



MARIJUANA AND ITS IMPACT ON REAL ESTATE

A REAL ESTATE EBOOK FROM





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The marijuana industry is pushing itself to the forefront of Americans' conversations, with arms reaching into a variety of industries - including real estate. As states legalize marijuana in different capacities, it's worth taking a look at the history of marijuana, its overall impact on American jobs, and what real estate agents should expect moving forward.



THE HISTORY OF MARIJUANA

Painted in a negative light since its introduction to the U.S. in the early 1900s, marijuana is a hot topic that continues to make waves across several industries. Let's break down marijuana's journey to legalization through the lens of American history.

1937



The Marijuana Tax Act of 1937 prohibits the sales and use of marijuana nationwide.

1951



The Boggs Act is passed, providing stiff mandatory sentences for offenses involving a variety of drugs, including marijuana.

1970



Richard Nixon signs the Controlled Substances Act of 1970 as a part of the "War on Drugs".



▲ Photograph: <https://www.theguardian.com/society/2011/jul/24/war-on-drugs-40-years>

THE HISTORY OF MARIJUANA

1996



California becomes the first state to legalize medical use of cannabis.

1998

Maine legalizes medical cannabis.

Oregon, Alaska, and Washington legalize medical cannabis.

1999

2000

Hawaii becomes the first state to legalize medical cannabis through state legislature. Nevada and Colorado legalize medical cannabis.

2004

Vermont and Montana legalize medical cannabis.

2006 2007

Rhode Island legalizes medical cannabis.

New Mexico legalizes medical cannabis.

2010

Arizona and New Jersey legalize medical cannabis.

2011

Delaware legalizes medical cannabis.

2012



Connecticut legalizes medical cannabis. Colorado and Washington legalize recreational cannabis.

2013

Minnesota and New York legalize medical cannabis. Alaska and Oregon legalize recreational cannabis.

2014

Illinois and New Hampshire legalize medical cannabis.

2016

Pennsylvania, Ohio, Arkansas, Florida, and North Dakota legalize medical cannabis. California, Nevada, Maine, and Massachusetts legalize recreational cannabis.

2017

West Virginia legalizes medical cannabis.

2018



The 2018 Farm Bill legalizes low-THC hemp and hemp-derived products such as CBD at the federal level. Vermont legalizes recreational cannabis. Oklahoma, Missouri, and Utah legalize medical cannabis. Michigan legalizes recreational cannabis.

2019

New Mexico, North Dakota, and Hawaii decriminalize cannabis. Illinois legalizes recreational cannabis.

2020

Mississippi and South Dakota legalize medical cannabis. Arizona, Montana, New Jersey, Vermont, and South Dakota legalize recreational cannabis.

2021

New York legalizes recreational cannabis.

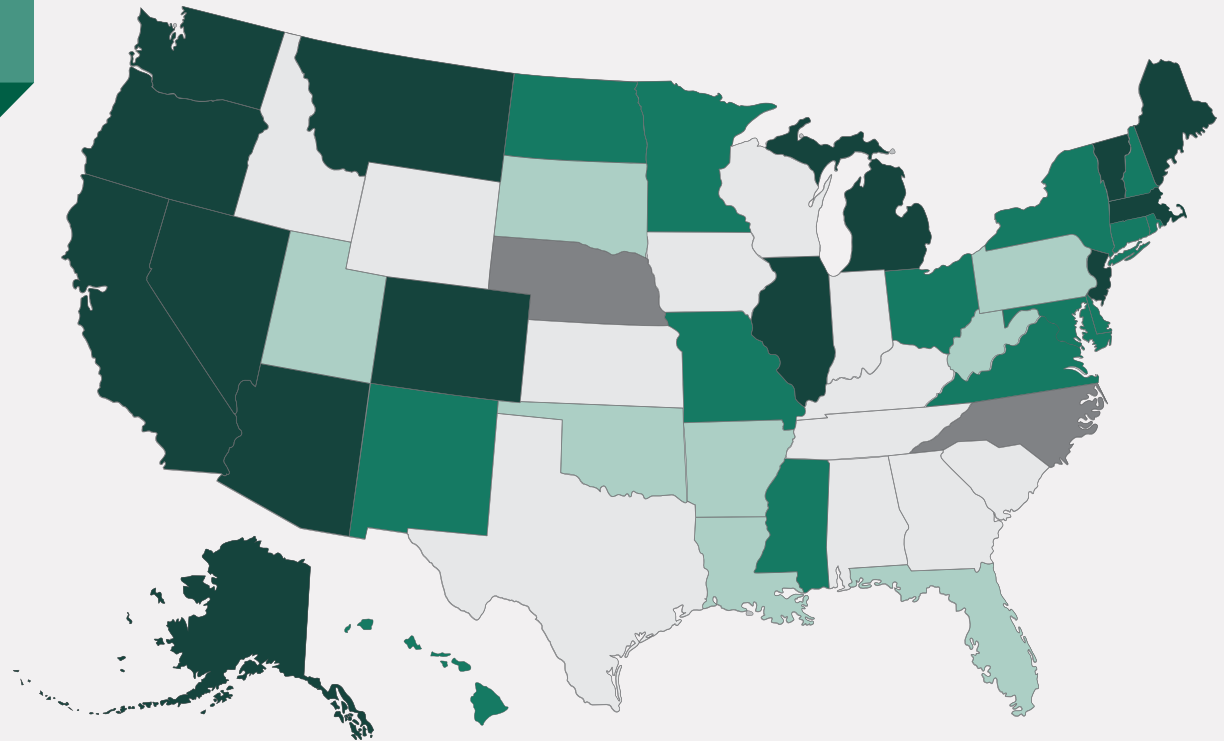


WHAT DOES IT MEAN TO LEGALIZE MARIJUANA?

Marijuana legalization is the removal of criminal penalties for activities including production, distribution, possession, and consumption of the drug. Legalization replaces penalties with regulations on commercial cannabis activity.

Although marijuana is federally illegal, individual states are able to make their own decisions on the legality of marijuana. The recreational use of marijuana has been legalized in 14 states and Washington D.C. while another 31 states have decriminalized its use in some way, and 48 states have legalized different forms of medical marijuana. Here is a map of all different legalizations in the U.S. provided by DISA Global Solutions.

U.S. MAP OF CURRENT LEGALIZATIONS



FULLY ILLEGAL	MEDICAL	LEGAL
DECRIMINALIZED	MEDICAL + DECRIMINALIZED	

JOBS IN THE INDUSTRY



The legal marijuana business is estimated to be worth **\$61 BILLION** and supports roughly **321,000 JOBS.**



Although 2020 was overshadowed by the pandemic, **77,300 JOBS** were added in the legal cannabis industry.



In 2020 alone, Americans purchased **\$18.3 BILLION** worth of cannabis products, a 71% increase over 2019.



This industry is estimated as being one of the fastest-growing job markets in the U.S. today with **15% GROWTH** year-over-year.

JOBS IN THE CANNABIS INDUSTRY NOT ONLY INCLUDE THOSE GROWING AND DISTRIBUTING MARIJUANA BUT ALSO **DISPENSARY MARKETERS, ACCOUNTANTS, TAX EXPERTS, AND LAB WORKERS.**





HOW DOES MARIJUANA PERTAIN TO REAL ESTATE?

The legalization of marijuana has no doubt made its impact on the real estate industry, commercially and residentially. Below is an overview of cannabis' influence on each sector.



COMMERCIAL REAL ESTATE

- Increased demand for warehouse space
- Need for dispensary storefronts
- Land use
- Zoning rules



RESIDENTIAL REAL ESTATE

- Increased home values
- Migrations to states where cannabis is legalized
- HOA involvement
- Selling properties previously used as grow houses

A [study](#) performed by the National Association of REALTORS® reads: “As marijuana intersects with real estate, the demand for both residential and commercial properties is a growing market.” In places where marijuana was legalized, 16-21% of agents saw an increased demand for land, 34-42% saw an increased demand for warehouse space, and 18-19% noticed an increased demand for storefront properties.



COMMERCIAL REAL ESTATE

There has been an increased demand for commercial spaces where marijuana is legal, with vacant warehouses being bought and renovated by marijuana entrepreneurs. We are also seeing an increase in storefronts and land being purchased for use within the marijuana industry. There are restrictions and zoning rules stating these properties must be set away from schools, rehabs, daycares, and other sensitive areas, making it more difficult for those purchasing and selling. In the aforementioned NAR report, they found:

- 34% of REALTORS® polled saw an uptick in requests for warehouses or properties used for storage in states where marijuana is legal.
- 25% of respondents said there was growth in the demand for storefronts.
- 20% said there was greater demand for land relating to the growth of marijuana.

Grow houses, or properties dedicated to the cultivation of cannabis, also present an incredible opportunity for real estate agents. In states that legalized cannabis more than three years ago:

- 25% of REALTORS® have successfully sold a grow house.
- 75% of real estate agents said that grow houses were not hard to sell.
- 85% of agents had no title issues when selling grow houses.



RESIDENTIAL REAL ESTATE

There has been an increase of people moving to states that have legalized, which translates to an increase in the demand for property. This weed-seeking migration has had an impact on the real estate industry as a whole, and residential real estate is seeing changes. HOAs are having to think about restrictions and regulations regarding the consumption and growth of marijuana. In states where marijuana has been legal since before 2016:

- 9% of Homeowner Associations allow growing in the home.
- 3% of HOAs allow smoking in common areas.
- 1% of HOAs allow growing in exposed areas outside.

Additionally, we are seeing increased property sales and higher rents in places with legalized marijuana because of marijuana consumers, entrepreneurs, and job seekers moving into the area.

In states where marijuana has been legal the longest, 12% of members have seen an increase in residential property values near dispensaries.



“

Once recreational marijuana becomes available to buy easily at a dispensary and tax revenue is generated, there is significant home price appreciation.


”

— SOCIAL SCIENCE RESEARCH NETWORK

INCREASED HOME VALUES



In states where recreational marijuana is legal, cities with retail dispensaries saw **home values increase by \$22,888** more on average than cities where marijuana is illegal. Per a CATO Institute study, homes close to retail dispensaries (within 0.1 miles) increased in value approximately 8.4% compared to those further away.

An aerial photograph of a suburban neighborhood at sunset. The sun is low on the horizon, casting a warm orange glow over the houses and trees. The houses are mostly two-story, with dark roofs and light-colored siding. There are many trees, some with green leaves and some with autumn-colored foliage. The sky is filled with soft, orange and yellow clouds.

“From property owners to manufacturers to those who simply want to engage for leisure – [the marijuana industry] touches real estate in some form.”

— DR. JESSICA LAUTZ, VICE PRESIDENT OF
DEMOGRAPHICS AND BEHAVIORAL INSIGHTS
FOR THE NATIONAL ASSOCIATION OF REALTORS®

BENEFITS OF MARIJUANA TAX



Out of the 15 states that have legalized recreational marijuana, only nine collect taxes on sales. Colorado provides a good example of the benefits of marijuana tax, and, having taxed marijuana since February 2014, they've brought in \$1.6 billion in taxes on ~\$9.8 billion in total sales. Revenue collected from the wholesale level excise tax is appropriated to provide \$40 million to public school construction with additional revenue allocated to the public school fund. Revenue from the retail level excise tax goes to the general fund, to the Department of Education, and to the Marijuana Tax Cash Fund.



THE TAX CASH FUND FUNDS A NUMBER OF GOVERNMENT PROGRAMS INCLUDING:

- Healthcare
- Health education
- Substance abuse and treatment programs
- Law enforcement



IN RELATION TO REAL ESTATE, THERE ARE SEVERAL BENEFITS OF MARIJUANA TAXATION, INCLUDING:

- Better-funded schools bring in more families looking to buy property
- Funding of jobs means more people moving to fill those positions, and they'll require a place to live
- Scholarship funds encourage more students to live in the area, and they'll also need somewhere to call their own

“

The work that
could be done with
[the taxes from
legal marijuana]
could have
an incredibly
positive impact.

”

— RICHARD BRANSON,
Investor and Author





AN INDUSTRY HERE TO STAY

There is only growth expected within the marijuana industry, and with so many ties to real estate, it is up to each agent to stay familiar with their state's laws and attitudes toward marijuana as a whole. Read up on the rules and regulations in your market and anywhere that you practice real estate. You need to know your rights, your clients' rights, and the laws in your state to ensure that you're a reliable resource for your clients as we all navigate the ins and outs of marijuana legalization in the U.S.





ABOUT US

Founded in 2005, The CE Shop has become the leading provider of online real estate education through an encyclopedic knowledge of the real estate industry.

Our ever-expanding course catalog of Pre-Licensing, Exam Prep, Post-Licensing, and Continuing Education products are trusted throughout the industry and offer agents across the country the education they rely on.

With courses available in all 50 states and D.C., we're driven by a desire to constantly improve, both for ourselves and our students.