Episode #5 with Daniel Dubois

The President & Co-Founder of Key

Julian Alvarez: Welcome back, everyone, to the Inventing the Future podcast, where our mission is to inspire and empower entrepreneurs to solve the world's biggest problems. I have the honor of having my friend Daniel Dubois here as my guest. I actually met Daniel at a summit named the Abundance 360 Summit. We were both fortunate enough to be given the scholarship to go to this tremendous summit based on entrepreneurship, the future exponential technologies like AIVR. We're all geeks about that and we're grateful to have met through that. So, what's going on Daniel? Great to have you on. How are you doing today, man?

Daniel Dubois: Yeah, thanks, Julian. I'm excited to be here. This should be fun.

Julian: We'll definitely make it so. Awesome! As a quick outline, I'll start by giving a little bit of bio and intro on Daniel. We'll then dive into his current venture, Key and what the problem they're tackling there is and what the solution is, and more detail. And then finally, we'll go through some startup lessons. Daniel's a serial entrepreneur and has a lot of nuggets of wisdom, I'm sure. So, we'll dive into some of those lessons. Awesome! So, starting off here, Daniel is from Vancouver and he moved to Toronto after starting and selling his last two venture-backed companies. He then joined Airbnb full-time, where he managed growth in top-tier markets. And then, in 2019, Daniel took the leap of faith and left Airbnb to start Key, which is a novel co-equity fintech company that replaces a mortgage and allows someone to own a home for only $15,000. And we'll be diving into that. It's a super interesting model. Little more info, his homeownership, as a service, provides a generation locked out of the housing market with the benefits of homeownership and the freedoms of renting. Apart from that, Daniel's involved in super cool things, like he's participated as a G20 and B7 Delegate, where he represented Canadian entrepreneurship and has been invited for one-on-one meetings with world leaders such as Justin Trudeau, Prince William, and Kofi Annan. And finally, in college, Daniel spoke to 20,000 youth at WeDay. He directed a film series on the sharing economy, which is what I think his first two ventures were based upon. It was the sharing economy. And then, he also received a monthly grant from the Australian government to conduct research on the European sharing economy. So, that's one of his areas of expertise. Apart from that, Daniel enjoys traveling for work, squeezing in time for spontaneous adventures, and he's even done a hundred-kilometer race along the Great Wall. Wow! That sounds like some David Goggins shit right there.

Daniel: Yeah, we can take this conversation in any direction you'd like to go. It's funny that the 100k in China doesn't often come up, but it was an adventure of a lifetime, especially since it was spontaneous. And some people ask, was it like a bicycle race? But it was on foot. There were no breaks. It took 27 hours and it was through the mountains. So, anyone who's been to the Great Wall of China is definitely not flat. But yeah, regarding the sharing economy, the sharing economy at the time was called, 'collaborative consumption.' And I know that you were interested in maybe diving into how to start a company. It was really difficult trying to start a company in the sharing economy space because it was so novel and it was the rise of these marketplaces of underutilized assets that we didn't even have a name for about the time, right? So, yeah, where would you like to start? Happy to dive deeper into my earlier entrepreneurial endeavors and what it was like trying to start a business at the time. And for anyone listening that wants to get started, I'm sure we can make it hopefully a little bit easier for them.

Julian: Amazing! Yeah, I love that. This 100-kilometer race definitely sounds insane. I love those sorts of experiences, especially the spontaneity behind them. So, yeah, I'd love to get into your early experience with your ventures just starting off. I think first I'd love to dive a little bit into Key first and your journey as an entrepreneur. And then, I think it'd be great to highlight some of those entrepreneurial lessons from your first ventures. So, just kind of getting started off here. I'm curious, what got you interested in entrepreneurship and why did you then decide to become an entrepreneur? Like you could have easily stayed at, got in a high-paying job, or stayed at Airbnb, more stability, and an easier life.

Daniel: Yeah, you know what? I've always been an entrepreneur. It's in my DNA. My earliest entrepreneurial memory was when I was five years old. I used to go and pick moss on the train tracks by where I grow up and I used to go and sell that door-to-door for five dollars a bag. So, my cost of goods sold is zero. I just go and pick it off the train tracks. I don't even know what entrepreneurship was, but I love the hustle. Throughout my entire elementary school, I would sell Kool-Aid on the Vancouver Seawall. People would complain about the price, whether if it was 25 cents or whatever I price it out. There would be someone who would complain. So, I switched up my strategy. I said, "Pick your own price." And instantly, I had people that were naturally giving more. So, I realized the strategy behind entrepreneurship as well. At one point in time, I even had other people in my community working for me, other kids, multiple Kool-Aid stands all across the Seawall. What else? I started the clothing line when I was in Grade 6. I was messing around on Microsoft Paint. It's funny because I'm always considered 'the young entrepreneur,' but I don't know if you're old enough to remember Microsoft Paint. Have you ever used it?

Julian: Oh, yeah. No, I've used it even in its primitive days, but it still feels somewhat primitive.

Daniel: Yeah, absolutely. So, yeah, I designed my logo, my initials on Microsoft Paint. Being in grade six, I thought it would be cool to have my initials embroidered in my clothing. I don't know exactly why it was a draw for me at the time, but I just love to create. I went into a wholesale company and tried to see if I could actually have my logo embroidered and they laughed at me. You know, they thought it was cute. This grade six wants to build a bit of a custom clothing line. They said that they only do wholesale, but I could buy wholesale and start an apparel business. And I think it was more of a joke than anything else, but I thought it was a great idea. So, that's exactly what I did. Instead of going door-to-door selling moss, I was going door-to-door selling T-shirts, hats, jackets, doing Pop-Up shops in the Vancouver Seawall instead of selling Kool-Aid. When I got into high school, I thought it would be cool anymore if I had a clothing line. The pressures of being in a big high school. Once you're bit with an entrepreneurial bug and when you have entrepreneurship in your DNA, there's no turning back. Right? In grade nine, I started a second clothing line, much more serious, different sales reps in different schools, a fun lifestyle brands. It was truly a brand, which was a lot of fun. My first time actually creating something that stood for something bigger than myself. Yeah, lots of different other initiatives. When I was 18, I started the Laneway Housing Company, so we converted garages, small homes and we completely transform an alleyway from, traditionally, not being the nicest places to be into these micro-communities. There's still so much potential in that underutilized space. When I graduated college, I backpacked Australia for six months, just the absolute trip of a lifetime. Couchsurfed almost the entire time while we were there just staying with different families. Experience this incredible lifestyle where we'd wake up in the morning, go surfing with a dad, or bike trips with the neighbors of wherever we're staying. It's amazing because we had nothing yet we had access to anything we could ever want. We had a community. We had access to surfboards, as I mentioned, right? And made me want to create that same experience that I felt in Australia, not only for other travelers but here at home in my own backyard. I was in an entrepreneurship course, actually, my first year of university. And I was sitting in the back of the class watching this TED Talk that they showed in this class and it was called, "The Rise of Collaborative Consumption" by Rachael Blossman. It's actually being renamed to "The Rise of the Sharing Economy." I remember just having head to toe goosebumps watching this talk. There's only a few tens of thousands of views as before the hype cycle about the sharing economy went through. I was just blown away. I went to all my professors asking, how can I learn more about the so-called collaborative consumption? And no one knew what it was, right? I started thinking about creating a marketplace where people could share skills together. They could learn new languages and they can connect with their neighbors. I started thinking about the lifecycle of some of the stuff that we own. Like the average amount of time that a drill is in use is under 15 minutes yet half the households in North America own a drill. Right? You don't need to own a drill. You just need access to be able to use the drill to put a hole in the wall or whatever the use case might be. So, that was a lot of fun. You'd talked about directing a film series in my intro. That's how I hacked my education if you will. I actually contacted Airbnb when they're just a startup leadership at companies like Google and Facebook, the first-ever cohousing company, the first-ever coworking space where the Twitter hashtag was created. And I drove from Vancouver to San Francisco in a day. It's a big drive, 17 hours. And I connected with a film crew and interviewed all these leaders at the time. To not only educate myself and build a network when I was 21 years old, but also to educate the world about this movement that was taking place. A small startup called Airbnb, and how it's going to transform the way that we think about our home and open up to the world, just like I experienced in Australia. Yeah, so that was a lot of fun. There're many different iterations of that company and we became venture-backed. We went through the whole cycle of growing a tech company and ended up at my dream company, Airbnb, that I followed along since the very beginning. And then, I saw the need for Key and left Airbnb to build out Key. One thing that I'll mention, and you mentioned this in my bio, speaking at WeDay. That was when I was in college, WeDay is the most incredible event. I don't know if you've seen much about it, but 20,000 youth packed in a stadium and you can't buy a ticket to WeDay. It's like going to a Tony Robbins conference, but you have to actually earn the ticket through service. So, raising money for charity or volunteering at non-profits. You know the expression of blow the roof off, it really comes from an event like that. That's where you had people like Kofi Annan; you had Martin Luther King III; you had Magic Johnson; you have the Dalai Lama; and Macklemore. And all these incredible speakers that were there, all focused on using our time and energy to put a dent in the universe. So, after that event, I've always been an entrepreneur. You ask, why choose entrepreneurship? Like I said, it's in my DNA. I love to create. I love to build. But after that event, I made a commitment to myself that I'm only going to put my time and energy into projects that move society forward; that truly put a dent in the universe; that are part of something bigger than myself. So, at Airbnb, I learned a ton. We grew a ton. It was one of the fastest-growing companies of all time. I had a role with a ton of autonomy and just was having an absolute blast. I was traveling all around the world, staying in beautiful homes, and was learning about growth-hacking and all the great stuff that is powerful for entrepreneurship. But witnessing firsthand the generational crisis that we have in homeownership. Seeing the potential of actually addressing this generational crisis and the ripple effect that it has when people aren't displaced and they actually are able to own in their community and put roots down and the well-documented psychological aspects of actually being an owner. And being an owner without forfeiting your freedom and just seeing this thousand-year-old system, that's just highly inefficient. So, I actually brought this idea of Key, which we can dive into, but I brought it to someone who I look up to, a close mentor of mine who ran multi-family at Airbnb. He came up to me the next day and he's like, "You know when you're in back-to-back meetings and every 30 minutes, you have to change your mindset for whatever topic the meeting is," he was like, "I was driving home and I just couldn't shake this idea." I brought it up to one of the co-founders of Airbnb the next day. Two days later, we have another one-on-one meeting. And all of a sudden within Airbnb, there's all this internal buzz. The co-founder of Airbnb said, "Let's put together biweekly sync on this idea to track its progress and bring in another leadership within the company." Airbnb is not going to build out, Key. It's just like such a moonshot. It's so hard to create a business like this. But they would definitely partner with a company that's getting this off the ground, right? That could be a natural win-win. With the blessing of Airbnb, I left to build this out full time and connect it with my co-founder. And in just such a small world of serendipity, the way one of my first investors, actually he is an LP in this fund and he's been thinking about this for over five years and has over two billion worth of real estate in this pipeline to do something interesting with. So, yeah.

Julian: Wow! So, Daniel, my God, there are so many directions we can take this in. And all of it is fascinating. And I love how in the build-up of the story, build-up one thing logically builds up to the next. And it's very clear how the path kind of drew itself out to where you are now. A few things I'll highlight is, I think from really interesting to learn early on about the lemonade stand, where you ask people to name their own price. That's kind of like testing business models and testing human psychology of reciprocity. And the other thing that stood out to me is when you first realize that one of your businesses turns into something greater than yourself. I think that's one of the reasons I love entrepreneurship and business so much because I feel like a business is an extension of myself. It's an extension of my mission. You're able to serve more people through it. That's kind of like an early lesson that came to you as you were doing something more scalable. So, I love that. It also sounds like one of the keys to your success was the networking capabilities that opened up to you once you became more of an expert or well-versed in the sharing economy. That kind of sounds like an open a lot of opportunities which led you to the networking that probably got you the Airbnb gig and then later helped you expose the opportunity for Key. So, wow!

Daniel: Yeah, absolutely. And just on the business point that you mentioned, being able to have an extension of your mission, for me, business is very much just that. The values of the company are an extension of the values that you hold. And using those values as a filter and whatever decision that you make, who you want to do business with, whether that be investors, coworkers, partners. I'm really reverse engineering exactly the lifestyle that you want to create, the impact that you want to have on the world, and using business as a tool to help get you there, get the world there. And the other aspect regarding networking, I mean, network is something that I didn't have growing up for like a mentor or that necessarily exposed it to me. It was just through sheer founder will of trying to figure it out, going to San Francisco. I used to cold call people on Google, just saying like, "Hey, I have this marketplace idea." Probably didn't even call it a marketplace, "I have this website idea," trying to just type of web development Vancouver, hundreds of phone calls. And eventually, someone passed me on to another person who is a designer and who is just doesn't usually come up in conversation. But he was truly one of my first mentors where I got together with this guy and just loved what I was trying to create and saw that I was spinning my tires and lost and didn't know where to start. I knew nothing about the lean startup. I knew nothing about the business model canvas. I was in business school but business school teaches you to be a good manager of anything. It doesn't actually teach you how to build the company. So, he actually designed a logo for me and made some other intros. And all you need is one intro. You just need one person who's connected or in the inner circle or understands how to build a company. And the rest is history. There are few programs that I received access to. One is called the Global Student Entrepreneurship Awards that I went through, which is hosted by EO. EO is the largest founder network in the world with 14,000 global members, all making a million dollars, USD, or more revenue. That absolutely changed my trajectory in many ways. And the other one was a program at the time, it was called The Next Big Thing. There were only two years of this program in existence. It's almost like the Canadian version of the Fellowship. And that was amazing. That was a program that truly gave me my start, even though I already spoke at WeDay. I had like all these other aspects that look like I had a bunch of momentum, but I still didn't understand how to build a business. We were reading three books a month. The first book that we had to read was a lean startup, and it just blew my mind. It was like the idea that you can validate a business in hours, not months, to be able to get off the ground, right?

Julian: Yeah, no, that changed the model of everything, especially in our dynamic and fast-moving-paced world. Yeah, but that's super fascinating how it all built up to that point and eventually got to keep. Let's actually dove a little further into Key. So, I'm curious if you could briefly describe what you guys do and also why you do what you do? What the mission there is at a high level?

Daniel: Yeah, let's start with that. So, in Toronto, on average it takes 21 years to save up for a downpayment. Twenty-one years, it used to take four years. In Vancouver where I'm from, where most of the people that I grew up with no longer live because they've been displaced. It takes 29 years to save up for a downpayment. So, you graduate college, you're not going to be able to own even an entry-level condo until you're in your late 40s. It's just that the amount of foreign investment and the amount of these systemic challenges that we have in the housing crisis is probably 50 to 100 cities around the world, are changing in the entire landscape of cities right now. So, young people like us, we have two options, right? One is to rent. Most people are stuck on the proverbial rental treadmill where your income isn't going up at the same rate as housing prices. So, you're getting further and further away from ever being able to actually own just 21 years. That's changing every year. It's actually getting further and further out of reach. And then, the other side of that, if you're not locked out of the market renting and you're able to actually qualify for a mortgage, usually it's from the support of the bank of mom or dad. You have to have a big enough down payment to actually get into the market. Plus, you have to be able to maintain a certain lifestyle to service your debt to actually pay down your mortgage. So, then everyone's house or when you're truly locked in rent. So, it was Key, we're unlocking a new model for homeownership. We actually raise large pools of passive investor capital that have been locked out of participating in a condo which I can dive deeper into, but large institutional capital that has no way right now to invest in this asset class. That's one of the best performing real estate asset classes there is. And we leveraged that money to support local owner residents to own a home years sooner. So, just to dive in a layer deeper there, where is, let's say, 50% equity from the Harvard Endowment Fund, we leverage that up with an additional 50% debt. We buy entire buildings or individual suites of condos, and then we allow someone to move in with just 2.5% of the value of their suite. So now, they're able to own a home with around $15,000. And every month they're able to choose if they want to buy up or sell down their equity position. And the more equity they own, the less rent they pay.

Julian: It's proportional.

Daniel: Exactly. If you own a hundred thousand dollars worth of equity in your suites worth four hundred thousand, you'd be receiving a 25% discount on what would be market rent. But you can choose every month, do you want to receive a bonus or an inheritance? Or you have some additional dry powder that you want to put to work, you can put that into your suite that immediately starts compounding and growing in value of whatever the real estate market is doing. Or you can sell 20 grand worth of equity and go travel the world or fund your wedding. The central innovation here is that there is no mortgage. No one's locked into this long-term debt environment where you're paying years more interest and principal of your home. And there's a ton of, as I mentioned, this systemic ripple effects of this model. Including right now, I start with the developer in Vancouver, he said that, "If you sold 300 units, 295 of them would be selling in Asia." And a lot of those units are sitting empty. They're just now like a really strong, safe haven for money. And cities have tried to regulate this with foreign investors or not just foreign investors, but empty home tax, which is great if you could actually properly regulate empty homes but it's extremely difficult. But yeah, with our model, we actually can leverage passive investor capital to help local owner residents.

Julian: Yeah, and to highlight their kind of the key differentiation is that when you buy a home, it's either like it's binary, like either you own the home or you don't. If you own it, then you'll probably have to pay it down payment and gets in debt, get a mortgage, and pay off the debt over time. But Key's model is unique in that, it's not a binary solution. It's somewhere in between. So, you could, for example, instead of owning 100% of a house, you could own 20% of a house or 25%. And you could either buy more equity, it's like, "Oh, I want to buy 10% more of this house today." Or you could sell your equity, it's like, "Oh, I kind of need money. Maybe I'll sell 5%-10% of my house," or "I want to move out. Sell it all completely."

Daniel: Absolutely. Yeah, real estate is so binary right now and so polarizing because it's hard to know, should I buy or should I rent? You have so many conflicting different views. And it's not like we have this crazy obsession with homeownership that's not necessarily healthy. It doesn't always make sense to own a home. And rentals can be viewed as like the rental treadmill, this negativity towards renting. But renting is not always a bad thing, right? Renting is actually can make a lot of sense. It can make sense to rent a place instead of owning a place and investing in a rate or deploying your capital in different ways. But there are not too many, especially millennials or other generations that are really thinking about risk-adjusted return profile for our portfolio for investing in real estate. So, we're just making it super easy. It's almost like, Wealthfront. We've built all the technology to digitize the home buying process. So, here's something I should have opened up with because this is super fascinating. We talked about 21 years on average you say about for downpayment in Toronto, right? Just a case in point is we had someone the other week who is a young, black, insecure shopper. She's a single mom, and she was able to buy a home pulled over on the side of the road on her iPhone start to finish in 15 minutes with $15,000. So, that's unheard of. We've digitized. We've integrated with Plaid, KYC, and AML. We verify the bank balance. We do all digital signing of the documentation. And we even have full virtual walkthroughs all on your phone or your laptop.

Julian: Sorry to come in here, this isn't just about a model that helps homeownership become more accessible, but it's also about the experience here. I don't know, I haven't bought a home, but I don't know if there're other services or platforms or models through which you can buy a home in like fifteen minutes. Given all the paperwork, being able to kind of make the decision and get everything cleared in that amount of time.

Daniel: Yeah, and you mentioned experience, it's not just the user experience or the user interface that we've created, and this like, very elegant way of being able to digitize everything instead of weeks or months of lawyers and real estate agents and brokers and everyone else involved in the process. But when we think about the experience, we think about what we're working towards. I guess, just to take a step back, we talked about the impact that entrepreneurship has and our value is an extension of our mission. Our mission is to create a world where real estate is a source of freedom and prosperity for everyone. So, when we talk about prosperity, it's not just financial prosperity, and not just being a transactional business of here's how you can own a home in 2.5% and this is what happens when you buy up or sell down your equity. It's truly social prosperity as well. So, the reach of the experience is so much bigger than just the financial model behind it. If we can actually leverage large pools of institutional capital to buy entire buildings, then we can actually get involved in the design of those buildings. We can have a rooftop patio in all of our buildings. We can have Soho House, Equinox, or different amenities. We can do curated dinner events and really systemically build community ends that actually address the longing within these environments. And then actually, extend outside of the brick and mortar rounds of our actual buildings and into the community. We can incentivize buying behaviors to support local shops where if you shop at a specific grocery store, you can receive 1% or 2% back in equity. So, every time you shop somewhere, that's one of our local partners, you actually immediately have more equity in your account, which means that that values compounding, with the real estate market, plus you're paying less rent the next month because you have more equity in your account. So, there's a lot of crazy economic flywheels that we can create. If we want to go a layer deeper, when I was at Airbnb, I witnessed firsthand the challenges of regulations on their business model. Cities are regulating. So, they were going to a principal residence only. Unless you actually live there, you can't short-term rental your place. And the buildings are regulating. So, HOAs, strata, condo boards, depending on where in the world you live. Almost all HOAs we're saying minimum night stay is 30 days or three months, just like Airbnb is banned. And I've experienced this firsthand as a traveler instead of over a hundred of Airbnb is in just over a year. It's almost on average, like a different Airbnb every three days, right? Many times, just that, every day different Airbnb. So, that's like you meet someone in an alleyway or you meet someone that has to, like, drive you into their parking lot to take you up the elevator. Staying condos is can be a really poor experience, even though you have most of the supply in condos in top-tier cities. So, with Key, because we control the condo, we are the condo board. There is no volunteer-based amateur board managing this billion-dollar asset. We are the board. We make them all short-term rental-friendly. And we actually take over the management of those suites. So, as an owner resident, you just let us know the dates you're out of town. We'll do a rev share with you. But we also coordinate with the guests, coordinate with the cleaner, safe storage of personal belongings. And allow people to make money while they travel in their suite in a way that's true with homes-sharing. And then, on the guest experience side, we can actually address creating a sense of belonging for those guests. When they show up, they're welcomed. It's not like they have to hide or tell the concierge that they're a family member or anything like that. So, there are so many different layers to the experience side that we can create.

Julian: I think one really interesting lesson there is not only what will this model or this solution enable as the first-order consequence. Basically, in your case with Key, the direct impact is that people are able to own homes at a much lower cost and with equity. But then it's also thinking like, what would that sort of solution enable? And so you start to see the second-, third-, fourth-order consequences of what this model enables. And all of that, in aggregate, is really the scope of the impact that this unique solution is able to have. So, love to see that level of thinking.

Daniel: You nailed it. I think it can be overwhelming this idea because of the different layers. It's like even talking to investors, I don't bring up the Airbnb side. I don't bring up the infrastructure where we could actually have integrations with someone like Soho House or Uber, it's having cloud kitchens in our infrastructure. Or having a grid set up where if you think about even from an energy stack perspective, you have a misalignment of interest right now between a developer and the end-consumer. So, a developer, just to go back to first principles for a second to understand how real estate works in North America, mostly globally right now, is you have a developer who's almost like a shot caller if you will. They raise money from high net worth individuals, which are $100,000-$500,000 checks on average. With enough equity, they'll launch a pre-sale program. They get enough pre-sales that they sell to mostly now 50% local investors, 50% foreign investors. Ten years ago, it's almost 100% owner residence, now it's pretty much 100% investors. Once they have enough pre-sales, they go to the bank and unlock financing. Then, they build as quickly as possible. Then, they unlock their pre-sales once they've built the building. They return the capital to investors on a building-by-building basis. So, every building siloed, they wash their hands of it and then they move on to the next building. So, if you're the Harvard Endowment Fund, just go to use our name earlier, your minimum check size is a hundred million dollars, yet you can't own more than 5% of a portfolio. So, unless you actually consolidate two billion dollars worth of an asset class, you can't unlock most of these large pools of patient capital. So, that's a first to our thesis is we're turning condo into a commercial asset class to leverage long-term patient capital. The other side is, outside of just like the passive investor side, if you think about the developer experience, there's a ton of time, costs, and hassles involved in working with high net worth individuals. So, the way that happens is, it's usually outsourced to a broker. They make 2,000 phone calls to be able to get enough equity to start. So, they're paying 5% to the broker. Then, they launch the presales, as I mentioned, those sales, marketing, working with real estate brokers, whatnot. And then, there are finance costs because of investors that are buying 10 units. So, with Key, we can go to a developer. We can be one single signature and we'll buy an entire building. We can save the developer up to 15% of the non-marginal cost. And we can save them a bunch of time on top of it. So, we're actually the engine for developers to be able to move so much quicker and build more. So, now we're able to receive the real estate. Talk to your real estate at a discount because of some of the money that we save developers. And then, there's another really important third piece here. We talked about mobilizing institutional capital. We talked about the incentives for the developer. Now, the third piece here is the alignment of interest between the developer and the end-consumer. Developers, right now, don't put in geothermal as an example. They don't put in LED lighting for the most part because it has a three-year payback and they only run the lights for a year and a half. So, that's really challenging from a sustainability standpoint. This part of the reason why it started Key. Al Gore came to Airbnb, talk to our team, and he said that 30% of all carbon emissions in the United States is from Concrete; and Nordea concrete.

Julian: That's insane.

Daniel: Yeah, the environmental impact they're building right now and how unsustainable we're building because typically we're building to minimum standards. So, if the developer doesn't maintain paying the energy bills once they return their capital to investors and they're on to their next project, so by us actually being not only partnering with the developer but actually being the owner for an infinite time horizon, it allows us to put in geothermal. It allows us to invest in LED lighting, a more sustainable infrastructure. And then, from my co-founder's perspective, when I connected with him, when we started to jam on this idea, the straw that broke the back for him was very much the affordability crisis. We see it in the news on a daily basis right now. There're headlines constantly around just people being locked out of the market. So truly, it feels like one of these business ideas, if it's not us, with my experience and the sharing economy, marketplaces, Airbnb, and real estate, which I haven't dived in much into on this podcast. And my co-founder, being a pioneer in SaaS, started the second SaaS-based company in North America. It took public in the Nasdaq in 98, started many interesting initiatives, and then became one of the top venture capitalists. And his partner in this venture capitalist firm was a developer who built seven billion worth of condos in Toronto. So, it's kind of like if we don't do this, we talk about taking a leap and leaving my dream job to start this. It was like, if not us, then who? And if not now then when?

Julian: Then at that point, you feel like you have almost no choice but to do something about it.

Daniel: Yeah, exactly.

Julian: Man, I love this story and the depth behind it. Again, it's like everything that this solution implies is all part of the benefit and uniqueness of it, too. So, Daniel, one last question here with Key before we move on to some of the startup lessons. My big question here is, this is such a unique model, -it seems obvious in retrospect, probably, it was like, "Why didn't that exist before?"- but how do you come up with an idea like this? Things have been done so traditionally and then this model is like, "We don't need the binary system. Here's something in between to own your equity." How does an idea like that come to surface?

Daniel: Yeah, I think ideas typically are taking two seamlessly sort of unrelated objects and bringing them together to create something magical, to create something new. So, for me, my cousin, and I, we actually bought land. This is while I was doing ShareShed. This was while I was starting my last company and focused on tech. My last 10 years have all been a tech for the most part. But from that Laneway Housing Company that I started with my cousin at 18, we end up buying land, we got it rezoned. We went through the development process, the financing process, 198-unit residential development that we're building currently in construction. So, I witnessed firsthand the time, costs, and hassles involved in real estate. So, we'll now park that conversation. At Airbnb, I saw firsthand and then I bought Bitcoin in 2012 and been dabbling in that space ever since. I witnessed firsthand the hype cycles of watching and the promise to decentralize the marketplace and to be able to exchange value. So, I actually put together a cross-functional team at Airbnb. We're a team of seven. We worked on a number of really interesting initiatives. But one was looking at, will there ever be a platform shift for marketplaces to be able to interact peer-to-peer on a trusted basis? So then, looking at the rise of a security token, this is in systems in 2017, I started to think through how powerful would it be if we could actually democratize real estate investing? If we can, you have something like a wealth fund in the United States where it's so easy to buy ETF now and have access to the public markets, they are still not an easy way to have access to real estate investing. And there are risks. There're many different ways to invest. But show me a millennial that invests in rates, that doesn't work in real estate funds. It doesn't exist. So, for this specific idea, for Key, there have been so many different layers. As I mentioned, seeing the impact of regulations at Airbnb, thinking through true home-sharing, seeing all the conversations around displacement, and seeing the rise of entrepreneurs that are signing leases and then just subleasing them or short-term rentaling them full time. And imagining just abundantly, thinking about what would it look like if we had entire homeownership ecosystems where home-sharing was allowed? What would true home-sharing look like and how powerful could that be, instead of hotel associations fighting short-term rental groups? What if we could just redesign a city in a way that actually made people feel that sense of belonging? So ideas, I think, evolve. Even if looking at Key, the way that Key started, there have been so many different iterations. And it's really a matter of just taking the first step and testing and iterating and learning as quickly as possible. And it does matter what idea you start with. I've heard people talk well, "It doesn't even matter what idea it is." Just like get started and then they will evolve from there. I think you want to really think through what industry especially, that you want to commit to because it's a 10 plus year commitment, really getting something off the ground that's meaningful, at least something that's worth doing.

Julian: Absolutely. That's one of the core ideas of this podcast, is that when you come up with an idea that solving a massive problem, something that's worth it for you, then that's really what fills you with the energy and perseverance that you need to bring it into fruition. Because if something's not worth it, you're vulnerable to giving up prematurely and really easily. So, I agree. The 10-year rule is a great framework for thinking like, am I willing to dedicate 10 years of my life to solving this problem? Because if you're not, then don't waste your time trying to do it and failing early.

Daniel: Yeah, absolutely. I remember someone who spoke to our group at The Next Big Thing, I think we just caught them maybe on a bad day, but very successful. Most people listening to this show know who he is and he just mentioned, "Be very careful of what industry you start in because," he's like, "I don't know if it was actually worth me sacrificing my 20s to be involved with the industry that I unintentionally stepped into." And I will say real estates are really an interesting market. In tech, what's so amazing about tech is there's this notion of a rising tide lifts all boats. All conversations, end with, "What can I do to help you? What's your biggest challenge right now?" It's all about like it feels like, we're all on the same team. In tech, the best investors in the world, the way that they measure their successes is the founder's first phone call. If something goes good or bad, is it to them? It's like this idea of just being a good person, which is great. In real estate, there is a bit more of a scarcity mindset. I guess real estate by definition is finite. So, I think it's been really fascinating working now in real estate and tech. But most of our investors are fintech investors. It's around building the technology to eliminate a conventional mortgage. But we also don't want to come into real estate guns ablaze and trying to be a disruptor. We actually feel like we are the rising tide that lifts all boats. So, we are an economic engine for developers to do more. We are mobilizing capital that hasn't been able to participate in the past and then especially for realtors, which we worked really closely with. I've seen a lot of people give the pitch where it's like, "Look at how much money realtors make every year in the United States. If we could take 1% of this market, this is how big of a company we are." It was like most people roll their eyes at that narrative because you just see it too much. For us, we actually have an investment from the National Association of Realtors, the second most powerful lobby group in the United States next to the National Rifle Association. But they invested because you have realtors who have most of their leads now locked out of the market.

So, we actually work with realtors. It's really thinking holistically about this industry where we can say, instead of telling your leads that don't qualify, instead of saying drive till you qualify or come back to me later, now you can empower them to own a home, years sooner. You can almost keep that lead warm if you will. You can help them build equity. And once they're ready to go and buy the white picket fence, our traditional home, then we've warmed them up for that. So, yeah, I think a lot of the talk is, for us, it's a lot less about disruption and more around innovation and providing value.

Julian: That's the essential piece right there. And I think from a strategic point of view, it's kind of like looking at the Key's stakeholders, you have the realtors, you have the developers, you have the homeowners, and kind of figuring out like where does the opportunity exists and how do these different pieces function? What are the pain points of each of the Key's stakeholders? And that kind of like helping you define a path through which you can claim. Cool, so, Daniel, as the final piece here for these last couple of minutes, let's go back to where we had kind of touched upon at the beginning. You've had two venture-backed startups that you've sold. Now you're on your third one with Key. I'm curious when you were at that point where you were starting off as an entrepreneur, how do you think about that? Where do you go from there? You had a mentor. He guided you in some ways. So, I'm curious from that perspective, where do you go from there? You have an idea that you want to bring into execution, but you don't really know where to go, what to start, what's important, what's not. Yeah, how would you approach that from that point of view?

Daniel: So yeah, as we talked about earlier how is just cold calling people on Google, web development Vancouver, that's not the right approach, right? That comes, for me, of ignorance, just not knowing how to start a company, which at least help me find my first mentor. But even that mentor knew nothing about the lean startup. He helped me design a logo and make some other intros from it. But it wasn't until I actually got into a bit of the inner circle, if you will, of the venture world, that I could understand how to build a business. Once it was truly reading the book, "The Lean Startup," just understanding that as founders our job is to validate or disprove our idea as quickly as possible. So, as an example, one of my first investors and closest mentors is Ryan Holmes, who started Hootsuite, which is a big Canadian success story, and he wrote an article called, "The Ode to the Lean Startup." And it's a great little article that talks about, if you're starting a water company today, you want to go and like, source where the water is going to come from and buy the water rights and then start conversations with bottling companies and try to find out like what bottles are the most sustainable and if you should do like cardboard packaging or plastic or like a PET, alternative. Everything else involved in distribution and partnerships with companies, grocery stores, or whatever else, he would simply go to

Unbounce. He'd create a landing page. He'd put a hundred dollars worth of ads behind the landing page. And if AB test water that makes you sexier or water that makes you healthier or water that's environmentally friendly, mineral added water, whatever it might be, next thing you know, you actually have an idea of what's the best customer acquisition cost? Who's most interested? What type of user archetypes are most interested in your product? So, that's maybe a very simple example of a water company or water is something that obviously has been done a million times with so many different takes. To give you a real example now, my wife is a psychotherapist, so she's a counselor and coach. She's done very well with executive coaching now and loves her job and loves being able to help flip the switch and give clarity to people's lives. And she looks at people very holistically, being the best version of yourself inside and outside of work. But she was at one point in time, I came home and I was like, "I swear, we have the same job." You know, me a leading a company. A lot of my one-on-ones with staff are around just seeing how they're doing. I had one of the executives at Airbnb, I ask him for leadership advice and he said the best leaders are people who actually care. So, caring about your team outside of just performance. It's not about trying to get the most out of people, it's about supporting them. Yeah, it's about empowering them to chase their potential. So, Lucy, my wife was like, how cool would it be to have a role like what she does with executive coaching or counseling in psychotherapy, but not just for executives? What if there was actually a company like Airbnb that would have coaches that would provide one-on-one? Because it's the most powerful one on one and then with some group dynamics, but one-on-one, the most powerful for breakthroughs. It feels the safest but to all staff. So, I told her I was like, "Hey, if you think that's interesting, I'm sure there are some other strong coaches that might find that fascinating as well." So, instead of investing a ton of time into starting a company in the space, what she did is she posted a bunch of job ads on a few different platforms. Within a week, she had over 800 applicants. And these are like double Ph.D., head of coaching at university like Stanford and she was just blown away with the quality of applicants. So, she validated that other coaches are interested in providing coaching to all staff within high-growth, venture-backed companies. We then put together just a Squarespace site that she built. And then, I reached out to some companies in the ecosystem that I know, some founders and I'm friends with, made some intros. And within our first couple of weeks, she on board with her first company. So, she hired the top 3% of coaches and counselors and then was able to place those counselors in these companies to provide virtual one-on-one coaching for all staff. So, it's just an example of like, it's so much easier to just focus on validating for that idea, it's two sides, right? There's supply, which your coaches and counselors, which you validated first. And then demand, which is just some conversations. So, yeah, fast forward, and this is like the ultimate COVID model, but like she just onboarded yesterday, a company of 400 staff. And the rest is history. So, yeah, I think it's all about just getting started. Landing pages are powerful. The lean startup and business model canvas is probably the best tool I know for this idea. For inward, what we did is, a Saturday afternoon, we did a full business model canvas and we had the entire strategy of what we need to develop. So, yeah, hopefully, that's helpful. And if anyone wants any advice or support or intros, I'm always happy to help. And to join, you can put any of your listeners in contact with me.

Julian: Cool! Yeah, no, thank you for offering that. Yeah, I love that, love that. And I think one of the keys there is realizing that when you're kind of validating an idea, you can prototype very low fidelity ideas. Just basically it's like clarify what don't I know, what do I know, what are my assumptions and how can I validate them? So in that case, I was like, "Hey, there's two big sides of the market. There's supply, and demand here." And both have assumptions. We have assumptions about what these people want or don't want or what their problems or pain points are? And then, the next question is, how can I test and validate these assumptions as quickly as possible and with as low-cost as possible? Many people think the first model or version of their product has to be code or a fully fleshed-out product. But really, you can get creative in how low fidelity you can get in your prototype to test and validate these ideas. And those were great examples from the stories you just told. So, yeah, Daniel, two quick last questions in like 30 seconds to a minute. I'm curious if you were to go back in time to when you first started your first company, younger Daniel, what advice would you give your younger self? What did you wish you knew at that point?

Daniel: I think exactly what we were just talking about. Maybe I have a bit of a recency bias of making this talking about the lean startup, but it would be not putting so much pressure on myself and pressure on myself to have something that's perfect. The feedback is probably the same thing that kind of rocked me when I was touring Facebook 10 plus years ago in college and doing the film series where there is a poster on the wall on Facebook that's said, "Done is better than perfect." It's not about launching something that's super buttoned down. It's a matter of actually building a community and validating. So, yeah, that would be the feedback.

Julian: That's what it's all about. Yeah, and one thing I was going to mention is I highly recommend, apart from the lean model canvases, business model canvases, which really everyone should do and they're really short, is design thinking. Because design thinking is all about validating your ideas. You go from empathizing with your users to learn about the problem. Then, you go and define the problem itself. And once you have clarity on what the problem is, you can start to ideate, generate ideas on how to solve it. And then you build a prototype of low fidelity prototype. And then finally, you can go out and test it. And depending on how things go, you either need to go back and empathize to the first step and talk with users, or you can start to actually build out and incubate the idea and take it to the next level. So, that's all a process. There are many tools at your disposal, but all of these are important to keep in mind to help you move quickly and really disrupt. So, yeah, with that, Daniel, the last question I want to ask you here is to kind of wrap it all up. And as an aggregate, I'm curious, what has entrepreneurship, in both of its glorifying and agonizing moments, taught you about life?

Daniel: Ooh, nice, deep question! I would say that entrepreneurship is a personal development engine disguised as a business endeavor. See an opportunity to really create, to make an impact, to define your values, and define what you really want, which has a first-order impact on how you live every day. For me, my values are growth, contribution, freedom, being able to have loving relationships in my life, and not just with my friends and family, but with my coworkers, my partners, my investors, with the environment is an example. And I would say that one thing that I didn't realize with business is that 80% of all business challenges are actually personal challenges, if not more. So instead of like, why is this person not doing their job? It's more or less turning that question to become introspective of why do I have such a hard time holding people accountable who are older than me or that are whatever, you fill in the blanks. It's more of a personal challenge than anything else, which is pretty special. There's a lot of dynamics around imposter syndrome and putting yourself out there and rejection or fear of failure or fear of success. And that's what it's taught me about life.

Julian: Man, yeah! Really, you have to overcome a lot in entrepreneurship, and that those experiences have central life lessons embedded into them. But also, Daniel, thank you for your time here. You have a well of wisdom and rich experiences, so I appreciate you sharing many of those. I love listening to them. But yeah, with that, we can conclude here, I'll mention any of the resources that Daniel mentioned in the show notes and links to connect with Daniel on social platforms in case you want to get in touch. And also about Key, to learn more about Key. Awesome! With that, Daniel, thanks for being on, and yeah!

Daniel: Yeah, thanks for having me. This was awesome.