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Four Real Estate Investors Share a Powerful Strategy to Build Wealth Faster

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Many people believe real estate is only about buying property and waiting for it to rise in value. But four experienced investors say there is a key advantage that often goes unnoticed: using borrowed money to increase returns and avoiding “lazy equity” that stops growing.

James Berkley, who worked on Wall Street before moving into real estate, explained why this strategy can outperform stocks. “The S&P 500 has averaged 11–12% returns over 100 years," he said. "But with real estate, you can beat those returns because there are four ways to earn money. The most important is leveraged appreciation."

Leveraged appreciation means using a mortgage or loan to buy property so you keep all the profits if the property goes up in value. Berkley shared an example: If you have $1 million, you could buy one property outright. A 10% rise in value would earn you $100,000. But if you put down only 10% and borrow the rest, your $100,000 investment would double to $200,000 in equity.

"When you spread that strategy across multiple properties, you can make much more," Berkley said. "The bank doesn't share in your profit, they just expect you to make your payments."

Jeremy Barker, who purchased a $3 million building with only $30,000 of his own money, agreed. "The less of your own cash you put in, the higher your return on what you invested," he explained. "That's how you scale quickly."

But simply borrowing isn't enough. Kenji Asakura and Letizia Alto, doctors who built a large rental portfolio, warn investors not to let equity become "lazy."

Lazy equity happens when your property value increases and your mortgage decreases, but your cash flow stays the same. Over time, your return on equity shrinks.

For example, if you invest $25,000 and earn $4,000 a year, your return is 16%. If your equity grows to $100,000 but your income doesn't change, your return drops to 4%.

To keep money working, Asakura and Alto recommend refinancing to pull out cash or using a 1031 exchange to buy a larger property.

"If your goal is financial freedom, you can't let equity sit idle," Alto said.

Berkley summed it up simply: "One property funds the next. It's a snowball you keep rolling."