

Manufacturing Incubator Pays \$32.5 Million for Chicago Building

mHUB Buys 97-Year-Old Property on Near West Side by Fast-Growing Fulton Market District



Manufacturing incubator mHUB has paid \$32.5 million for a building at 240 N. Ashland on Chicago's Near West Side.

By [Ryan Ori](#) / CoStar News / April 27, 2023

Chicago manufacturing incubator mHUB paid more than \$32.5 million for a nearly century-old building on the Near West Side, wrapping up a deal near the booming Fulton Market district that took more than two years to complete.

The \$32.5 million purchase of the three-story, 79,000-square-foot building at 240 N. Ashland Ave. in the Kinzie Industrial Corridor was completed Thursday, after winning city backing for public funding earlier this year, mHUB announced.

The sale is a relatively rare example of deals across the country reaching the finish line after months of rising interest rates, recent bank failures and other economic challenges.

Working in the deal's favor was the combination of public dollars, several sources of funding and the continued strength of the neighboring Fulton Market district, which has attracted investors throughout the world despite the headwinds, said Phil Denny, owner of seller Peppercorn Capital.

The Chicago real estate investor paid just \$13 million for the building in 2008, years before Fulton Market began its transformation from meatpacking district to rows of office, residential and hotel high-rises.

"The price really tells the story of the meteoric rise of Fulton Market," Peppercorn owner Phil Denny told CoStar News.

It will create a \$50 million new facility for mHub, which says it has supported more than 500 startups and 200 manufacturers, creating more than 5,000 jobs.

Funds for the project include \$17.55 million in tax increment financing; \$15.52 million in tax exempt bonds from the Illinois Finance Authority, organized by Cabrera Investments and purchased by Nuveen Investments; \$9.4 million in new market tax credits; \$1.1 million from mHub and \$9.57 million from other sources, mHUB said in a statement announcing the deal.

With ties to Midwest universities, mHUB has supported startups in areas such as advanced and sustainable manufacturing, climate and energy technologies and medical devices.

Construction will begin in the next week or two, and mHUB plans to move in this fall, a spokeswoman said. It is moving from 65,000 square feet of leased space at 965 W. Chicago Ave., she said. The current building is home to more than 250 existing startups, according to mHUB.

MHub's planned relocation, reported last year by Crain's Chicago Business, got a boost when the City Council approved TIF funds in January.

"This historic investment will help drive Illinois and the nation's global leadership in hardtech, and particularly around the commercialization of clean and sustainable technologies," mHUB co-founder and CEO Haven Allen said in the statement. "It will create an anchor institution in Chicago to execute on its commitments leading the nation's reemergence and manufacturing legacy. It's made possible through broad collaboration of the private sector, strong leadership at the city and state, and ongoing engagement with the federal government."

Tax Advantages

The building is within a federal opportunity zone, which creates tax advantages for both property owners and new businesses. That will help with the city's ongoing effort to support founders of companies from the city's South and West sides, mHUB said in the statement.

Taking advantage of the opportunity zone location, Denny said he plans to reinvest proceeds of the 240 N. Ashland sale to buy several more buildings in the area, where his firm already owns 23 properties. He hopes to house companies that grow out of the mHUB facility in the years to come, allowing them to continue to take advantage of the Opportunity Zone status as they grow, he said.

Peppercorn bought the Ashland building with a deal in hand for Crate & Barrel to lease most of the office space, before the furniture and home goods seller eventually moved out around the onset of COVID-19 in early 2020.

The building, completed in 1926, has been vacant since then, Denny said. Talks with mHUB have been ongoing.

"It took 2 ½ years to negotiate and close the deal," Denny said. "There was a protracted negotiation, and because their capital stack was unique and exotic, it was a deliberate process. I'm excited to see the deal close."

While rising interest rates have hindered many deals since last summer, they were in a way advantageous to Peppercorn, Denny said.

The \$12.5 million commercial mortgage-backed securities loan on the property wasn't set to mature until July 2025. Because of that, Peppercorn had to defease the loan, or effectively pay off the loan while creating a new source of payments to bondholders at a similar rate of return.

The interest rate on the CMBS loan was 4.37%, well below today's rates, according to a CoStar loan report. That made the often-costly defeasance process far cheaper, Denny said.

"If interest rates had stayed low, it could have cost millions of dollars to defease it," he said. "It ended up being closer to \$50,000. Because rates went up so high, it put me in the money so to speak."