

Why Rihanna, Kevin Hart and More Stars Are Rushing to Buy the House Next Door

The trend of celebrities and moguls purchasing adjacent houses — for increased privacy or to build trophy compounds — skyrockets in Los Angeles.

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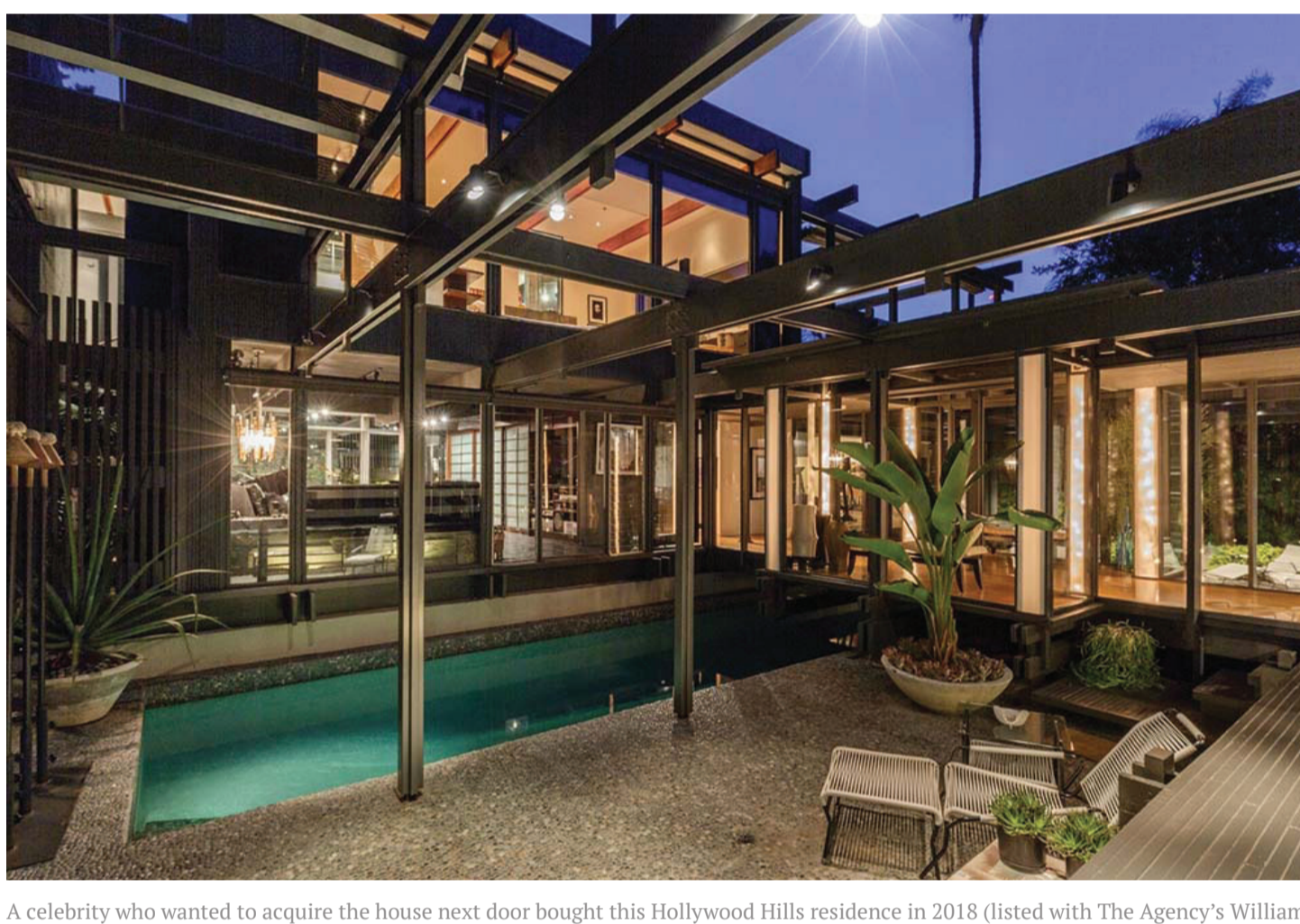
In Los Angeles, relationships between neighbors can be complicated. “I always tell people, when you move into a house ... invite your neighbors to a party and hope they don’t show up,” says realtor William Baker, architecture director at The Agency.

But even halfhearted neighborly friendliness has its advantages — particularly when someone is moving out. Sellers in some of L.A.’s best neighborhoods increasingly have found that the perfect buyer is right next door. “My mentor once told me, ‘Always go to the neighbor before you put a house on the market,’ because the neighbor is always going to pay more than anyone else — especially if they are a billionaire,” says Million Dollar Listing star Josh Flagg of Douglas Elliman.

The trend of buying up properties surrounding one’s mansion, sometimes known as “land banking,” has skyrocketed. Celebrities including Adele, Rihanna, Annie Lennox, Anthony Hopkins, Travis Scott, Kevin Hart, Elton John and Rob Zombie have bought neighboring properties, adding to their already luxurious spreads. Moguls and execs also have been snapping up adjoining residences, among them Jeff Bezos, Ari Emanuel, Chuck Lorre, George Lucas, Matt Groening, Facebook’s Jason Rubin, producer Doug Robinson and power couple Barry Diller and Diane von Furstenberg. After buying a \$19 million house in Brentwood in 2020, NBA star Blake Griffin proceeded to snap up two neighboring houses, one for \$5.9 million and the other for \$7.4 million.

Two of the most expensive deals in 2021 — Snapchat CEO Evan Spiegel and model Miranda Kerr’s \$100 million-plus purchase of two lots in Holmby Hills and WhatsApp co-founder Jan Koum’s purchase of Malibu neighbor Diana Jenkins’ estate for \$87 million — are classic examples of the practice.

Some think the trend was kick-started in 2017 when L.A. revised its baseline Mansionization Ordinance, reducing the size of single-family homes that can be built on a lot to 45 percent of its size, down from 50 percent. “When you can buy the property next door, all of a sudden your 30,000-square-foot lot — you can turn it into a 60,000-[foot] lot,” says Santiago Arana of The Agency. “Therefore, one day when you want to sell your property, developers or builders are going to be interested since they make money based on the square footage that they build on. So the bigger the lot, the more valuable it becomes.”



A celebrity who wanted to acquire the house next door bought this Hollywood Hills residence in 2018 (listed with The Agency’s William Baker), paying \$4.5 million for the three-bedroom, 3,335-square-foot home in an off-market deal. COURTESY OF THE AGENCY

The finite nature of land in L.A. and relatively small lots in expensive areas such as Beverly Hills, Brentwood and Pacific Palisades also is a factor. Says Arana, “They’re not making more land.” Often then, the best option is to buy adjacent properties with homes already on them that the new owner can tear down or refurbish.

Next-door purchases also are a way to establish legacy trophy properties to pass down to family members. “It’s a really, really safe play from an investment standpoint,” says Cooper Mount of The Agency.

Tomer Fridman of Compass agrees. “When they combine, it raises the value. If you look at something that I had listed last year — Owlwood — that was 10 acres. It was the largest property in all of Holmby Hills, but it was three different parcels that were amassed over 70 years,” he says. The historic estate, once the home of Tony Curtis and later Cher, was sold in December 2020 for \$88 million.

The trend has accelerated during the pandemic, as wealthy homeowners rethink what home means to them. Notes Mount: “People want more space. They want to have family and friends close. They want to have staff quarters. They want to be able to really insulate their world and create a safe space for either their loved ones or their friends or their team. And I think that people just realize in these A-plus-plus marketplaces that this kind of land is priceless.”

According to Baker, recent high-profile crimes in traditionally safe areas like Beverly Hills have made the uber-wealthy even more focused on security — and they see having more land as a buffer. “People are really ... wiggled out. And I think because of social media and TMZ and whatnot, people don’t feel safe,” says Baker. “I think people want to surround themselves with privacy.”

The nature of these sales is often private and conducted off-market, with the property never hitting the MLS. “Chances are you know your neighbor or at least you said hello to them before. Usually, the conversation starts there,” says Nick Sandler of The Agency.

Adds Arana: “People come to me and say, ‘Hey, I have a pocket listing next door to your client so-and-so. Do you think he’ll be interested?’ So then I reach out. I’m like, ‘Hey, this is going to come on the market.’”

While chatter about next-door deals in L.A. has increased in recent years, it’s nothing new in Malibu, according to Hilton & Hyland’s Chad Rogers. “In the case of high-end real estate, especially in Malibu and in the Malibu Colony, more is more,” says Rogers.



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Explains Mount: “In the Malibu marketplace, this has been a trend for quite some time, because if you live on the beach and you’re able to secure contiguous homes on contiguous lots, the value compounds. I had a house for sale on Carbon Beach where right when I put it on the market, the neighbor walked over and purchased it. It was about a two-week escrow and closed immediately. It’s a no-brainer for the people who can afford it.”

These sales are relatively effortless because buyers generally are willing to pay top dollar. “The only two that come to mind is literally ‘funny money,’” Rogers says. “These sellers are laughing all the way to the bank.”

Some buyers purchase neighboring lots simply so that their view won’t ever be obstructed or so they won’t ever have to deal with new construction. “I have a homeowner that bought the lot next door, but they rent it out and use it as an income property,” Rogers says.

An increasing obsession with self-contained compounds with multiple structures also has encouraged the trend. “ADUs [accessory dwelling units] have become so popular here in Los Angeles,” says Baker. Buyers use the extra land for offices, studios, gyms, gardens, spas and houses for guests or for a family member. Sometimes, they tear down both existing main homes and build a new, larger one on their expanded acreage.

“One of our clients, a well-known CEO from the East Coast, is looking for a property to purchase in L.A. for up to \$35 million; she is open to purchasing adjacent properties. Not only will it be used for her team’s office, but it will be a place for them to stay and use for product launches,” says Million Dollar Listing’s Tracy Tutor of Douglas Elliman. “Lately, the trend seems to be to buy homes as mixed-use spaces. Business owners with a small team use their homes for work and have been enjoying the out-of-office life.”

L.A. regulations place some limits on home-based businesses; for instance, commercial activity must not be visible from outside, and only one employee is allowed to live there.

While the establishment of more valuable, larger estates brings up the median value of surrounding homes, neighbors’ reactions can vary. “If someone who is liked in the neighborhood is buying another piece of land and [that] doesn’t give the opportunity for someone new to move in, great,” says The Agency’s Bennett Hirsch. “[But] if that person’s buying the neighboring property to tear down both their houses and for the next two years the neighbors are dealing with construction, that’s probably a little bit of a different deal.”

Most agents believe the trend is here to stay. In September, billionaire Nicolas Berggruen purchased the historic \$63.1 million Hearst Estate; now he’s added an adjacent Mediterranean-style villa (for \$12.3 million), creating a 4.5-acre compound. And former Google CEO Eric Schmidt, who recently bought the historic Barron Hilton estate for \$61.5 million, has just purchased a dated 1970s home next door for \$300,000 above the \$4.9 million asking price. Sometimes, the best next-door neighbor is you.