

WALL STREET JOURNAL **Tech Titans Hit the Beach**

As Silicon Valley moguls go on a home-buying spree in Los Angeles, they're reshaping the real-estate landscape

By [LAUREN SCHUKER BLUM](#)



Maurico Umansky/LA Luxury Estates

PIXELS IN PARADISE | Andrew Frame, founder of the Internet-telephone company Ooma, paid \$5.5 million for the home of singer and reality-TV star Nick Lachey.

The tech industry is going south.

In growing numbers, Silicon Valley executives—long based in tech strongholds like Santa Clara and Palo Alto—are buying homes in Los Angeles, as the lines between the technology and entertainment businesses grow blurrier.



Venture capitalist and hedge-fund manager Peter Thiel—PayPal's co-founder and [Facebook's FB - 0.85%](#) earliest investor—paid \$11.5 million in January for a 6,000-square-foot house on a promontory above the Sunset Strip. Andrew Frame, a 30-something entrepreneur who founded Internet-telephone company Ooma, bought a contemporary four bedroom in Bel Air for \$5.5 million last summer from singer/reality star Nick Lachey, who

in turn had acquired the home from model Heidi Klum and singer Seal. In March of last year, Matt Jacobson, head of market development at Facebook, paid \$10.9 million for a modern house on the ocean in Manhattan Beach, according to public records. He uses his former home, a just-under 900-square-foot beach bungalow two blocks away, to house Facebook employees visiting from up north.

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"It's the Facebook flop house," Mr. Jacobson jokes. "We have a surf in the morning before going into the office."

The southern migration is taking place as companies like [Google GOOG -1.81%](#) and Facebook beef up their presence and more Silicon Valley investors and entrepreneurs establish footholds in the entertainment industry. Prices are soaring in the beachfront communities tech types favor, and rents in these areas are growing at a faster rate than in other parts of the city.

"There is a feeling that techies are the new celebrities," says Eric Kuhn, an agent who heads the social-media department at United Talent Agency. "When I arrived in Hollywood, everybody had written a screenplay," he says. "Now, everyone has an app."

Kurt Rappaport, a Los Angeles broker specializing in luxury real estate, says the number of his house-hunting clients from Silicon Valley has doubled over the past couple of years. Earlier this year, Mr. Rappaport sold a beach cottage in Malibu to a Facebook executive for \$6.8 million. Another client, Oracle co-founder Larry Ellison, just closed on a deal to buy ex-



[Yahoo YHOO -1.12%](#) CEO Terry Semel's compound in Malibu for \$37 million—Mr. Ellison's 27th Malibu property purchase, says Mr. Rappaport. Mr. Ellison did not respond to requests for comment.

Mark Holtzman for The Wall Street Journal

Aerial view of the home of Elon Musk, currently lived in by his ex-wife, 11050 Bel Air Place, Los Angeles. (Mark Holtzman for The Wall Street Journal)

It isn't just Silicon Valley-based techies who are buying. Last summer, Cameron and Tyler Winklevoss—twins best known for suing Mark Zuckerberg over the origins of Facebook, and who recently formed a venture-capital firm—bought an 8,000-square-foot bachelor pad in the

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Hollywood Hills for \$18 million. Ted Waitt, co-founder of computer company Gateway, also bought in Bel-Air, paying \$14 million this past June for a six-bedroom Mediterranean.

Another client of Mr. Rappaport's, Mich Mathews, formerly the head of marketing for [Microsoft MSFT -1.68%](#) and a longtime Seattle resident, paid \$11.5 million for a 12,000-square-foot home in Holmby Hills in March. From her new perch in Los Angeles, she's helping to launch a company that she says lies "at the intersection of marketing and digital entertainment, philanthropy and lifetime experiences." Ms. Mathews is currently remodeling the seven-bedroom home, adding a wine cellar and a cabana for the pool.

More than 600 tech start-ups have sprung up in L.A. over the last few years, according to Represent.LA, an open-source project that tracks the growth of start-up communities, bringing with them engineers and executives looking for housing. The narrow, 3-mile strip of land that runs from Santa Monica through Venice, and is now stretching down to Playa Vista, has been dubbed "Silicon Beach" due to the heavy concentration of Internet companies and executives there.

Prices have gone up dramatically on this beachfront strip. Previously known for an edgy vibe, the area has grown increasingly upscale with the arrival of gourmet restaurants and mainstream stores. In Santa Monica, the median price of homes jumped 16% in the first eight months of 2012 compared with 2011, after a 9% decline over the same period the year before, according to Multiple Listing Service data compiled by Paul Habibi, a professor at the University of California, Los Angeles. Venice's median home price in the first eight months of 2012 broke the \$1 million barrier, rising to \$1,012,000 from \$899,000 in the first eight months of 2011.

In Los Angeles County, median home prices went up by just under 1% during the first eight months of 2012, compared with the same period in 2011, according to Mr. Habibi's MLS data. Nationwide, the median home price rose 3.3% during that time period to \$186,000, according to DataQuick, and in California the median price rose 4.8% for that same time period.

A substantial portion of Venice's real-estate boom is attributable to Google. Last November, the Web-search giant opened a flashy new office in Venice to focus on engineering, sales and advertising; the company will lease close to a quarter-million square feet in the neighborhood by 2014. To create a campuslike setting for its more than 500 employees in L.A., the company took over a funky Frank Gehry complex resembling a pair of binoculars. Like Google's other locations, it offers amenities like a climbing wall and an outdoor movie theater, as well as bicycles and surfboards that can be rented during the workday.

"Want 300 days of sun a year?" Google says on its website. "Forget the Valley—pack your bags for Google L.A."

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In February, Google's YouTube signed a lease for about 40,000 square feet of production space in Playa Vista. It will open later this year. And in August 2011, Facebook began leasing about 13,000 square feet in Playa Vista.

The arrival of techies has also had a profound effect on the rental market, brokers and real-estate developers say. Kevin Miller, president of Westside Rentals, which bills itself as Southern California's largest home-finding service, says he has seen rents in Santa Monica and Venice increase by about 10% over the last 18 months—compared with other desirable areas such as Beverly Hills and Culver City, where he says rents increased by about 4% to 5%. Rents have increased by just 2% across Los Angeles over the same time period, he says.

"Entrepreneurs love being around other entrepreneurs, and that's driving demand toward the beach," says Mr. Miller. "Plus, people like to live near where they work, and the tech companies are there."

Silicon Valley buyers shop differently from other wealthy L.A. clients, brokers say. While entertainment moguls often rely on the taste, advice and social connections of the city's top brokers, tech executives frequently do their own research online before they arrive in town, and know what they want before they look.

Broker Mauricio Umansky recalls a moment earlier this year when he was showing several homes in the Hollywood Hills to an entrepreneur visiting from Northern California. "I was telling him that houses in the neighborhood sell for \$1,000 per [square] foot. He interrupted me and said, 'No, they sell for \$936 per foot.' He was testing me. It totally caught me off guard. And by the way, he was right." Mr. Umansky, who is the CEO of real-estate firm the Agency, adds that many buyers from up north often shy away from relying on the taste of others, preferring instead to rely on themselves. "They will challenge your knowledge of the market," he says. "And only if you pass will they trust you." In the end, he sold an \$8 million home in the Hollywood Hills to the entrepreneur.

The business interests of Hollywood and Silicon Valley continue to converge. Tech companies are becoming distributors of studio content; YouTube, iTunes and Netflix have all licensed content from major entertainment players. Talent agencies CAA and WME are incubating start-ups.

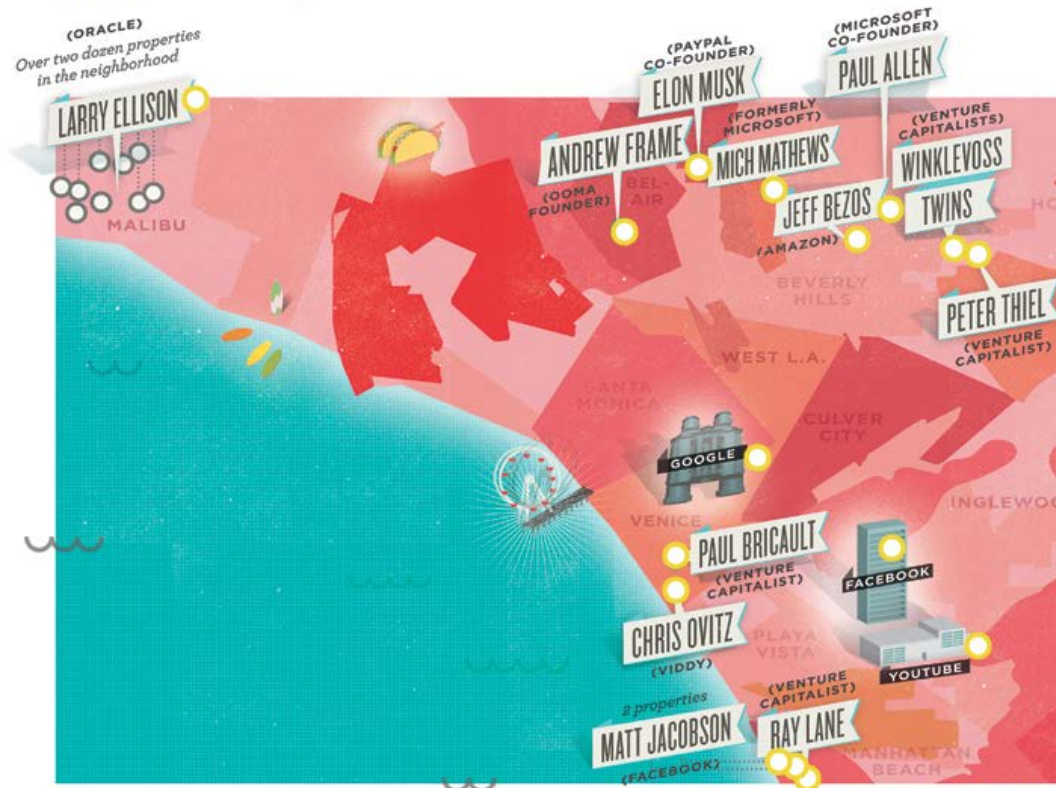
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"There's so much more traffic between these two worlds of tech and entertainment that we're seeing the social worlds blend together, and that's luring the Northern California community to buy homes down here," says Ben Silverman, former co-chairman of NBC Entertainment. "These days, there are more Internet guys at the Vanity Fair Oscar party than traditional media players."

Reshaping the Real Estate Landscape

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Source: WSJ research; Illustration: Kelli Anderson

South African-born billionaire Elon Musk, who co-founded PayPal and [Tesla Motors, TSLA - 3.01%](#) has also dabbled in the film business, serving as an executive producer on films like "Thank You for Smoking." He commutes back and forth on his Dassault Falcon between the Bay Area and Los Angeles. According to people close to the situation, Mr. Musk is in contract to buy the roughly the \$20 million Bel-Air house he has been renting—a 20,000-square-foot estate on a private knoll with a home theater, library, lighted tennis court, gym, pool and 1,000-bottle wine cellar. Representatives for Mr. Musk declined to comment.

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More venture capitalists also are putting down roots. "For years, I would watch people launch their start-up in L.A., raise capital and move up north as soon as they got successful. Now, they get successful and they stay," says Paul Bricault, a venture capitalist who founded one of Los Angeles's largest accelerators and lives in Venice. After years of traveling to Los Angeles once every few months, Timothy Draper, founder and a managing director of Draper Fisher Jurvetson, says he now flies down to L.A. about twice a month—often enough that he bought a house in west Los Angeles this year.

"I thought, 'Why leave all the activity here to compete with everyone else in NorCal?' " says Mark Suster, a venture capitalist who started leasing in Pacific Palisades two years ago.



Unlike markets in many other areas of the U.S., the real estate market in Los Angeles is going strong. WSJ's Lauren Schuker Blum talks with The Agency CEO Mauricio Umansky about how more and more buyers are seeking luxury high-rise apartments in downtown LA.

Another factor: Even as prices have begun to creep up in neighborhoods like Venice, L.A.'s real-estate prices still tend to be substantially lower than those in desirable parts of Silicon Valley. In Palo Alto, the median price paid for single-family homes was \$1.7 million in the first eight months of 2012, a 20.4% increase over the same period in 2011, according to DataQuick.

"We had a great time looking for a house in L.A., especially after living up north," says Sonya Merrill, an ex-Google executive who moved to L.A. with her husband, Douglas, a former Google chief information officer, in late 2008. "Silicon Valley is all 1960s and '70s tract houses or small bungalows—it's a sea of blah. Expensive blah—I once looked at a teardown in Palo Alto that smelled like urine and was made of cinder block. It was on the market for \$1.5 million and there was a bidding war for it." The couple spent \$2.8 million on a Hollywood Hills four-bedroom home where actor Bela Lugosi long resided. They spent another year redoing it.

Some tech moguls, including Microsoft co-founder Paul Allen, Amazon CEO Jeff Bezos, venture capitalist Ray Lane and Mr. Ellison, have owned property in Los Angeles for years. David Sacks, a corporate vice president at Microsoft, owns a Beverly Hills house where Quentin Tarantino filmed "Pulp Fiction."

But the newest wave of Silicon Valley arrivals is heavily favoring the Silicon Beach area. Viddy, a mobile-video-sharing company, has its office a block from Google in Venice. About a fifth of new employees have relocated from Silicon Valley, says Brett O'Brien, Viddy's CEO and co-founder. One of Viddy's other co-founders, Chris Ovitz, in January paid \$1.6 million for a loft on Venice's main thoroughfare.

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Developers are scrambling to cater to the influx. Jim Andersen, president of prolific Westside developer NMS Properties, says the firm is opening five more buildings not far from the offices of Google and Yahoo, among other tech firms. He added that NMS has begun building smaller apartments to better serve young renters who are part of the tech scene.

Jim Jacobsen, a commercial-real-estate broker, says he first built one of his projects—a warehouse in Venice converted into 30 lofts for both working and living—with entertainment-industry folks in mind. But with just a month or so until the units, which run between \$500,000 and \$2 million, hit the market, he is advertising them to people in the technology industry.

Mr. Umansky, who sold two homes in Los Angeles this year to Facebook executives, has another explanation for why Silicon Valley executives are heading south.

"A lot of these guys are young, they have cashed out, they are bachelors, they like to party," he says. "And let's be honest, the partying in Hollywood is way better than in Silicon Valley."

A version of this article appeared October 5, 2012, on page M1 in the U.S. edition of The Wall Street Journal, with the headline: Tech Titans Hit the Beach.