



Warren Buffett sees housing market bouncing back by 2011

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By Andrew Frye, Bloomberg News

Billionaire [Warren Buffett](#) said the U.S. will recover from the residential real estate slump by 2011 as demand for houses catches up with the supply that accumulated during the bubble.

"Within a year or so, residential housing problems should largely be behind us," Buffett wrote Saturday in his annual letter to the shareholders of his [Berkshire Hathaway](#). "Prices will remain far below 'bubble' levels, of course, but for every seller or lender hurt by this there will be a buyer who benefits. Indeed, many families that couldn't afford to buy an appropriate home a few years ago now find it well within their means."

Record foreclosures flooded a U.S. real estate market already glutted with unsold property, causing housing starts to fall.

"People thought it was good news a few years back when housing starts — the supply side of the picture — were running about 2 million annually," wrote Buffett, 79, chairman and CEO of Omaha-based Berkshire. "But household formations — the demand side — only amounted to about 1.2 million."

Buffett built Berkshire into a \$198 billion company through takeovers and investments in companies he believes have lasting competitive advantages and superior management.

Berkshire, which has a real estate brokerage, a business that constructs prefabricated houses and units making products used in home building, has suffered in the downturn. Profit at carpet maker [Shaw Industries](#) fell 30% last year to \$144 million.

He's very deeply invested in this, said Tom Russo,

partner at Gardner Russo & Gardner, which holds Berkshire stock. Across his industrial companies, he's massively poised to gain from a housing recovery, Russo said.

Buffett wrote that his company should have bought more corporate and municipal bonds last year because they were cheap compared with U.S. Treasuries. When it's raining gold, reach for a bucket, not a thimble, he said.

Buffett has used past letters to discuss plans for his successor, praise Berkshire managers and confess his failings. Last year he said the U.S. economy was in shambles after reckless lending.

Buffett said this year that the CEOs and boards of companies that failed during the credit crisis shouldn't be able to pass blame to those below them. Boards should insist on CEOs taking responsibility for risk, he said.

Shareholders weren't the ones who botched the operations of some of the largest financial institutions, Buffett said, yet they have borne the burden, with 90% or more of their holdings wiped out in cases of failure.

Buffett agreed to his largest deal last year when he arranged the \$27 billion takeover of railroad Burlington Northern Santa Fe. Berkshire completed the acquisition, which Buffett described as an all-in wager on the U.S. economy, on Feb. 12.

Shares of Berkshire traded at about \$15 when Buffett took control in 1965. The class A stock closed yesterday at \$119,800, its highest since October