**Buffett: US housing market now healed**

**Dan Hyde, This is Money  
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World-renowned investor Warren Buffett says US property market problems will be gone within a year. [Skip additional links](http://www.thisismoney.co.uk/mortgages-and-homes/article.html?in_article_id=500407&in_page_id=8#endpromo)

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| Warren Buffett |
| **Sagely:** Warren Buffett is renowned for his investment prowess |

In his annual letter to shareholders in his Berkshire Hathaway company, Buffett said that while prices will remain 'far below bubble levels' for the foreseeable future, the balance between supply and demand for new houses has been restored.

Buffett - who is known as the 'Sage of Omaha' after making a career from beating the markets - now sees only a positive future for well-again US property after three years of turmoil.

His words echo recent reports suggesting that US property has now fallen so far as to make it good value. [The Economist recently reported](http://blogs.thisismoney.co.uk/2010/01/house-prices-vs-rents.html) that its fair value index, a comparison of prices and rents, put US property as 3% undervalued.

During the property market's bubble period, said Buffett, around 2m extra homes were being made available each year. However, only 1.2m new households were being formed to fill these spaces in the meanwhile.

In his own words: 'After a few years of such imbalances, the country unsurprisingly ended up with far too many houses.'

And so the bubble burst. Prices plummeted and, according to Buffett, the US had to choose one of three possible recovery routes.

He said: 'There were three ways to cure this overhang: (1) blow up a lot of houses, a tactic similar to the destruction of autos that occurred with the cash-for-clunkers program [the equivalent US version of the UK's cash for bangers car scrappage scheme]; (2) speed up household formations by, say, encouraging teenagers to cohabitate, a program not likely to suffer from a lack of volunteers or; (3) reduce new housing starts to a number far below the rate of household formations.'

'Our country has wisely selected the third option, which means that within a year or so residential housing problems should largely be behind us, the exceptions being only high-value houses and those in certain localities where overbuilding was particularly egregious.