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Where there's smoke ...

Marijuana legalization is impacting residential housing and commercial property demand.

BY HBS DEALER STAFF February 13, 2020

With more states legalizing the use of marijuana, a “hot property” trend is occurring in the residential and commercial real estate markets.

According to a recent study from the National Association of Realtors (NAR), “Marijuana and Real Estate: A Budding Issue,” states where prescription and recreational marijuana use is legal are seeing increased requests for warehouses or properties for storage.

In those same states, up to one-quarter of NAR members who took part in the study said the demand for storefronts grew, while one-fifth said there was a greater demand for land.

“As more states legalize marijuana, the real estate market will progressively have to adjust,” said Jessica Lautz, vice president of demographics and behavioral insights for NAR. “From property owners, to manufacturers, to those who simply want to engage for leisure – it all touches real estate in some form.”

The NAR said marijuana has a rapidly growing presence within residential real estate too, with no signs of decelerating.

Of the states where marijuana is legal in some form, between 9% and 23% of NAR members who were polled said they believe inventory is scarce for multiple reasons, including all-cash purchases from the marijuana industry.

Between 7% and 12% of members said they have seen an increase in property values near dispensaries while 8% to 27% said they have witnessed a decrease in values near dispensaries.



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“Residential practitioners are getting used to the new normal of having marijuana legally used within rental properties, while homeowner associations are tasked with setting new rules to address consumption and growth,” said Lautz.

In states where the product is permissible, the study found that commercial practitioners are facing an increased demand for land, warehouses and store fronts that are intended for marijuana.

“When the business of marijuana is discussed, some have a tendency to focus on only the buyers and sellers of the product,” said Lautz. “However, these numbers show that marijuana has been a boon to commercial real estate.”

The NAR’s 2019 Marijuana and Real Estate survey was sent through email in September 2019 to a random sample of 76,000 NAR members who practice residential real estate and 76,000 NAR members who practice commercial real estate. The [full report can be found here](#).

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