If you're buying and selling, you have an agent on both sides, a federal company on both sides, a mortgage on both sides. And then suddenly you're trying to time this thing in a way that is incredibly hard. Most people are, you know, two working parents. They have kids, there's a lot of work and just a lot of appetite to sort of project manage and have a lot of uncertainty. So we really focused on the two thirds of the market who are buying and selling because when you start a company, one of the things you have to make sure you do is not only solve a problem as opposed to have a solution and then find a problem. But you also have to solve a problem that people know they have.

Ryan Newman 00:00:44 This is dare to disrupt a podcast about Penn state alumni, who are innovators, entrepreneurs, and leaders, and the stories behind their success. I'm your host Ryan Newman. And on the show today is Sean Black in 2005. Sean was part of the founding team of the online real estate marketplace site Trulia. After taking off during the mortgage crisis of 2008, Trulia was eventually acquired by Zillow for 3.5 billion. Now, Sean and his co-founder Jamie Glen are focused on growing knock.com, which helps with the friction full side of selling your house. Sean graduated from Penn state in 1996 with a degree of international business management. Sean, thank you for joining the dare to disrupt podcast. This is a first for us, not only are you a serial entrepreneur, but you're also the first entrepreneurial guest we've had in the real estate space, which we'll certainly get to, but like to start as we normally do, which is really at the beginning, would you mind sharing with us where you grew up and how you chose to come to Penn state?

Sean Black 00:01:56 Sure. Thanks for having me, Ryan. So I grew up in bucks county, which is the suburbs of the Philadelphia area, basically not too far from what was then called Hogan's campus of Penn state now called Abington probably 20 minutes away. Still to this day, maybe 30. Now, how do I get to go to Penn state? I don't know. Do we have an option having grown up here? I wasn't, if there was, I wasn't aware of it, I'm kidding. Obviously there's tons of great schools in the Philadelphia area, including UPEN, which obviously we always get confused for in temple and Drexel and all kinds of great schools, but maybe it being so close. I actually did go to Ogan for the first year and then transit up to main campus. So that's what made it easier.

Ryan Newman 00:02:33 Great. Well, as you think about your earliest experience, a high school student thinking about coming to Penn state was being an always on the horizon for you, or is that something that developed later in life as you actually started your Penn state experience?

Sean Black 00:02:49 So I, I was originally a Penn state. I was, I was finance major. I thought I wanted to be on wall street. I was of that generation where, you know, wall street, the movie was actually in the air or at least a couple years before that. And I switched actually at some point while at Penn state, I did the backpacking Europe thing and got the bug and I'd always, and my, my good friend and I had always been --
big time in the fitness. So when we were on this backpacking journey throughout Europe, we would stop in at gyms and as Americans, they would ask us to send them all kinds of TNC type supplements because they weren't available over there for all kinds of reasons. We actually started a business. We went home, uh, a week or two later and actually started exporting supplements over to Europe. This hap, this was happening while I was actually at Penn state main campus. Fortunately, my buddy was not in school, so he would go over constantly back and forth and I would take the summer break and the spring break and the winter break and, and basically go fly back and forth whenever I could Thanksgiving break to help build the business.

Ryan Newman 00:04:48 Incredible. So you're, you went from basically having a painting business to then having a vitamin supplement business, is that correct?

Sean Black 00:04:54 Yep. Very opportunistically. And to be honest, we just wanted to make enough money to continue to travel. I was, I, I transitioned, my undergrad ended up, I just switched pretty quickly. I knew I didn't wanna, I actually went and visited wall street one, man. I was like, yeah, I don't, this is not what I wanna do. And so I did international business with, uh, with a minor in French. And so I spent, we actually set up our, our camp, so to speak in an apartment in France and I was studying French at Penn state often I was not in class, but I told my teacher that I was actually practicing my French in France and I would have to prove it to her in different ways to ultimately pass that class with flying colors.

Ryan Newman 00:05:29 Very cool. So the entrepreneurial instincts at that point influenced your major selection. It sounds like as well, which is really neat. So you presumably graduate from Penn state and then where did, where did life take you after graduation?

Sean Black 00:05:42 So actually I made it more complicated than that while I was going back and forth while at Penn state towards the end, I actually did the distance learning option. This is pre-internet <laugh>. So I don't know if anybody's gonna remember this, but I literally had to do assignments and like mail up my head to like go to the mail to the post office, French in Paris and drop them off. And they would arrive sometime later. I couldn't even check online if they got there or not. I'm not sure. I don't remember how I checked, but I was taking four classes at the last semester from Paris to Penn state. But somewhere along the way, my I'm the youngest of five, my older brother, who I worked for, who was the home builder, ended up going to a different high school. We all went to Catholic school, but he ended up going to a different high school than the rest of us.

Sean Black 00:06:19 Cause his friends mostly went there and the head of his school ended up becoming a friend, a family friend married him and Chris and his kids married me, Chris and my kids, but he ended up becoming head of finance for the Franciscans in the Vatican. And since I was traveling to Europe a lot and he was a friend of the family, I sort of made an excuse to branch out into Italy and visit him and feel safe that there was someone there that could help me if I needed to. And <laugh>, and he ended up actually bringing me in to help. Interestingly, he brought me back in, he brought me in to the Vatican to help him run finance, basically invest money. It was like a initially turned out to be a summer thing. And then I actually deferred going back in the fall to stay with him while I was running my other business.

Sean Black 00:07:02 And actually interestingly, so I dropped the finance major international business with a minor in French was in Italy. <laugh> not speaking French doing finance. I sort of went backwards a little bit, but he actually, this is, you know, mid, late nineties. He was investing mostly in tech stocks. And so we at the time were investing in the sort of big bell weathers, which were sun and Microsoft and Dell. And I got a huge education from him on the difference between a commodity business and a tech IP type business. And that's where I actually increasingly got conviction to become a, a tech entrepreneur and used that as a transition. Ultimately, I went to grad school, but you know, in grad school, at least at the time, I'm not sure if this is still true, you need at least two years of experience in the real world. --
So I continued to run my business. I actually went back to work for him after for finishing the degree, I moved to Italy for some period of time, worked for him and continue to branch out the other business at the same time.

**Ryan Newman 00:07:55** Very cool. Who would've thought that learning about tech stocks happens while working at the Vatican? That is definitely something that I think most of our listeners will be surprised to learn. Yeah. So you get a graduate degree at Babson. You then go back to the Vatican, spend more time there working, investing, and what comes next, Sean,

**Sean Black 00:08:14** By the way, I'm pretty sure I was the American that used the Vatican post office the most. So Italy is notoriously slow at everything, but the Vatican is most people know is its own little sort of country and it uses the Swiss post. So it's very efficient. So I would now all, we would do all the supplements and postcards and me with boxes. So I kept doing that actually. And then ultimately I had applied to grad school, a bunch of different grad schools in the us. Again, I had to sort of wait the two years, kept building the business, working for the Vatican. We, we ended up actually participating in when the English left from Hong Kong, there was a mandate that every business had to be independent.

**Sean Black 00:08:56** So we actually helped our churches at the time, which in schools, there were a lot of Francis have a lot of schools. So they had to become fully self-sufficient based on tuition as opposed to donations from at least from our country. So I did a lot of that work, kept building the business, ultimately chose Babson college as, as where I was gonna go to get my MBA specifically because they were at the time and still are ranked number one or two in entrepreneurship, in a bunch of different places. The us news and world report most notably and, you know, right behind them is Harvard and Penn and Kellogg and USC and California, the Marshall school business. So I ended up going to, to Babson mostly because they had an incubator, which probably now is a lot more common than wasn't and started my first internet business while going to grad school, a bunch of different grad schools in the us. Again, I had to sort of wait the two years, kept building the business, working for the Vatican. We, we ended up actually participating in when the English left from Hong Kong, there was a mandate that every business had to be independent.

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**Ryan Newman 00:09:58** Very cool. So had your first essentially successful exit, uh, presumably in your twenties basically.

**Sean Black 00:10:04** Yeah, that was my first big failure. I had actually one of my investors and mentors was one of my professors at Meru at Babson who had a very successful business. That was, that was 2000. I graduated from Babson. That was the internet boom, the 1.0 internet, boom. I was 27 at the time and things were really good as they were here six months ago. Actually, it's a lot of parallels here and we were a little cocky about raising money and a what valuation. And we waited a little too long and then, and then the bubble bursts. And so the company was an online auto insurance company, which ended up being a very big category, not surprisingly online, but yeah, we just, uh, we got swept up when the com bust happened. There was basically zero financing. So, you know, fortunately that didn't spend a whole lot of time doing that.

**Ryan Newman 00:10:15** So you go to Babson, you have a great experience there, presumably graduate. And then you mentioned you started internet business. Can you tell us more about that next business?

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-- York. I thought it couldn't be a safer place in the world to be at that 0.6 months after nine 11 and bumped, I was actually part of the B alumni committee at time as way network connected to the school and kind networking event at the Harvard club and ran into Barbara Corcoran, who at the time was who now was obviously the shark on shark tank, but at the time was still running into Corcoran group in New York city, which is new York's second largest real estate firm. She convinced me that the internet had not yet come to save real estate and that I should come work for her and learn how to, you know, take it online, which is exactly what I did.

**Ryan Newman 00:12:04** So your initial four way into real estate and the internet and the way those two different, uh, pieces converge was really with Barbara Corcoran in, in her shark tank fame, although at the time, not yet famous for that. So what was that like going into a work in that firm?

**Sean Black 00:12:21** Yeah, so I guess a couple things, my brother was a home builder, but both of my sisters were in the mortgage industry. So they both worked for GMAC, which got bought by, uh, by Ross pros company EDS. And my one sister stayed on the mortgage side at GMAC and my other sister went to EDS and she herself got into tech that way. So I have a family history, at least on the sibling side of both my brothers and, and new home construction. And both my sisters in mortgage, I didn't want necessarily to be in either of those businesses cuz they were all, they were in the very traditional side of things and didn't connect the dots. But yeah, them meeting Barbara Coran and telling her that background, she's like, you'd be perfect to do this. I was in six 60 Madison. So I went from internet startup 1.0 to wearing a suit, uh, and being a vice president at a, you know, pretty high end prestigious real estate firm learning the ropes in New York city, which for me at the time having grown up in a suburb felt very daunting, also very exciting, but also very daunting.

**Sean Black 00:13:14** But yeah, that was a good experience. I think New York was an interesting place from a real estate perspective. It was an interesting prelude to Trilia because real estate was very broken and still to this day. But at the time search in particular was the most impossible. And the incumbent@thetimewasrealtor.com and ironically there's no partner of ours now, but they, you know, they were the only one with listings and there was something like 900 MLSs at the time and they had to stitch together all these listings. So it was really hard to have a comprehensive search experience. New York actually had no MLS. So New York was a sort of thief them of it still does not to this day have an MLS, a formal MLS. Uh, it has shared agreements from listings that are purely sort of through the firms themselves. Anyway, it was sort of an interesting, an interesting extreme version of what happens when there's not data in a category of like the biggest single purchase of consumer can do. So it was a really interesting place to learn, um, the, the ropes of, uh, of real estate and understand the plate of the home buyer, but also the agent helping them make the biggest sale and purchase of their lives.

**Ryan Newman 00:14:16** So you're working at Corcoran. And at the time, did you feel like that was really satisfying or satiating your entrepreneurial instincts cuz you were learning and you're in this new space or at what point did it sort of sit in that you really wanted to do something even more entrepreneurial than what you were doing at Corcoran?

**Sean Black 00:14:31** Well, I don't think that was entrepreneurial to me. That was homework to me. What I saw the opportunity going in with her was there was no real estate search that made sense. There was no, there was real.com had listings, but didn't have any context around those listings. It was very one-dimensional I think about, I can back up for a minute. I think about real estate as one of the categories of the internet that were on the last mile of the big regulated hard stuff to do, which is finance and healthcare and, and real estate where there's regulation, um, and or finance involved where like, it just didn't happen overnight. The way it did for a lot of categories, you know, early on in the internet, eCommerce, most notably, but also even any kind of marketplace like jobs that's pure data jobs or, or travel, et cetera.

**Sean Black --**
So I thought the opportunity in 2005 in working with her was to figure out how to create Google for real estate. Cause it didn't exist. And at that time, because the, the bubble had burst, there was no funding happening. So I knew that no one was gonna do it any faster than I would've been able to do it. I know by the way I was broke. So it was a great way to make money and fill my C I was broke from having, uh, every mile, which is the, the online insurance auto insurance company go bust. Uh, I had to start over. So I was both able to work with directly with her, learn the ropes or real estate and actually build a business plan around what would become ended up becoming Trulia. And actually through that, someone I met in Boston at my previous company who was a mentor of mine, a woman named Janet Krause, who was also serial entrepreneur.

Sean Black 00:15:54 She ended up becoming when I, when I wrote the business plan for again, what is now Trulia? Uh, she ended up investing in, becoming on my board and then she introduced me. She went to Stanford is a GSB grad school. And she ended up introducing me to a couple of Excel and sequ investors who had just invested in a couple European guys outta Stanford doing the same thing. Uh, my company was called big digs and their company was called real wide. Fortunately both of those names were terrible and we renamed the whole thing, uh, Trulia. And we were, we were off to the races with, by the way Corcoran's blessing we had, uh, the first listing feed we got for Trulia on the east coast was, was from Corcora. And my time there not only sort of taught me real estate, got me the listings in New York, which was super, super coveted, but we ended up getting six months later, 600,000 listings, which was about 25% of the market from one provider from that relationship.

Ryan Newman 00:16:45 So truly is and running you're part of the founding team. You're all coming together in terms of building that business, tremendous scale. I mean that business actually went on to become public before it was eventually acquired by Zillow for 3.5 billion. Can you talk about what it was like to scale and grow that business? You're talking about sort of the seed planting and early stages and what allowed you to get lift what allowed that business to really transform and become a public company?

Sean Black 00:17:08 Yeah, I think the biggest thing was that the market at the time looks exactly like the market we're in right now. Meaning when we started Trulia, the real estate market itself was booming at the time you had to, as a real estate agent or a consumer, mostly agents were controlling the listings at the time, you had to put real ads in real newspapers <laugh> cause that was the last classified category to go. It was, you know, real estate. And I think one of the reasons was because there was this sort of boom in the early two thousands for real estate and you'd put an ad, a newspaper and the house would sell in, I think one plus one equal two, nobody needed Trulia in 2004 when, you know, 2005, beginning of 2005 and then suddenly the mortgage crisis happened. And ironically you think, uh, a real estate home search destination would be swept up in that.

Sean Black 00:17:55 But in fact, the opposite happened because people suddenly, they desperately needed information. That was real time. Everything that was out on every other site was three months old because you have to go through the local tax offices for a closed listing to understand like what a home sold for, uh, how long it took, et cetera. So consumers wanted data, which we had a massive amount of consumer traffic and then agents needed a way to distribute listings for much longer than they used to have to, you know, they were putting 400 hours a week per listing in a four line ad in a newspaper. You can do that for a week or two or a month. You can't do it for six months if the, if the market goes sideways. And so I think it's very true that the best time to start a company is when it's a recession or anything that looks like it.

Sean Black 00:18:35 Because while resources like money is scarce resources like talent actually become more plentiful and more accessible and more affordable. And in this case we had consumer sentiment suddenly changed overnight and wanted information. And so I, I actually think we credit what happened in 2008, three years into our journey of the success that
-- we had. I remember literally being at dinner with Pete one night in New York and him sort of saying, I don't, maybe this isn't as big of an opportunity as we thought. And literally he wrote about this in, in the last couple years, but literally that was the pivot point. Like literally we were about to take off, but it didn't feel that way at the time. It felt like we, you know, were sort of like not getting traction. We thought we would

AD 00:19:17 Located at 1 23 Southborough street, the all new Eric J. Barron innovation hub is open to serve all students, innovators and community entrepreneurs in state college. The building offers state-of-the-art entrepreneurial and innovation resources such as large scale fabrication, rapid prototyping, no cost business accelerator programs co-working and so much more stop by and visit the building Monday through Friday from 8:00 AM to 5:00 PM to see what all the building has to offer, take a virtual tour and visit innovation hub.psu.edu to learn more

Ryan Newman 00:19:55 Incredible and an incredible outcome as well in terms of Zillow as the ultimate partner for that business. Can you talk about where this energy lied there and, and how that just made sense and the decision making process and that ultimate transaction?

Sean Black 00:20:08 So Zillow was our arch enemy. So when we launched really at the end of 2005 for Google for search there, there was no one other than realtor.com really out there. There were a couple other smaller sites. Obviously the brokerages all had their own sites, such 2, 1 0 1 has their own cycle called banker had its own site, but consumers wanted a third party, independent search experience. And they wanted to make sure they saw all the listings, not just one broker, one franchise's listings. So when we launched so rich Barton and Lloyd Frank, who were the founders in Zillow had left Expedia, they had created Expedia within Microsoft actually. Um, and <laugh>, and they obviously put the travel agent on a business, like literally the Expedia of the world. And tralo put the, the travel agent outta business for the most part. And they thought they were gonna do the same thing with real estate.

Sean Black 00:20:52 So when they announced that they were doing something, they actually didn't talk about what they were doing is the end of two, five. They just said, we're gonna put the real estate agent outta business, just like we put the travel agent outta business. And for many months that hung over the industry, at least in the real estate agent brokerage industry, they learned later that houses are not commodities like plane seats or hotel rooms. But when we, we were sort of existing as a national, you know, Google for search, they launched the, this estimate that was their original application and no home search at all. It was just very ephemeral. You go and see what your house is worth, what your boss's house is worth, what your neighbor's house is worth. We were grinding doing SEO. That was our strategy because all the other players, including ro.com didn't understand SEO.

Ryan Newman 00:21:32 They had paywalls up, they wanted to protect their data, not, you know, get it out into the public domain. And so we were grinding away at SEO and that was our sort of sharp end of the stick. And they came out with this estimate maybe a year after us and had 4 million unique visitors overnight took us probably three years to get the 4 million uniqueness because it was sexy in this estimate. So then they launched home start about a year later. But by that time we had really compounded our SEO advantage, which is network effect that you just can't displace once you have it, it only gets better and better as links come in and sort of time goes by. So yeah, they tried to buy us actually in 2000 and trying to think of what year it was, maybe nine for 30 million. They tried a couple more times, couple hundred was the next offer.

Sean Black 00:22:15 They ended up paying 3.5 billion. So sometimes it's, uh, you gotta see the forest through the trees and, uh, and grind it out. So we competed for that entire time. And then at some point they went public a year before us, when we both were public, we ended up sharing a institutional investor, a very large institutional investor called Caledonia out of Australia, who is still, uh, as low as a single largest shareholder, 20 plus percent ownership in the company. So they owned 20% of bo --
And they were the ones that brought us together and said, Hey, look, you guys are fighting in the trenches for ad dollars, which is how both, you know, companies make money. And it's sort of like a race to the bottom if you keep fighting each other. But if you're together, then like you don't really have any competition. Right. And you're the only destination to put listings on. So as Pete would say, uh, you know, it was bittersweet, but at the same time they had a lot of momentum and we would like catch up and then they would pass us and we would catch up and then they would pass us. And at some point we just made sense to join forces and it worked out.

Ryan Newman 00:23:17 So you joined forces with Zillow, you exit that business and then talk to us about how, how knock came about and what was the problem that you set out to solve.

Sean Black 00:23:26 Yeah. So I started doing a lot of angel investing, cause I didn't know what I wanted to do. I can tell you having been in real estate as long as I did and both my co-founder Jamie and I, who was also on the family team at truly around product and engineering, neither of us wanted anything to do with real estate anymore. But I spent a lot of time angel investing and a bunch of the companies I was investing in now are actually becoming public or have been, or, or, went public. Um, but I spent a lot of time thinking I might want to be a VC, a venture capitalist, and angel investing was a way to sort of feel that or try that on for size. And then it was also a way to look into other spaces to see what I wanted to do.

I ended up full circle back in, in real estate. What happened was like Trulia basically agreed to merge. And I went back and I said, I've been away from it long enough that I have a fresh perspective on the category. I know it. We both know it really well. And by the way, now that buyers are all in one place, specifically the Zillow sites. Now we can actually solve the seller problem cuz sellers really haven't benefited from the internet at all and are slowly just now getting transparency and convenience over 2022, 20 years the created. Um, so the idea was Trulia for sellers. Cause you know, really Zillow and Trulia were all about really buyers and discovery and search and finance.

Ryan Newman 00:24:41 So your flagship strategy within knock is this knock home swap. Can you talk about what that is and, and how that exists?

Sean Black 00:24:49 Our original thesis was like Trulia. We wanted a mass market solution to a mass market problem. Part of the problem with trying to fix the buying and selling experience is it's very nuanced. It's very local. It's obviously physical, meaning, you know, houses don't move. It's not like e-commerce can't ship house, unfortunate in a box through Amazon. And so being, you know what we were, we had a mandate at Trulia. We never got into the transaction. Um, Zillow didn't either until someone recently with I buying and they got out pretty quick, but we were a database company. We were a search company, you know, we sold advertising and against eyeballs. We never got into the transaction other than to help agents, you know, facilitate their, their day to day fixing selling means you gotta basically get into the transaction to fix the fragmentation. That is a transaction cuz you have, you know, if you're buying and selling, which is two thirds of the population, you have an agent on both sides, a federal company on both sides, a mortgage on both sides. And then suddenly you're trying to time this thing in a way that is incredibly hard. Most people are, you know, two working parents. They have kids, there's a lot of work and just a lot of appetite to sort of project manage and have a lot of uncertainty. So we really focused on the two thirds of the market who are buying and selling. Because if you, when you start a company, one of the things you have to make sure you do is not only solve a problem as opposed to have a solution and then find a problem, which is sort of one of those, you know, off the shelf sort of pieces of advice, but you also have to solve a problem that people know they have. And one of the challenges with the home purchases, people only do it every four to seven years. The advantage at truly and Zillow was even though people only do it every five, four to seven years, they sort of --
-- obsess on the search sites, cuz they're dreaming.

Sean Black 00:26:25 We call it real estate porn, right? They're dreaming about their next home. Or if they're in a home and recently bought it, they're looking at the neighborhood and say like, they're trying to validate the purchase and say like, are the houses that are around me selling for more or should I feel good or should I feel bad that I make a steak? So you have like, you know, on Zillow and the Zillow side, Zillow and Trulia have uh, 200 million unique users a month. I mean that's most of home search, right? Yeah. realtor.com and Redfin and others who get the rest. But that's a lot of people think about this 300 million unique visitors on the top three real estate sites every month, but there's only 6 million houses bought and sold every year. Back when we started Trulia, it was about 50 million unique users a month on the top three sites and 5 million houses bought and sold.

Sean Black 00:27:05 So the search experience, the number of people searching is now six X, what it was when we started Trulia. But somehow despite the obvious demand and intent and desire to buy and sell faster, there's only 20% more people able to actually get across the finish line. And so we really focused on people buying and selling because if you have a family and you wanna buy a bigger house in a better neighborhood in a school district and you gotta do it at, by a certain time, then you know, you have a problem and you know, if it goes wrong, you're, you know, Sol right. You're like in a, in not a good place. Cause maybe you're not in the school district, you need to be in for your kid to start school. And they literally have to go back to the school that they were in.

Sean Black 00:27:44 And maybe that doesn't even, maybe that's even an option cause maybe they aged out of middle school for example. So we really started with what was called the trade in initially was how do we figure out how to help people with the chicken egg problem? And ultimately we created the, now what's called the buy now sell later category and lately it's been called the power buyer. But the idea is to give people effectively the ability to make an all cash offer, not worry about the timing of their old home, the money that's parked in their old home and having to like show up at a closing with your moving truck in the parking lot. <laugh> moving and closing on the same day, which is what people more often than not do.

Ryan Newman 00:28:21 And so for an actual home person, that's looking to sell their home, how would this experience actually work for them?

Sean Black 00:28:27 Yeah. So if you're in one of the 75 and growing markets that we're in, you come to knock usually increasingly through an agent, we have about 120,000 agents that can offer you the noncom swap, where not go, which is guaranteed to offer, which is effectively that can all cash offer. And so they'll bring you, or you come yourself to knock.com and you're effectively getting preapproved to make a purchase like you would on rocket, but rocket is just a mortgage company. So that's just the mortgage component. We are also, we'll also give you the new mortgage of the competitive rate. That's a commodity, but what we're also gonna do is fully pre-approve you for that mortgage to guarantee, you're gonna get it. We're also gonna give you whatever money you need outta your old home. Right now that's on average consumers have a couple hundred thousand dollars just with all the home price appreciation.

Sean Black 00:29:10 So most consumers have 20 to 40% equity in their home. So it's sort of like, they need that money out to go buy a new home for the down payment and all the other things. But also most people don't qualify or want two mortgages. So that's the timing issue, right? They're like, okay, I need to sell my existing home because I need the money out of it to make the down payment. But I, but also I don't wanna pay two mortgages and maybe I don't qualify for two mortgages payments at the same time, the rich people, when they wanna buy a new house will go buy it, move whatever they want into it. Get rid of the rest of this stuff, hand the keys to the agent, say like, lemme know it's sold and maybe I'll throw the money in the market cuz they don't need the money as much, right?

Sean Black 00:29:45 Like jokingly say like we're your rich uncle. We give you all the money. You need to go buy yo --
-- ur new house with the agent. Um, and then we worry about the financing sort of behind you. The seller doesn't have to worry about you coming through with the mortgage or your house selling in time. Uh, and so for us, what we're doing is we're giving you that new mortgage, but we're also using data science and help of your agents underwrite your old home. So we're trying to figure out how long it's gonna take. We did this at Trulio with the truly estimate sort of similar the Zillow's estimate where we're trying to figure out how much work does your house need, usually paint and carpet in the areas that we're in. How long is it gonna take to sell how much equity do you have based on what we think the house is worth it, what it'll be worth in three months.

Sean Black 00:30:22 And then we're gonna lend you the money in that, in that house interest free for six months. And you could take that money and make the down payment with the mortgage that we give you. And we guarantee if for some reason that doesn't, you know, there's any kind of issues we'll come and we'll buy the house for you. So the seller, as far as the seller's concerned, you're a cash offer, but what's really happening is we're putting the mortgage in place before you enlist your old home. You're moving into that house. We're giving you the money you need. As soon as you move out, we and your agent have figured out what work needs to get done. We put the contractors in the house, do the work within a couple. It is your agent puts it on the market in today's world that sells in three days or 30 days. And then like anything else, you take the money that you have left over out. You pay us back, whatever you borrowed to put the down payment in, but by then, you've already been in your new home for, you know, two months, three months, however long it took to sell your old home.

Ryan Newman 00:31:14 Great idea. Great, uh, great value to sellers for sure. Um, well it's certainly been a tumultuous time in the market and it's usually, this is not something that we get insight into into private companies, but Sean, you were very public. You have a, a blog, Sean, Sean, black.com and you posted an article that said Knox wild ride from 2 billion to 220 million in 12 months. And for all of our listeners, they can go and read your blog, but can you give us, uh, sort of a headline or some insight as to why you, uh, wrote the blog and, and, and really what your current thoughts are around and reflections on the current environment?

Sean Black 00:31:50 Yeah. So in September of 2020, there was this new thing called a spec actually wasn't that new, but it would become very popular six months later, but it was basically a way to go public. You know, the market was soy then that there was very little value in the public markets from an institutional investment perspective. So they were starting to invest in companies a couple years early so that they could get further up the funnel, so to speak and get in the better deals that were gonna come eventually. Anyway, two years later, three years later, and the spec was the vehicle to do that special purpose acquisition vehicle. I'm sure everyone's heard of it by now, but then no one knew about it. We were all educating ourselves. As we went by November, we got conviction that we would go public this route and effectively what a spec is, is just like a shell that goes public with a bunch of money in it. And it's looking for a company to basically move into it and take the money and run a business with that shell. So we decided our goal was to be a public company, just to Trulia truly want public in seven years and all the value comes at the end. Right? If you think about Zillow, it's now been around for 17 years and you know, in the last couple years is when it's got most of its value in terms of market cap and you know, cash flow and, and whatnot. So we wanted to be an independent company. The fastest do that are the best way to do that is through the public markets. So we went all in and the spec itself was, was 2 billion. And so that represented the comps in the market at the time. And within our category, we think about our category as real estate tech, but also financial services in marketplaces that was March of last year.

Sean Black 00:33:13 The world was a very different place. It was a very softy pace by may when we were actually ready to go out and do our roadshow. Cause --
you know, spec is similar to any IPO in the fact that you had to do a road show, it's just for a pipe instead of a public offering. Cause the company's already public. The market had fundamentally changed and this had not happened before. So specs had cooled off a couple times once in the November and it came right back again. Once the supply was absorbed. So in May, the market was what it was. We went out, we didn't wanna delay violation was cut by our comps. Like it just was what it was. So we met the market where it was, we went out like others, hoping the market would change. And it was clear by June.

Sean Black 00:33:52 It wasn't going to, if you know anything about raising money, you don't wanna do it in the summer. Traditionally speaking people are on vacation. It's really hard to get like a consensus at a venture firm or an institutional investor. You need a bunch of people to say yes, whatever. It's a later stage guys, it's this it's investment committees earlier stages of VC partners. You don't wanna do it in the summer. Like you gotta raise, you gotta get, you can close in the summer, but you gotta have had the money committed much earlier. So when we figured out that the stock market had cooled off sort of somewhat permanently, we decided to raise a private round, but we had to wait until September. So then we kicked off on institutional private round of financing, same investors that were gonna invest in the public offering. And the idea was, Hey, we'll just punt a year.

Sean Black 00:34:33 We'll go public the old school way in a year or two, uh, which is like 18 months is the window of those investors called crossover investors. And we were trucking right along getting commitments. We were gonna do a much smaller raise. The public offerings was like 400 million. We were gonna go 150 million raises, you know, by comparison that was, you know, easy, uh, cause commitments tend to come in 10 to 25 million chunks from these institutional investors, uh, minimum. And so we were rocking and rolling and we had it all tied up and then series of economic factors happen. One, the stock market itself was going crazy and then Zillow had a huge miss, I don't know what you wanna call it, but it was buying houses in this lyer category and decided that it wasn't worth doing. And they were gonna lose 500 million and they just stopped the business.

Sean Black 00:35:22 And that had a ripple effect through the whole sector, cuz we don't buy houses at knock we're financing the transaction for the consumer, but everyone needed to pause and see kind of what happened. And then war broke out. <laugh> like literally, you know, world war three, uh, Russia, beta Ukraine that sent the markets into Atal spend. So we just had this sort of series over a year of like macroeconomic effects. And if you look at the blog we'll show like every one of our three largest KPIs, K performance indicators, revenue and GTV and profit and gross profit were like up, up, up, up, up into the right. Obviously the housing market was exploding in a good way. And housing prices were rising. Increasingly being, having a cash offer was what consumers not only wanted for convenience and certainly, but needed to be competitive in the market. So there was this irony of like our business is on fire. Our market is on fire. Our customers need us more than ever, but the financial markets were just falling apart around us, not the housing market, but the rest of the financial world. So we ended up at doing a, a venture around the financing after, I don't know, 12 months of fundraising on zoom calls for several hours a day with 40 people for months and months and months and months. So it was a harrowing, it was a harrowing experience to say the least.

Ryan Newman 00:36:40 What comes next for knock.

Sean Black 00:36:41 So we did a pretty massive geographic expansion during our time. We went to 14 markets to 71 by the end of the last year. Now we're in 75. We just added Seattle in the surrounding areas. And so we have a pretty huge geographic footprint and we have a 300 brokers about a hundred thousand hundred 20,000 agents who have access to give customers our products to make 'em a cash buyer. Give them the convenience certain, you know, by the way, the one thing we didn't talk about is tech that we've built, which is an agent app at a consumer app where you for the first time can see all the parts --
-- of the transaction as they unfold. Who's doing what, not, not just on one side or the other, but both you can see when the appraisal's happening and it comes up. We push notify you when the inspection's happening, when the work on your own house that we're doing, when the people show up to do that work and then you get, you can go over and approve the work or you can do it via our app.

Sean Black 00:37:28 Um, so all this is on your phone. That's the big, I think trend that didn't happen for sellers is, uh, that happened for buyers is like everything now should be on your phone and you can buy a car online through Carvana or room. You obviously can get rides. You can do pretty much everything other than buy a house on your phone. And we're trying to change that and make that happen. So we're now pretty satisfied. And from a geographic scale, we'll launch another 10 markets this year and finally get to PA in the tri-state area, which is my kids have been asking me forever about, but really we're going deep within the markets that we're in because you know, people are fleeing the big cities moving to smaller cities, secondary cities, uh, and the surrounding suburbs. And so helping them do that successfully is, is our, our focus and our mission.

Ryan Newman 00:38:12 Well, thank you Sean, for taking the time today to share your entrepreneurial journey with me. Uh, now I'd like to turn it over to a current Penn state student who's in the midst of his own entrepreneurial journey and is very active within the Penn state entrepreneurial ecosystem. Nish brought as a second year student studying human-centered design and development. He is the founder of we are living in all in one online marketplace for tenants to find roommates, resolve tenant disputes, exchange leases, and learn important information about the housing process. Nish shall now turn the interview over to you.

Nish Barat 00:38:46 Thank you, Ryan. Thank you for having me here, Sean. I'm really excited for Knox expansion to PA because my parents are in the market to buy a house and I think that would be perfect, but I wanted, cause we spoke a lot about real estate and technology. So what trends do you see in the real estate market in connection with technology?

Sean Black 00:39:04 Yeah, I guess there's a couple, think the IBU category is one you open door and offers has gotten out. So that category is squarely sort of done. And I think those companies will just continue to get bigger and hopefully more efficient and more cost effective for consumers, sort of a point solution, if you will, for some people who just wanna get outta their house and aren't as worried about the next one, I think the power buyer category, which is what we've been called or the buyer now sell later is also pre well developed. We're, you know, we're the largest and work with agents. There's a couple that are like anti disrupting agents. I think there's a lot interesting things going on in the rental and rent to own space. Affordability is a big issue right now with home price appreciation dramatically increasing. So there's companies like divvy who's been around for a while, but others that are coming up with creative ways.

Sean Black 00:39:49 Okay. If you can't afford to buy a house now, because a starter home has sort of gone way upstream, uh, to be more like a second home in terms of price and with the home price appreciation, how can you, if you're gonna pay rent, at least actually put part of that rent towards home ownership to be as an example where, so you pick the house like you're buying one of their houses, um, but they're financing the house or putting it in their name or renting it to you and putting a part of that piece of rent into, uh, a down payment that you can eventually buy the house from them a couple years later. So that's interesting. I think there's a long of trying to get a lot of the fragmented parts of the transaction. Online title is one who, which has notoriously been, uh, a laggard in terms of coming online.

Sean Black 00:40:31 Fortunately COVID forced title companies are more importantly to mortgage companies to allow digital title to happen. So you don't have to physically go to a showing a closing, but it isn't as widely adopted if you think it would be. And the technology isn't totally a hundred percent there for a lot of companies. There's a lot of talk of how a blockchain can help. And I don't see any solutions th --
-- ere just yet on the financing part. There's interesting of ideas, but I think to affordability right now is a big one where you can do a lot of it digitally.

**Nish Barat 00:41:04** Got it. And then you spoke about smart contract and do you think that smart contract or like the new way forward with blockchain technology and lacing that with real estate?

**Sean Black 00:41:15** So the challenge with at least with conventional conforming loans, which is what most people use to get a mortgage a 30 year fixed loan, the vast majority, if not all, almost all of those loans are government backed. And so almost all originators, even most large banks like Wells Fargo will sell your loan to the government and then servicing goes somewhere else. So some few exceptions to that couple big banks balance sheet mortgages, but a lot don't problem with blockchain is those banks and government especially wants a clear chain, a title and that's done by local courthouses. So I think the challenge of which is the most obvious first place going online into a smart contract is like, how does a secondary market end up allowing that to happen? Being comfortable with the chain of title being on the blockchain because there has to be a strong incentive for them to take the risk and do it.

**Sean Black 00:42:08** For example, the reason I think most mortgage companies never got comfortable with digital title. It was, it made people go to a physical closing and sign. All the closing docs in Inc was because like, why, like what do we, how do we benefit? Like that's just more risk to us, but there's no benefit to us to adopt, uh, you know, digital title. But when COVID happened, they had no choice. Right? Cause otherwise, especially with the government, you know, and fortunately if you look at oh eight and, and through this crisis, the government is, you know, their job is to provide equity to the markets, especially the housing market like they did in oh eight in a different way. And in, in COVID they did the same thing through obviously low interest rates and, and, and loans and stuff. So I think that's, I think somebody needs to figure out the digital, there's some interesting kernels of like, how do you get in between so that what the government owns is what they're used to owning, but there's somebody in between who's, who's got the physical title, but then puts access to it on the blockchain.

**Sean Black 00:43:06** But until somebody cracks that it's hard to see the rest of it going on.

**Nish Barat 00:43:11** Of course. Where do you see real estate headed in the next 10, 15 years?

**Sean Black 00:43:18** Well, I think the selfishly speaking, there's no question it's gonna be on your phone. Right? Like the part of the reason real estate took so long to adopt technology is the average age of a home buyer is older. The average age of an agent is older. Now you have the younger generation, right? The largest cohort of home buyer right now is the millennial generation, right? And so they've grown up with a phone attached to them. <laugh> doing everything, buying everything. They don't want to buy a house with a lot of paperwork and show up at a closing. They want it to look like everything else, every other thing they buy and sell. And that's forcing the transaction onto the phone, right? And companies like knock are streamlining all of these spray fragmented sources of title and insurance and appraisal and inspection and giving you one flow on your phone that you could follow.

**Sean Black 00:44:06** So I think in, there's no question in the next five to 10 years, the vast majority of us will be handling the entire transaction in one shape or form on the phone, putting all of the transaction online means it's automating a lot of the redundant task. It takes a lot of the people and are out. Um, it takes a lot of the administrative work from the agent who can then focus on the value, add that they as a local expert, more like negotiating contracts like an attorney or any other professional, but it also compresses cost of the transaction. So if, if you can cut in half the cost and the uncertainty of buying and selling homes and all the friction, you'll, in our opinion, double the number of people buying and selling. And that's done largely through mobile technology and the transparency and convenience that's created.

**Nish Barat 00:44:51** That. Wow. Um, so we, we spoke a lot about digitizing and streamlining these proc --
-- esses. So we, in a day and age, we're digitizing a fundamental life process is up to get investors and consumers interested.

**Sean Black 00:45:06** Well, yeah, because it's the shift of this is probably outdated. 1.7 trillion worth the Helms bought and sold every year. It's the single largest consumer transaction. That's a lot of money. And if you think about the derivative, you know, it's a hundred million in commissions paid every year, real estate commissions every year, right? There's a comparable amount of mortgage originations happening, right? It's some more, more or less 80, 85% of the 1.7 trillion in mortgage origination. Um, that is a lot of money flowing. So if you're digitizing that you're literally controlling payments and flow of funds and making it more efficient, and you think of what square did for small businesses in, you know, letting them take credit cards where before they couldn't get access was a lot of regulation and a lot of hurdles just to get a simple credit card chain. And, you know, they fundamentally changed the flow of funds from consumers to small businesses and empowered small businesses to actually more easily take, uh, payment from consumers.

**Sean Black 00:46:04** So they made it easy for the merchant to sell and made it easy for the consumer to buy from that merchant. And they now control the flow of funds and I just listened to their earnings call. They, you know, generate a billion dollars a quarter doing it. That's pretty attractive to an investor when you're shifting an existing flow of funds with known revenue streams, making a more efficient. And ultimately you can take a piece of that, right. Uh, it's called a V. Right. Uh, and you can take a piece of that and still save everybody a bunch of money in the process. And I'll add, I'll add, by the way, if you think about the opportunity in housing and doubling the number of transactions is very comparable to what Uber and Lyft did for ride share. Right? No, before they existed, like not a lot of people used taxis, they were expensive, they were inefficient.

**Sean Black 00:46:46** They had to be in a big city to do it, but ride share made sort of taxis mainstream, right? So they didn't just disrupt the market or replace the cab. They actually grew the market tremenously and made it sort of, for a lot more people to participate in housing is the same way. There's an opportunity. I think that double the number of transactions, half the cost and friction. But if you, if you double the transaction volume, uh, and half the cost, right, the sort of gross opportunity is the same, but everyone's happier because they spent less money on stupid stuff. <laugh>

**Nish Barat 00:47:21** Of course

**Sean Black 00:47:22** Fees.

**Nish Barat 00:47:23** So yes, and, and we are living. So we're, we're a private centric housing platform focused on educating tenants, especially students and solving the asymmetrical knowledge gap between tenants and, uh, property managers and owners. And in your opinion, in what ways can we at, we are living play both sides. So firstly, by educating renters on their rights while maintaining a business relationship with proper owners.

**Sean Black 00:47:50** Yeah. I mean, look, you add value to both, right? Cause you're creating transparency and certainty for the renter. Right. Um, but you're also providing potentially a more qualified renter, right? And if you look at increasingly there's large rates in investors that own not just apartments, but increasingly single family homes are for rent, which is where you get some of this, um, you know, rent to own for the divvies of the world. But I think if you create transparency and efficiency for the landlord, you're creating a more qualified pool of, of tenants, right? You can use all kinds of AI to better qualify those tenants for them. So they're not just using credit scores. Some of those people may not have credit scores or very good ones because they're young, uh, and fresh outta school. I think you can, you know, automate payments and reduce vacancy rates, right? So if you have a marketplace and you have true demand like an Airbnb, um, and you can fill an apartment faster, like of course they're gonna want to use a platform that keeps their vacancy rates low. Cause that's how they make money.

**Nish Barat 00:48:56** Got it. Well, this is gonna be very helpful for us. Uh, as we, as we launch our MVP this fall, thank you. This is really, re --
-- ally good to help us out. We appreciate it.

**Sean Black  00:49:05**  Good. Happy to help.

**Ryan Newman  00:49:09**  That was Sean Black, part of the founding team of Trulia and co-founder of knock.com. If you haven't already be sure to subscribe, to dare, to disrupt wherever you listen to podcasts and look out for next month's episode. Thanks for listening.

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