



## Why This Could Spell Doom for the Cannabis Industry

### Description

Next week, a trial is set to begin in Denver where homeowners are suing their pot-growing neighbours, arguing that the odour has not only impacted their home's property value, but their ability to enjoy it as well. It's the first big test of whether or not the courts will side with the homeowners in such a case or on the side of a cannabis business. It's likely we'll see more of these cases pop up, especially if the homeowners are successful.

At face value, the case does appear to have a lot of merit. Home buyers are a fickle bunch that don't want to live next to certain types of neighbours, industries, and businesses, and cannabis is not going to be an exception to that. How much of an impact cannabis has on property value, however, is the big question.

It's an issue that could become a big problem here in Canada as well, and we'll likely see even more widespread results as each province could effectively have different views on the issue.

### Why this could be devastating to the industry

**Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) and other cannabis producers are working on large facilities to build their capacity levels to ensure that they have enough supply to meet the high levels of demand that are expected. Where they are able to build capacity could impact multiple factors.

The danger that I see from this issue surrounding property value is a [political](#) one. It could give a political party a reason to try and limit the industry's reach by restricting where pot can be grown.

If that happens, that could impact not only how much supply there will be, but also the costs related to growing cannabis, which in turn could affect a company's competitiveness and profitability.

[Expectations](#) are driving valuations, and not meeting them could result in big corrections along the way.

While we still are just barely past legalization and it's a little early to hypothesize what may or may not happen, these are still very real risks that could impact the industry, particularly if there's a change in power after the next election. Because without a competitive product and ample supply, users could opt for the black market, and the whole benefit of legalization could be negated by too much red tape.

### **Pot stocks have been struggling, and it may be a good time to sell**

Lately, we've seen a lot of apprehension in the markets as many people have been selling off pot stocks. Canopy Growth has fallen from highs of over \$70 and are struggling to stay above even \$50 a share. The concern that these valuations are too high is starting to become more and more noticeable.

The problem with pot stocks is that they are very receptive to any news related to cannabis, and so a big win for the homeowners in the Denver case could be a big loss for stocks like Canopy Growth.

Without a big development happening in the industry, it's likely that pot stocks have already peaked, and it may just be a question of how far down they have to fall.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
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### **Category**

1. Investing

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djagielski

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