

Insider Only News Commercial Real Estate New Castle County

Michaels Organization acquires third apartment complex in Delaware



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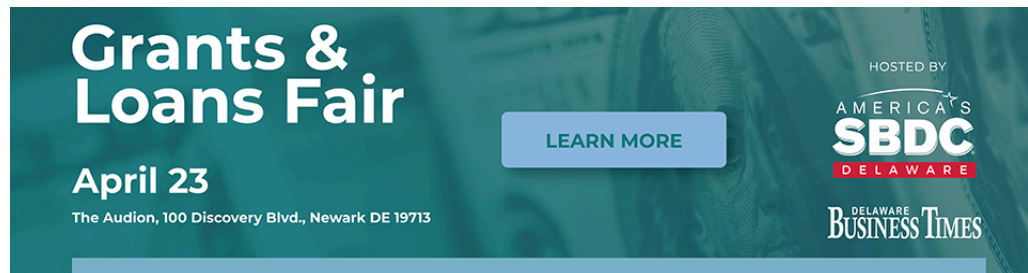
NEW CASTLE — A New Jersey developer and property management group acquired a 220-unit apartment complex steps away from Historic New Castle at the end of last year, and the group plans to hold it for the long term.



The Michaels Organization, an apartment-building developer and operator headquartered in Camden, New Jersey, bought **The Helm and Deemer's Landing Apartments** in mid-December for \$56.3 million, according to county land records. The deal breaks down to \$255,909 per unit.

The complex, which is split into two properties off Washington Street, has one-, two-, and three-bedroom apartments averaging around 1,150 square feet. It also has a pool and storage facility.

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The complex is 94% occupied, according to the company.

The plan is that The Michaels Organization will invest \$2 million in capital expenditures for the roof, HVAC system, unit interior upgrades as well as other amenities, said Chief Operating Officer Matt Sullivan.

“We’re opportunists. I personally love to hold real estate as long as possible, but if the right offer comes along and we have another use for the capital, we would sell. But mostly speaking, especially with affordable assets, we hold those. It will depend on market conditions,” he told the Delaware Business Times.

The Michaels Organization bills itself as the largest privately held owner of affordable housing and has 80,000 units across 39 states and the U.S. Virgin Islands. Breaking that down, it totals 50,000 affordable housing units, 20,000 military housing units and 10,000 in student and market-rate housing.

The Helm and Deemer's Landing Apartments was attractive to the organization because of its close proximity to Wilmington and a 45-minute drive to Philadelphia, all while keeping the charm of Historic New Castle.

But the company doesn't just hold and manage housing units, it also develops them with financial institutions through the federal Low-Income Housing Tax Credits program. In 2014, The Michaels Corporation finished building Jazz Court Apartments on Wilmington's East Side with the partnership of [Bank of America](#). Fast forward to today, the firm's current construction projects are in both Tampa and Orlando, Florida.

"With our capital partner, we're able to restrict 51% of the units to 80% area medium-income levels [The Helm and Deemer's Landing Apartments]. As long as we're here, that's affordability preserved at this property," Sullivan said.

The Michaels Organization declined to name its financial partner for this deal.

Much of the conversation in residential real estate in Delaware has turned to unexpectedly sharp increases in the valuation for apartment complexes, while commercial properties saw a significant cut to their valuation. Last year, a coalition of apartment and hotel industries sued the state over a temporary split school tax rate, which caused astronomical increases in multi-residential properties' tax bills.

Sullivan said it was a "big surprise" when the reassessment happened and the bills came in for both [Jazz Court Apartments](#) and its other Wilmington asset, Lincoln Towers. But it was less of a concern for new acquisitions in his opinion.

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“You can forecast what that number will be for the property tax obligation. It’s a larger concern for properties that you may have owned for 10, 20, 30 years that had been assessed at one level and overnight it’s assessed at a higher level. It’s just a cost that we underwrite for and part of the deal,” he said.

