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**Home sales remain sluggish**

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WASHINGTON — Home prices in many parts of the country scream bargain, and mortgage rates haven't been this low for decades. So why are houses across the nation sitting on the market for so long?

Sales of previously occupied homes in the United States fell 27 percent in July, the weakest showing in 15 years, the National Association of Realtors said Tuesday. It was the largest monthly drop in the four decades that records have been kept.

Potential buyers are hesitating because they think home prices still have further to fall. Potential sellers — those with the stomach to put their homes on the market at all, anyway — are reluctant to lower their prices.

"It really is a self-fulfilling prophecy," said Aaron Zapata, a real estate agent in Brea, Calif. "If all buyers perceive that home prices are coming down, then they will stop making offers — and home prices will come down."

While the standoff plays out, home sales are plummeting.

Sharp declines were recorded in each of the four regions the group tracks. Yet the pain is being felt unevenly from state to state and city to city. Some markets are rebounding even as others languish.

Sellers in sluggish markets like Las Vegas and Chicago can expect to wait an average of more than five months to sell their homes, according to real estate brokerage ZipRealty Inc. It's even worse in Palm Beach, Fla., where it takes nearly six months, longest in the nation.

In healthier markets such as San Francisco and Denver, the average wait is only about two months. Sellers in Washington appear to have the nation's best major market; they are waiting only about a month and a half.

Beyond geography, the sales numbers vary depending on the price of the home.

The biggest drops in sales are among homes in the low and middle price ranges. For example, 47 percent fewer homes in the Midwest priced between $100,000 and $250,000 sold in July, compared with July last year. By contrast, sales of million-dollar-plus homes in that region actually rose slightly year over year.

This spring, government tax credits helped drive sales, especially among first-time buyers of less expensive homes. But those tax credits have expired now, and many people rushed to lock in sales before they did.

Since then, the number of homes lingering on the market has swelled to nearly 4 million in July. At the current pace of sales, it would take about a year and two weeks to sell all those homes and get them off the market. A healthy level is six months.

Laurie Salaman has been trying to sell her home in New York for a year so she can move to the suburbs. She's had no offers, even after cutting her listing price on the three-bedroom Bronx home from $475,000 to $449,900.

She notes that she has upgraded the kitchen and bathrooms, refinished the basement and put in new decks and patios. Her goal is to take about $100,000 from the sale and put it toward the purchase of the new house. She said she won't lower the price again.

"That's my bottom price," Salaman said. "If I don't get that price, then I will hold off until the market gets a little better."

Not every seller is so firm. Scott Prestopino has cut his listing price on a five-bedroom home in Carmel, N.Y., to $550,000, from $675,000 in December. He had one offer in April, but the buyer backed out.

Prestopino and his family want to move back to Briarcliff Manor, N.Y., where they had lived for 15 years. They've looked at homes on the market there, but that's all they can do.

"I can't carry two houses," he said.

The housing market is also being hampered by the weakening economic recovery. Unemployment remains stuck at 9.5 percent, and many potential buyers worry that they might not have a job to pay the mortgage.

Prices have also fallen because foreclosures are running about 10 times higher than before the housing bust. Though the average rate for a 30-year fixed mortgage has fallen to 4.42 percent, many people can't qualify because banks have tightened lending standards.

The drop in July sales compared with June was worst in the Midwest, at 35 percent. Sales sank 30 percent in the Northeast, 25 percent in the West and 23 percent in the South.

Nationally, the median sale price was $182,600, up 0.7 percent from a year ago, but down 0.2 percent from June.

More broadly, the plunge in home sales is magnifying fears that a worsening real estate market could cause consumers to pull back on spending. The overall economy would suffer.

"The housing market is undermining the already faltering wider economic recovery," said Paul

Dales, U.S. economist with Capital Economics. “With the increasingly inevitable double-dip in prices yet to come, things could yet get a lot worse.”

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Elphinstone reported from New York.