

## Brokers launch new firm

BY PAULA GARDNER

pgardner@mbizreview.com

Neal Warling's first blockbuster deal of 2005 puts the powerhouse broker in charge of a new Ann Arbor-based commercial real estate firm that merges his office with brokerage operations of one of the city's biggest landlords.

Warling leaves Southfield-based Grubb & Ellis to establish Bluestone Realty Advisors LLC with Jeff Hauptman, president of The Oxford Co.

Bluestone combines Warling's staff with Oxford's commercial real estate arm, Hauptman said, creating a new entity – which opened Jan. 3 – and dissolving Oxford Commercial.

Warling is president and CEO of Bluestone, and Hauptman is CFO. Hauptman remains president of The Oxford Co., which since 2001 has built a portfolio of nearly 800,000 square feet of owned or managed space.

The merger blends Warling's production – estimated at about \$70 million in 2004 – with the momentum of a firm that over the past year aggressively pursued third-party representation as its properties edged toward 100 percent occupancy.

Making the move along with Warling are marketing specialist Deb Pearson and industrial specialist Kathleen Baran, who had staffed the three-person Ann Arbor satellite office of Grubb & Ellis.

They'll join sales associates Newcombe Clark and Jason Costello, who in late 2003 propelled Oxford Commercial into third-party representation from its base in leasing Oxford-managed properties.

Oxford now becomes a client of Bluestone for all of its property leasing, Hauptman said. The two companies share an office suite in the Oxford-owned Burlington Office Center on East Eisenhower Parkway.

Warling will continue as a broker but also will oversee the Bluestone staff, providing mentoring and weekly training sessions.

"No one in the county comes close to Neal's success," Hauptman said.

That includes \$125 million in transactions in 2003, making Warling the top producer in Grubb & Ellis' Southfield office and among the firm's leading brokers nationwide.

Several clients will shift from Grubb & Ellis to Bluestone, Warling said. His clients have included ABN AMRO Mort-



ROBERT RAMEY

Bluestone CEO Neal Warling (left) and CFO Jeff Hauptman.

gage, General Dynamics Corp., Borders Group Inc. and the Kojaian Co., whose chairman, C. Michael Kojaian, is the controlling stockholder and chairman of Grubb & Ellis.

Warling's contract with Grubb & Ellis ended Dec. 31, and he said he spent much of Jan. 3, his first day in the Bluestone office, working out listing agreements.

Warling said he's wanted to own a firm for over a decade, but working under a corporate infrastructure let him focus on deal making for his clients.

Hauptman brings the office framework to the deal, along with the foundation of a growing company that's poised to get bigger. Hauptman recently formed a new investment fund of about \$5.5 million and is shopping for property.

Bluestone, Warling said, "brings a new energy to the table."

Because Oxford's properties are nearly full – and because Warling has no ownership in them – Bluestone will not have an inherent conflict of interest, Hauptman said.

Combined, the Bluestone office opens at a staffing size comparable to or larger than most local firms. At the companies with the highest number of local listings, Swisher Commercial has more agents and McKinley Commercial Brokerage – a wholly owned subsidiary of McKinley Associates – uses the resources of the

larger company while conducting its own leasing and sales.

Among commercial real estate firms outside of the Ann Arbor area, some maintain territories in the area, including Signature/ONCOR International of Southfield and the Thomas Duke Co. of Farmington Hills. Others have brokers who specialize in the Washtenaw County market without having a dedicated territory.

Ann Arbor's overall office market hovers around 12 percent vacancy, according to a just-released survey by Swisher Commercial. (See story, page 1.)

That rate had been in the 9 percent-10 percent range during the recent recession, marking the local leasing market as more stable – though smaller, at about 10 million square feet – than most metro Detroit submarkets that have seen vacancy rates top 20 percent.

That stability has attracted outside brokerage firms to test the market, but local real estate industry experts say firms with local offices handle the majority of deals.

Until the market picks up, growth for brokerage firms is likely to come from taking market share, said Jim Chaconas, managing director of McKinley Commercial Brokerage.

"There's not enough business for any company to grow yet, with the vacan-

cies and no new construction," Chaconas said.

Dave Hamilton, CEO of Swisher, said the market remains strong for multiple brokers to work the region.

According to CoStar Group Inc., commercial real estate sales in Ann Arbor totaled \$102 million in 2004, up from \$74 million in 2003. CPIX, the commercial property multiple listing service, shows about \$123 million in active sales listings, which is estimated by some brokers at about half of the market.

Bluestone's strategy will involve a continuation of relationship building with tenants and landlords, along with emphasizing the new company's presence in the market through cold-calling and developing new clients, Warling said.

"We are not going to miss opportunities," he said.

December was busy, Warling said, despite the annual slowdown for the holidays. And Oxford Commercial ended its first full year of third-party brokerage with about 30 listings.

"By the end of 2005, Bluestone will have a lot more coverage of the market," Hauptman said. "I just ordered 70 signs. You'll see them all over the place."

■ Paula Gardner covers real estate and development for Business Review.