

# Warren Buffett Shows His Faith in Housing

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Warren Buffett declared last summer that housing was on the rebound. And it was right around that time that one **Berkshire Hathaway** (NYSE: [BRK-A](#)) (NYSE: [BRK-B](#)) company stepped on the gas to take advantage of that rebound.

Berkshire owns a majority stake in MidAmerican Energy, which, in turn, owns HomeServices of America. Last fall, HomeServices partnered with **Brookfield Asset Management** (NYSE: [BAM](#)) to create HSF Affiliates, which has taken a majority interest in the affiliate networks of major brands like Prudential Real Estate and Real Living Real Estate. The company is also launching a new brand: Berkshire Hathaway HomeServices.

## Gobbling up brokerages left and right

The new brand puts the “Berkshire Hathaway” name front-and-center in the real estate industry. The complete unveiling of the brand will continue throughout this year.

Meanwhile, the parent company -- HomeServices of America -- has been acquiring other real estate companies to extend its reach, adding to purchases it had made early last year of Prudential realty brokerages in Oregon and Georgia. So far this year, it has purchased a large brokerage in California, Guarantee Real Estate, based in Fresno, as well as Prudential Gaslight Realtors near Kansas City, Missouri, in January. The Guarantee acquisition added 400 agents to its base of 53,000, and the purchase of Prudential Georgia Realty in March added another 1,000 salespersons to the company's roster.

## Other housing bets

Despite admitting being "dead wrong" about a quick turnaround in housing, Buffett knows that the sector won't stay in the dumps forever. Berkshire's portfolio holds other housing investments, such as Benjamin Moore paints, Shaw Carpet, and Acme Brick. Clayton Homes, a manufactured home company owned by Berkshire, saw production jump 13.5% last year over the previous year's output.

While it's certainly true that housing has improved over the past year, it is still far from recovered. But rebounding home prices and values are a reality, and a slew of economists queried by Bloomberg recently agreed that the March new home construction rate would surpass that of February by an annualized rate of at least 23,000 units. In fact, numbers released by the Census Bureau reflected over 1 million housing starts, compared with the analysts' estimates of 930,000 -- the highest in nearly five years.

Time will tell if these numbers are sustainable. However, Buffett is right when he notes that housing will eventually become viable again. Thanks to his insight, the Oracle's company will be ready and waiting to take its share of the profits when that day comes.