- Price: Median price rose 4.2 percent month to month, the largest monthly increase on record for the month of May, based on statistics going back to 1979.

SALES

- Seasonally adjusted and annualized statewide sales rose 2.9 percent in May to 556,590 units, compared with April's revised sales figure of 540,940 homes. Sales are now 35.2 percent higher than the revised year-ago figure of 411,770 homes. Sales were 64.6 percent ahead of last year on a year-to-date basis for the first five months of the year, and have exceeded 500,000 for nine consecutive months.

- California sales numbers continue to be considerably stronger than the U.S. numbers reported by NAR. However, the NAR median price has declined by a much smaller margin than the California median price. The strength in California sales owes in large part to the fact that its markets have seen larger price declines than many other parts of the country.

- The size of the year-to-year percentage gains has diminished in recent months with more moderate increases expected in the summer months. If the expected pace of approximately 550,000 sales continues through the year, year-to-year differences will shrink considerably in the last quarter of 2009.

- Sales gains continue to be driven in part by large shares of deeply discounted, distressed sales in many parts of the state, particularly in the low end of the market (under $500,000). However, the number of closings above $500,000 has increased over the last four months, with a 17 percent month-to-month gain in May alone.

- Lower prices and higher loan limits both have had positive impacts on closed escrow sales, while tighter underwriting standards, higher down-payment requirements, and weakness in the economy have had negative impacts.

- While sales have been boosted by the large number of steeply discounted, distressed properties and favorable interest rates, financing continues to be challenging because of tougher underwriting standards. Weak economic conditions and erosion of confidence also will weigh down on the market in the coming months. The foreclosure wave should hit a peak in the fourth quarter of 2009, with a decline in the share of distressed properties to follow. The timing of the peak may be extended depending on the extent to which lenders engage in loan modifications and other actions that may reduce the flow of foreclosures into the market.

- Ten of 14 counties and regions of the state experienced increases in month-to-month raw (not seasonally adjusted) sales, while four reported decreases. Across all regions, the average gain was 4 percent. For the state as a whole, raw sales have averaged a 6.8 percent month-to-month increase in May since 1982. The current increase is muted relative to the long-run average, in part because of weak economic conditions and weak sales activity at the mortgage-starved high end of the market. In addition, inventories in low-end markets with large numbers of distressed sales have declined in recent months, resulting in lower sales in those areas of the state.

- All but one region showed year-to-year gains in May, with an overall average gain of 32 percent, slightly below the prior month gain of 41.1 percent.

NOTE: Santa Barbara County is excluded from the sales comparisons because activity in the region is subject to wide fluctuations.

- Condo sales increased 5.2 percent month-to-month while climbing 34.5 percent compared with a year ago. Part of the pickup in condo sales may be due to the increased number of first-time buyers.

PRICES

- The statewide median price increased 4.2 percent month-to-month in May to $267,570 from $256,700 in April, but declined 30.4 percent from $384,540 compared with a year ago.

- May marked the third consecutive month of monthly gains, and the largest on record for the month of May according to statistics dating back to 1979. For the state as a whole, the median price has experienced an average month-to-month increase of 0.8 percent in May over the 30-year history beginning in 1979. The yearly decline was the smallest in the past 14 months, but still much larger than that of the national median which declined by 17 percent over the same period.

- Recent events in the economy and financial system undoubtedly contributed to the steep decline in recent months, both directly and through weakened consumer confidence.

- Large decreases in the median price also have been the result of a dramatic change in the mix of sales since the onset of the credit/liquidity crunch and the increase in the share of distressed sales. In August 2007 -- just prior to the beginning of the credit crunch -- the less than $500,000 segment accounted for 43 percent of sales, the middle segment ($500,000 to $1 million) made up about 42 percent, and the more than $1 million segment captured 15 percent of the market. The market share for the less than $500,000 range increased steadily from late 2007 throughout 2008 and reached a peak of 85 percent in January 2009. At the same time, the middle segment saw its market share fall below 15 percent, while the high end market share fell to 3 percent. These market shares were 79, 17, and 4 percent, respectively, in May.

- Along with the growth in market share, the lowest price range also has experienced larger price declines than the other market segments because of the large share of distressed homes for sale in these markets. This further contributed to the decline in the statewide median.

- All but one of the regions experienced monthly gains, with a 4.7 percent average gain across the regions. All regions reported year-to-year declines ranging from a 47.1 percent decrease in the High Desert to a 12.9 percent decline in the Northern California region, with an average decline of 28.4 percent across the 14 regions tracked in this report.

NOTE: Santa Barbara County is excluded from the price comparisons because the region's median price is subject to wide fluctuations.

SUPPLY INDICATORS

- Time On Market (TOM) rose month-to-month to 53.5 days compared with 48.7 days a month earlier, and was higher than the year ago reading of 49.2 days.

- The Unsold Inventory Index (UII) stood at 4.2 months in May, down from 4.6 months a month earlier and below the 8.7 month figure of a year ago. The 3-month average for unsold inventory was 4.6 months, well below the long-run average of 7 months and generally displaying a declining trend throughout the past 14 months.

- Statewide listings declined 6.5 percent from a month earlier and were 36.3 percent lower than a year earlier. Listings historically have averaged a 3 percent monthly gain in May, based on statewide statistics going back to 1982.

MORTGAGE RATES

- The fixed-rate mortgage rose to 4.86 percent in May, compared with 4.81 percent in April, but was lower than a year ago when the rate was 6.04 percent. With the adjustable-rate mortgage at 4.75 percent the market spread between the fixed-rate mortgage and the adjustable-rate mortgage remained slim. The adjustable-rate mortgage also was below the month ago and year ago figures.