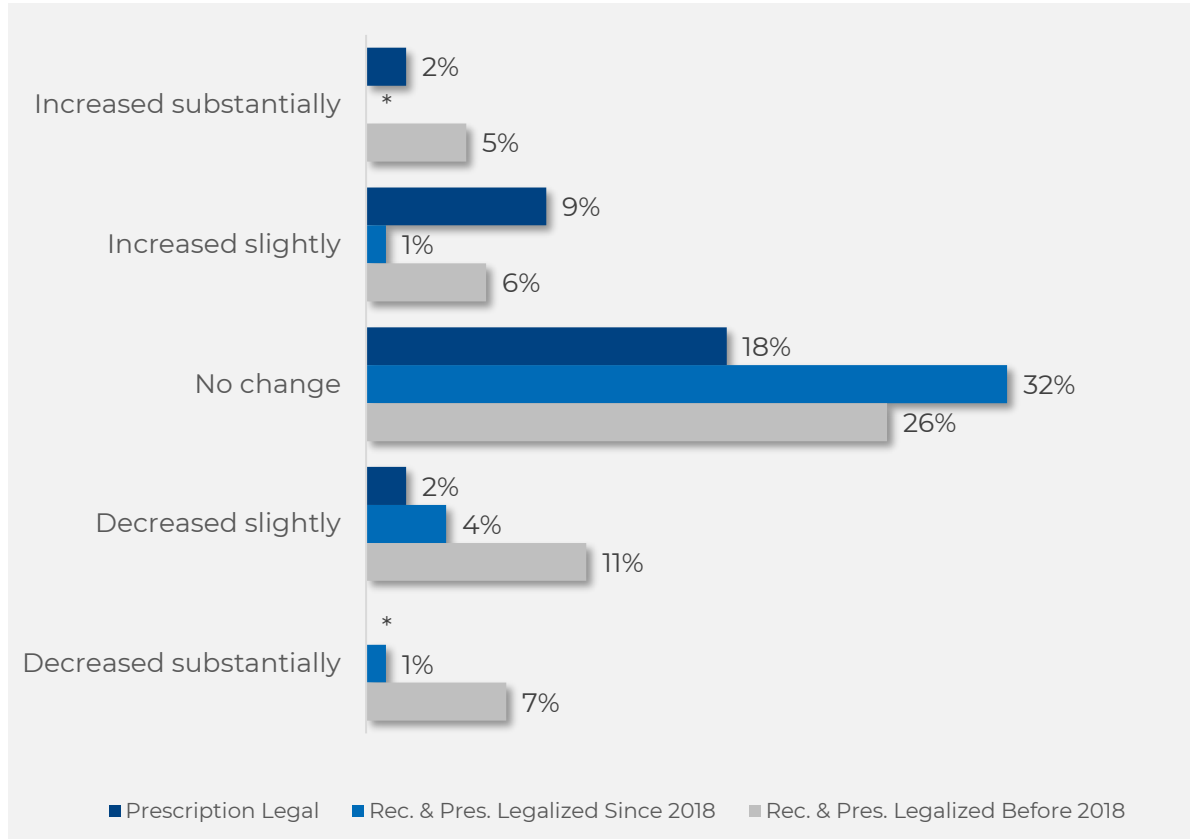


More than one-third of members in states where only medical marijuana is legal or where recreational was more recently legalized had not seen a change in commercial property values near dispensaries, compared to more than two-fifths of those in states where medical and recreational marijuana were legalized the longest.

Nine to 17 percent of members had seen an increase and four to 18 percent had seen a decrease in commercial property values near dispensaries.

* = less than 1%

Commercial Property Values Near Growing Land

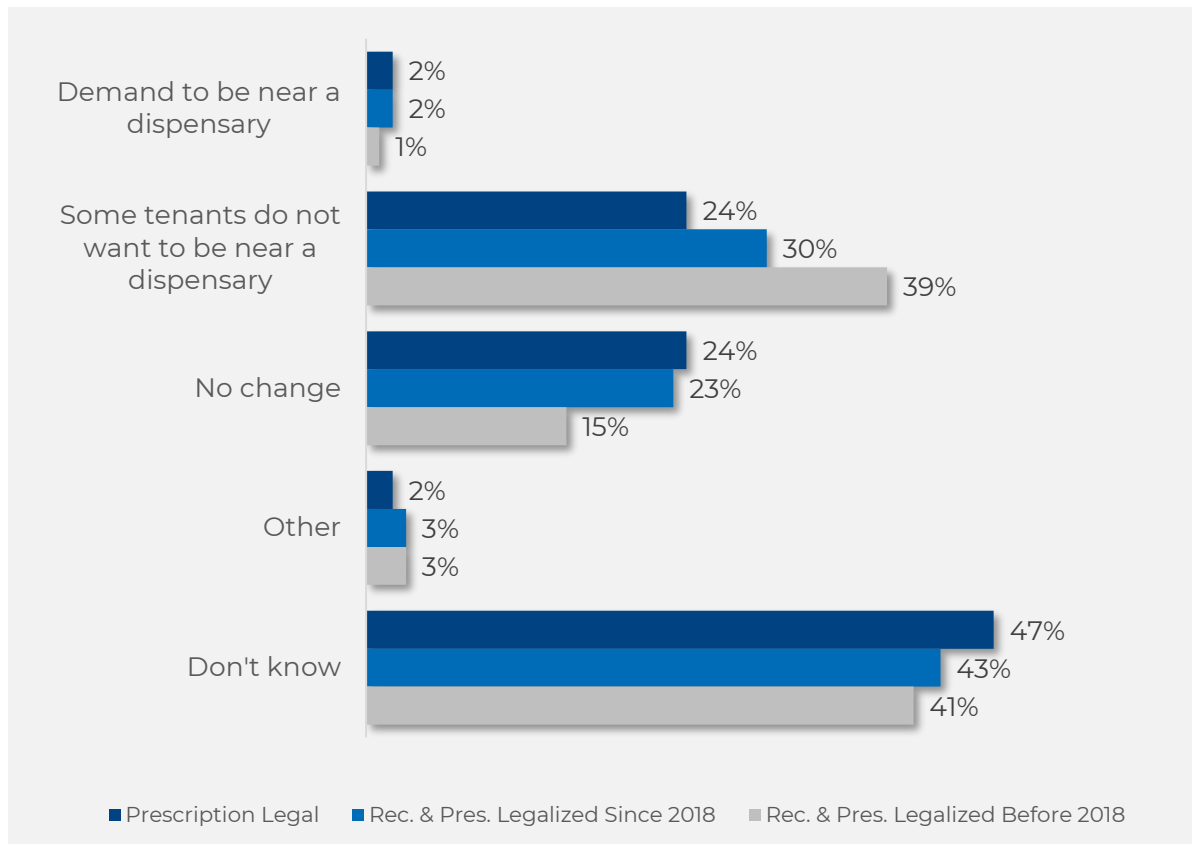


Eighteen to 32 percent of members in states where marijuana is legal to some extent had not seen a change in commercial property values near growing lands.

One to 11 percent of members in these states had seen an increase and two to 18 percent had seen a decrease in commercial property values near growing lands.

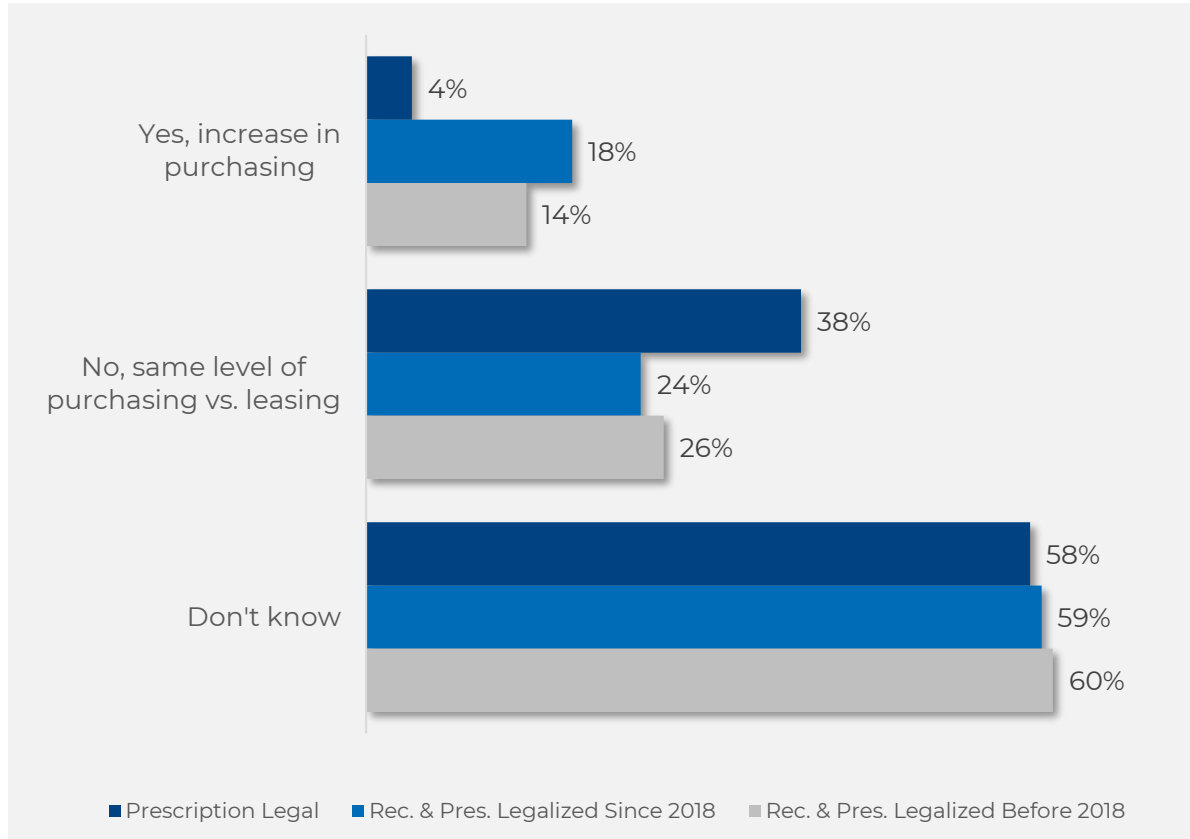
* = less than 1%

Change in Who Will Lease Near a Dispensary



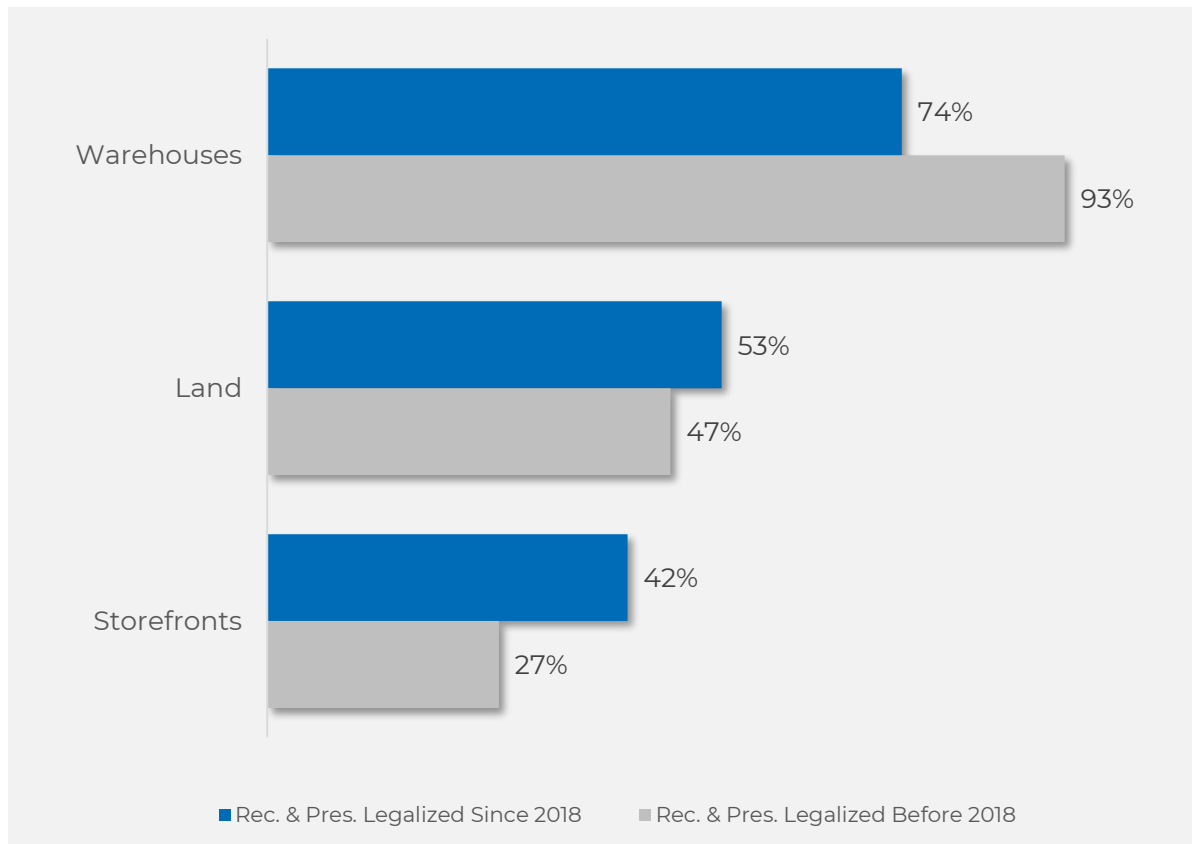
Twenty-four percent of commercial members in states where only medical marijuana is legal noted some tenants do not want to be near a dispensary, compared to 30 percent where both medical and recreational were legalized in the past five years, and 39 percent in states where both were legalized more than five years ago.

Seen Increase in Property Purchases vs. Leases in Past Year



Eighteen percent of commercial members in states that legalized recreational marijuana in the past five years reported an increase in property purchasing over leasing in the past year (29 percent in 2021), compared to 14 percent in states that legalized more than five years ago (20 percent in 2021), and four percent of those in states where only medical marijuana is legal (21 percent in 2021).

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.

Seventy-four to 93 percent of these members reported an increase of purchasing warehouses over leasing in the past year.

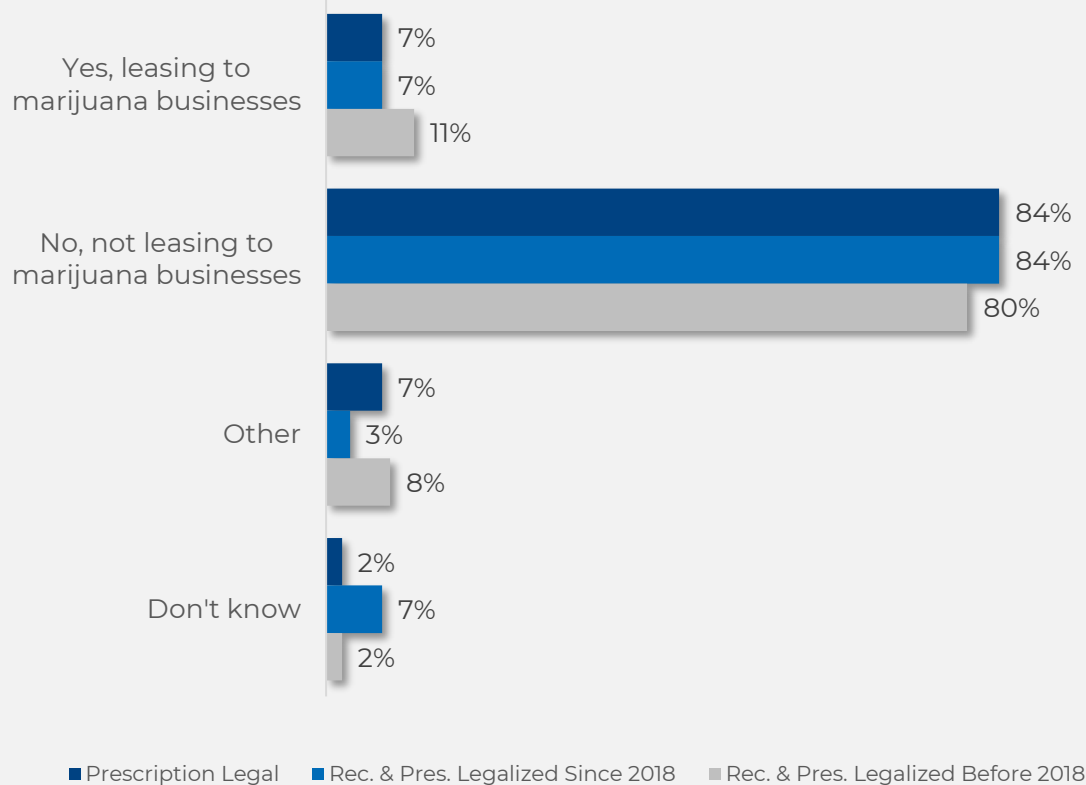
Please note, those in states where only medical marijuana is legal were excluded due to insufficient sample size.

* = less than 1%

Commercial Leasing



Leasing to Marijuana Related Businesses

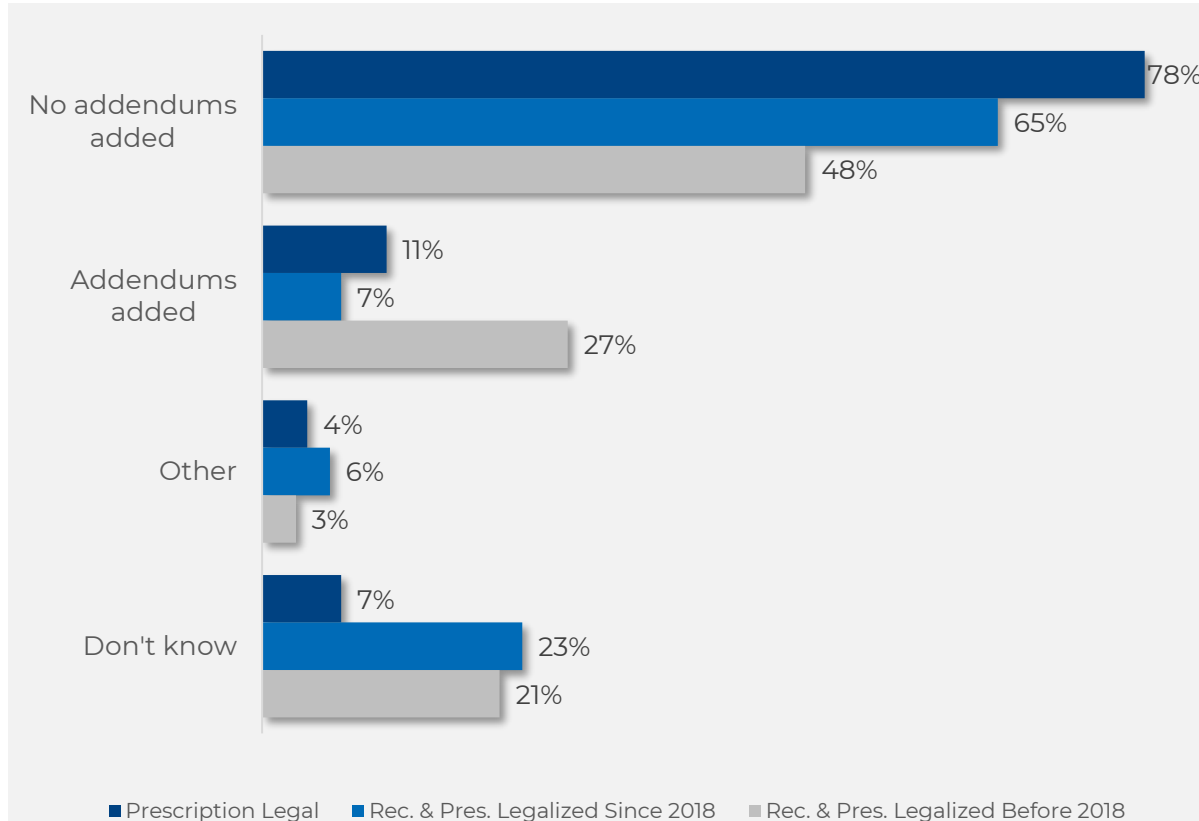


The majority of commercial member respondents were not currently leasing to marijuana related businesses.

Seven percent of commercial members in states where only prescription marijuana is legal or where recreational marijuana was more recently legalized were leasing to marijuana related businesses.

In states where recreational marijuana was legalized the longest, 11 percent were leasing to marijuana related businesses.

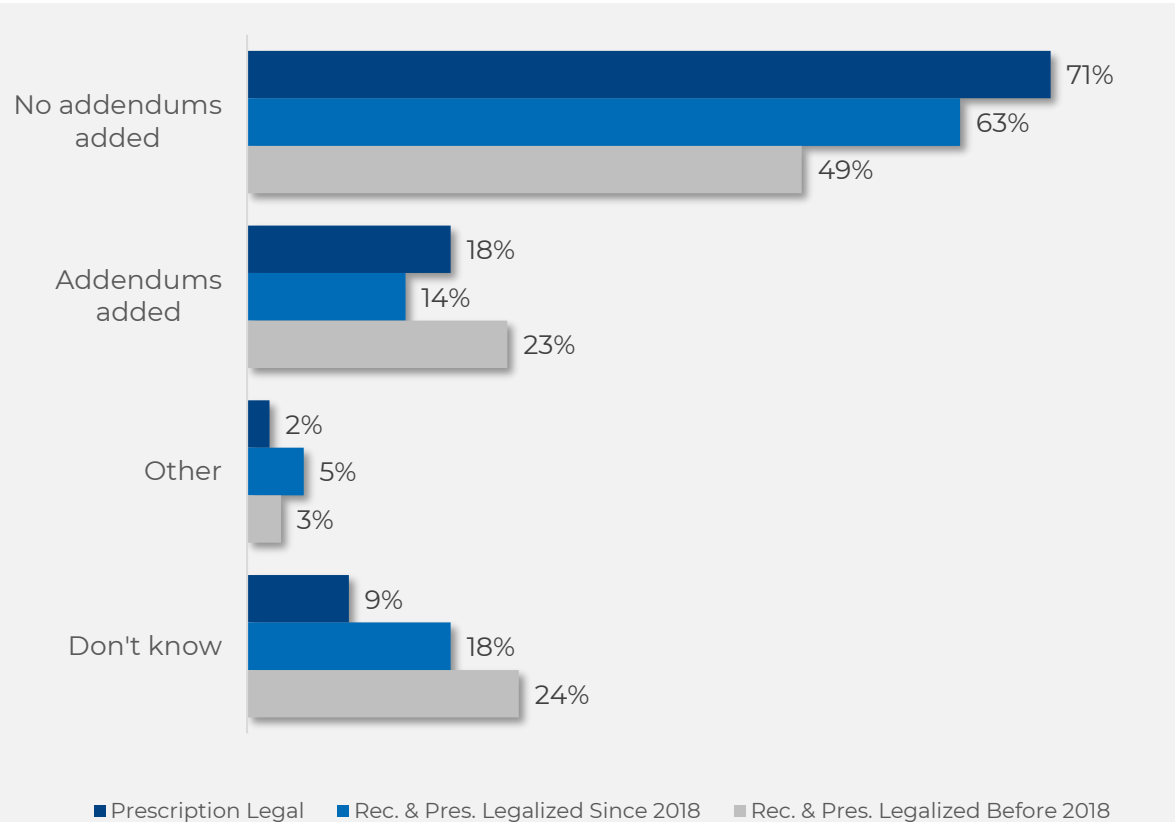
Addendum/Provisions in Leases: Restrictions on Growing



Seventy-eight 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 (69 percent in 2021), compared to 48 to 65 percent of those where medical and recreational are legal.

Twenty-seven percent in states where medical and recreational marijuana were legal the longest did have lease addendums regarding growing of marijuana (36 percent in 2021).

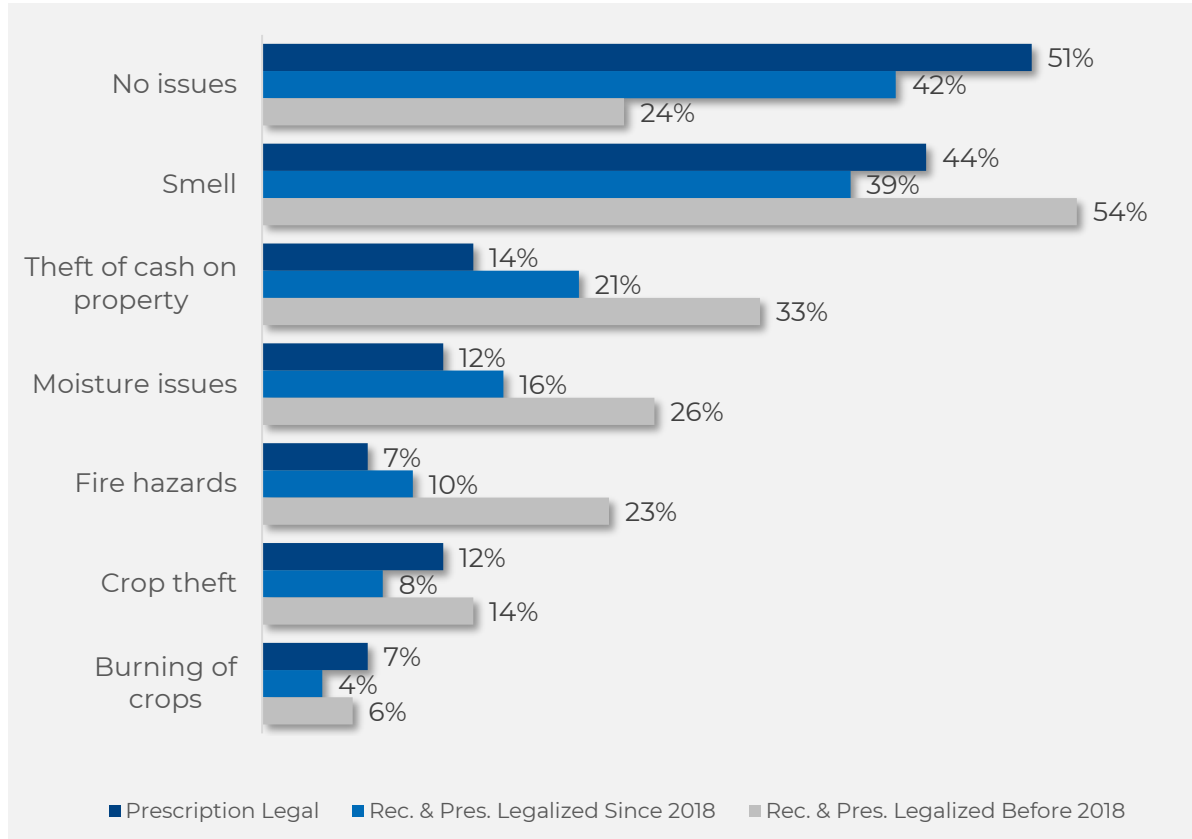
Addendum/Provisions in Leases: Restrictions on Selling



More than 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 (63 percent in 2021), compared to 49 to 63 percent of those where medical and recreational are legal.

Twenty-three percent in states where medical and recreational marijuana were legal the longest did have lease addendums regarding sales of marijuana (33 percent in 2021).

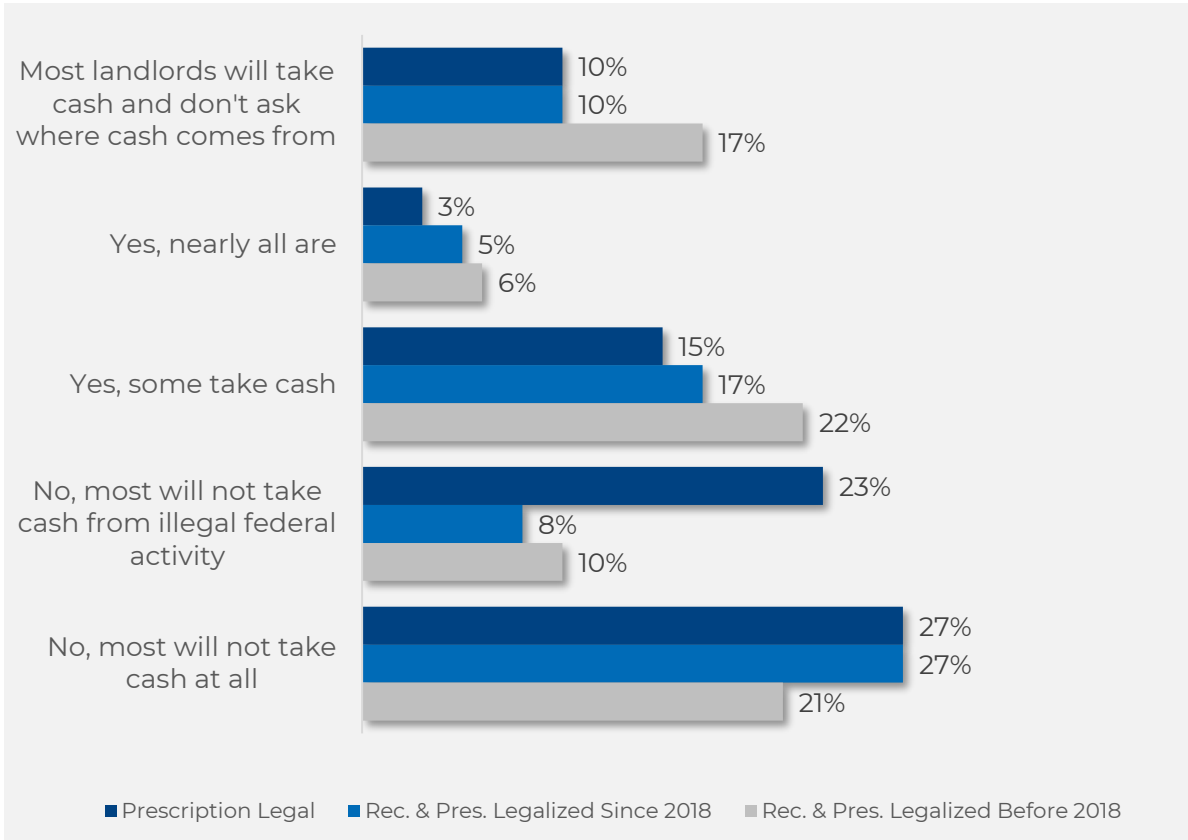
Leasing Concerns of Marijuana Businesses



More than half of commercial member respondents in states where only medical marijuana is legal reported no concerns leasing to marijuana businesses, compared to 24 percent of those where medical and prescription have been legal the longest.

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

Landlords Willing to Accept Cash from Marijuana Proceeds for Rent



Nearly three in ten 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 in states where both medical and recreational are legal, compared to nearly one-quarter where only medical is legal.

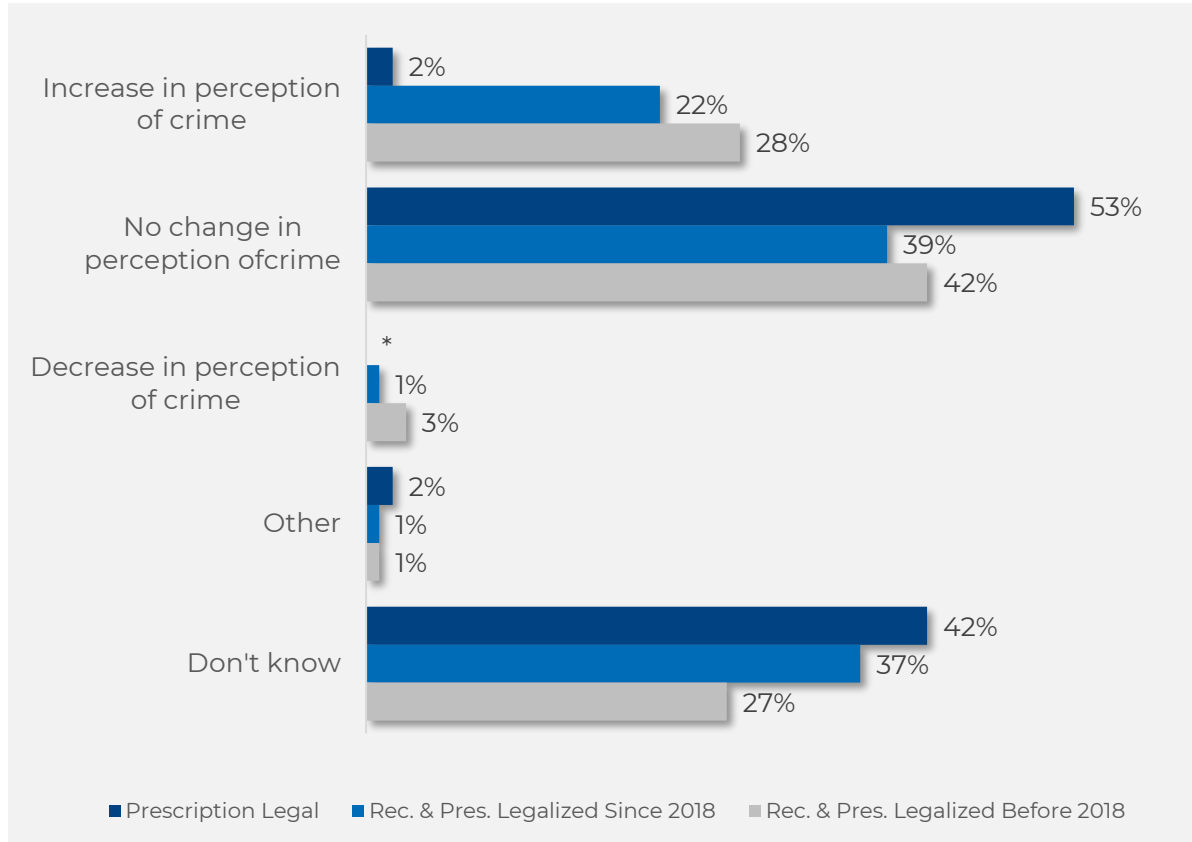
In states where recreational marijuana has been legal the longest, 45 percent say landlords are willing to take cash for rent (42 percent in 2021).



Perception of Crime

Marijuana & Real Estate: A Budding Issue

Perception of Change in Crime Near Dispensaries

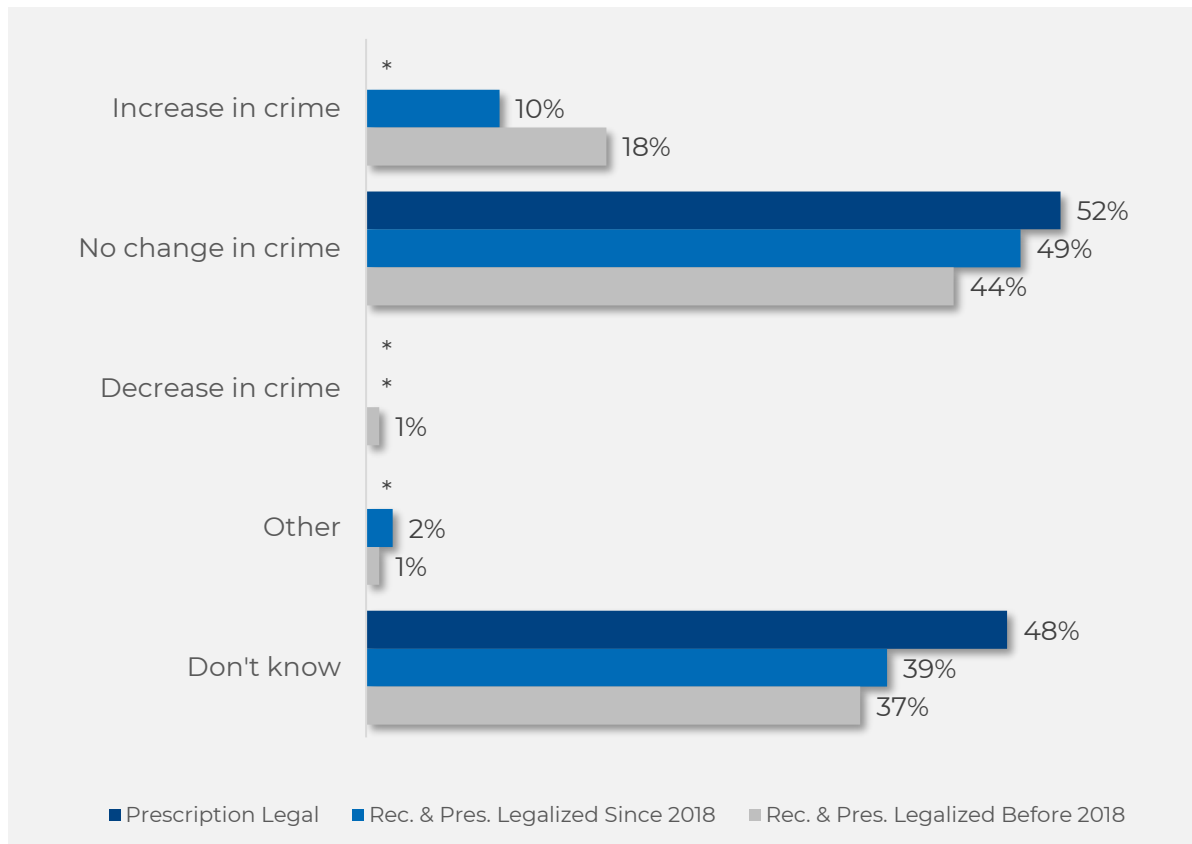


In states where only prescription marijuana is legal, 53 percent of commercial members said there was no change in the perception of crime (39 percent in 2021). Only two percent cited an increase in the perception of crime (eight percent in 2021).

In comparison, in states where both prescription and recreational marijuana were legalized, 22 to 28 percent of commercial members reported a perception of an increase in crime near dispensaries, while 39 to 42 percent saw no change in perception of crime.

* = less than 1%

Actual Change in Crime Near Dispensaries



In states where only prescription marijuana is legal, 52 percent of commercial members cited no actual change in crime (40 percent in 2021) and no respondents said there was an increase in crime (5 percent in 2021).

In comparison, in states where both prescription and recreational marijuana has been legal the longest 18 percent reported an increase in crime near dispensaries (13 percent in 2021).

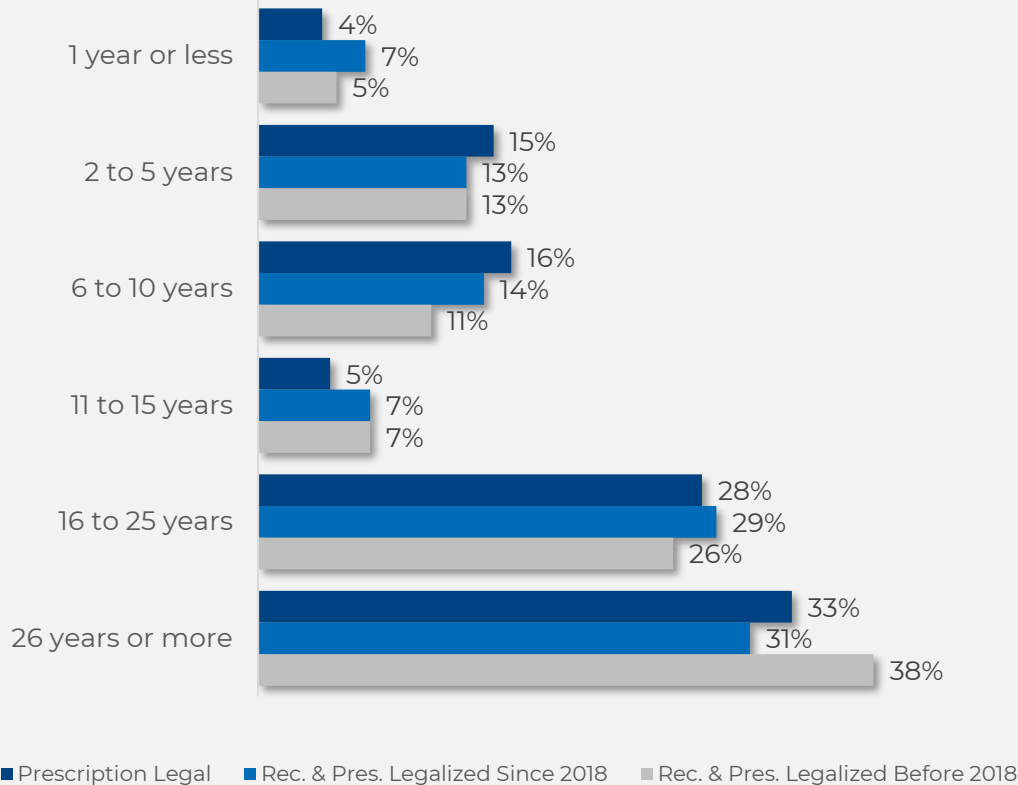
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Survey Respondent Demographics

Marijuana & Real Estate: A Budding Issue

Years Active as Real Estate Professional



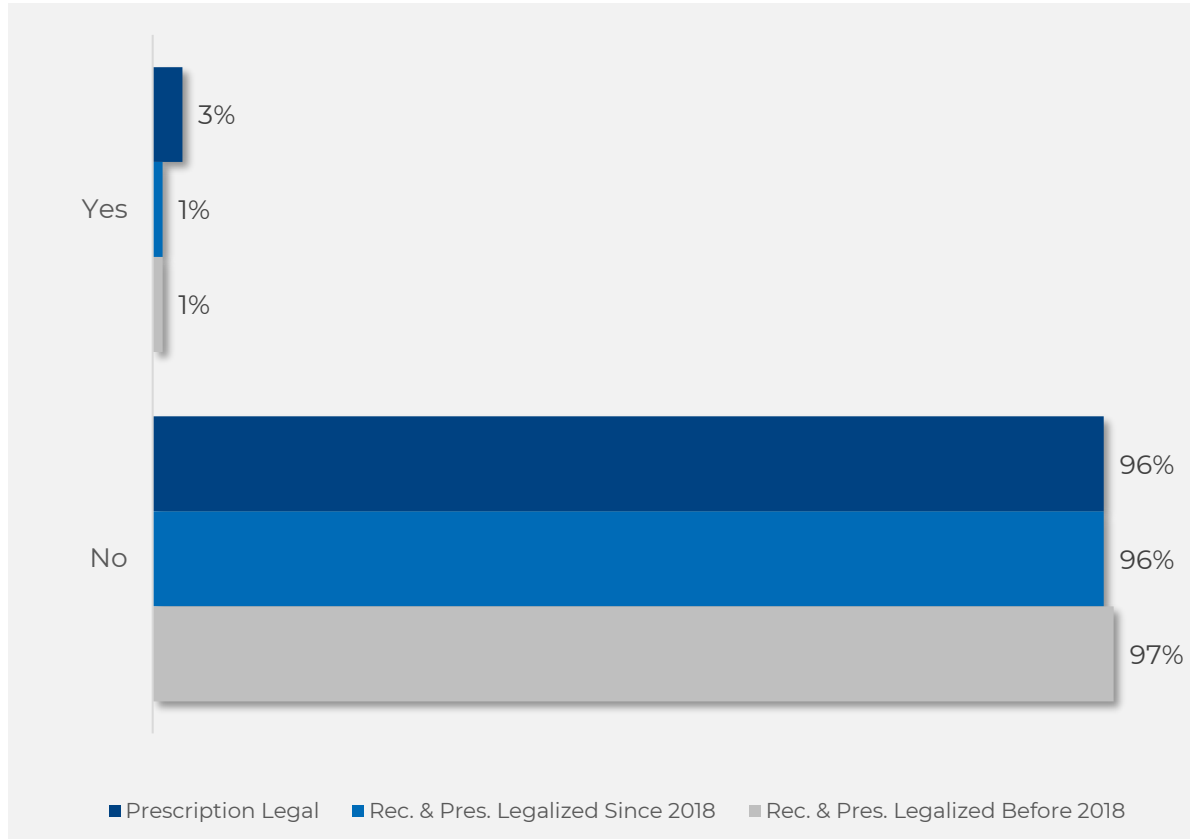
Medians

Prescription Legal: 20 years

Rec. & Pres. Legalized Since 2018: 20 years

Rec. & Pres. Legalized Before 2018: 21 years

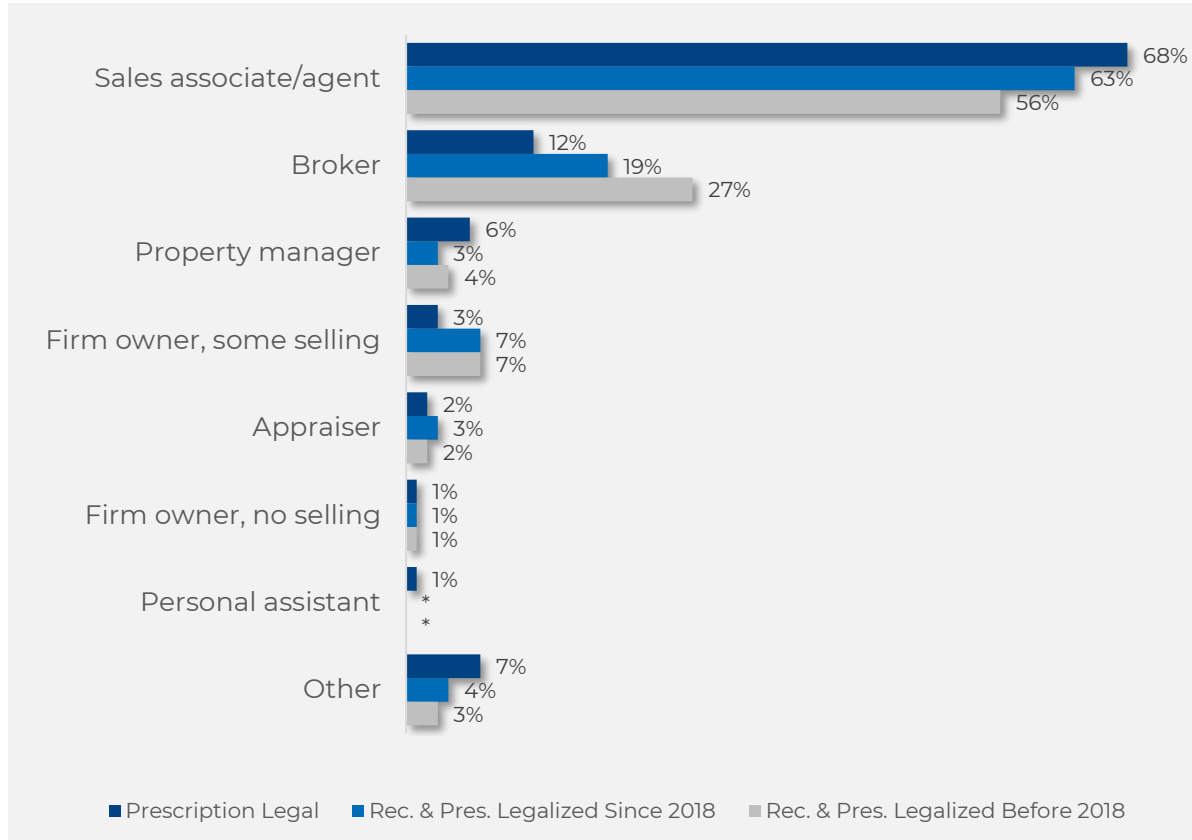
Works as Marijuana Specialist



Only one percent of respondents where recreational marijuana is legal identify as marijuana specialists.

This increases to three percent in states only prescription marijuana is legal.

Main Function in Real Estate Industry



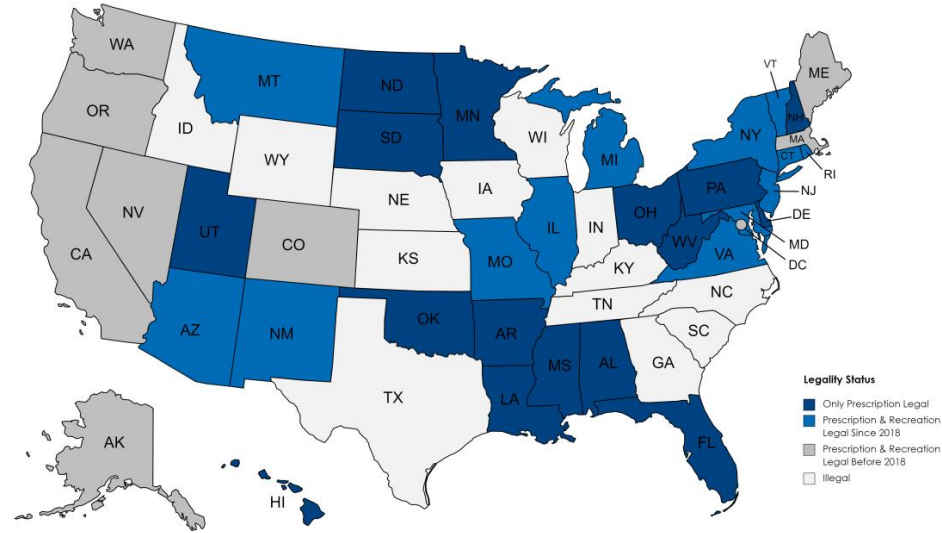
Respondents primarily work as sales associates/agents. Respondents in states where recreational marijuana has been legalized for more than five years are the most likely to be brokers.

* = less than 1%

Methodology

The 2023 Marijuana and Real Estate survey was sent through email in March 2023 to a random sample of 75,000 NAR members who practice residential real estate and 53,000 NAR members who practice commercial real estate. The survey received 3,291 responses for an overall response rate of 2.6 percent. The confidence interval at a 95 percent level of confidence is +/-1.7 percent. All information in this report is representative of NAR member characteristics in 2022.

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 2023, 21 states and D.C. legalize both medical and recreational marijuana use (Alaska, Arizona, California, Colorado, Connecticut, Illinois, Maine, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont, Virginia, Washington, and Washington, D.C.). As of March 2023, 16 states legalize only medical marijuana use (Alabama, Arkansas, Delaware, Florida, Hawaii, Louisiana, Minnesota, Mississippi, New Hampshire, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Utah, and West Virginia). There were 282 respondents from states who legalize only medical marijuana and 1,352 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 1.5 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.

NATIONAL ASSOCIATION OF REALTORS® RESEARCH GROUP

The Mission of the NATIONAL ASSOCIATION OF REALTORS® Research Group is to produce timely, data-driven market analysis and authoritative business intelligence to serve members, and inform consumers, policymakers and the media in a professional and accessible manner.

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