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Home ownership rates in the United States continue to decline. This may seem bad, but it is actually good news for the residential real estate market. Before the housing market can stabilize the home ownership rate must reach a level the market can support.

The U.S. home ownership rate peaked in 2004 at 69.1. As we now know this rate was unsustainable. Too many consumers purchased homes they could not afford. This, along with several other factors, led to the collapse in the housing market.

Before the residential market can stabilize and begin the road to recovery, the housing stock needs to be reallocated to individuals who can either afford to purchase or afford to rent. As this reallocation process takes place home ownership rates will decline, which is good news for the housing market.

