UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10Q

[X] Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For quarterly period ended JULY 31, 1998 or

[ ] Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Commission file number 1-8551

Hovnanian Enterprises, Inc.
(Exact name of registrant as specified in its charter)

Delaware	22-1851059
(State or other jurisdiction or incorporation or organization)	(I.R.S. Employer Identification No.)

l0 Highway 35, P.O. Box 500, Red Bank, N. J. 07701
(Address of principal executive offices)

732-747-7800
(Registrant's telephone number, including area code)
Same
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Sections l3 or l5(d) of the Securities Exchange Act of l934 during the preceding l2 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 14,057,485 Class A Common Shares and 7,699,835 Class B Common Shares were outstanding as of August 25, 1998.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

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Item 6(c). No reports on Form 8K have been filed during the quarter for which this report is filed.

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	July 31, 1998	October 31, 1997
Homebuilding:		
Cash and cash equivalents	$ 13,663	$ 7,952
Inventories - At cost, not in excess of fair value:		
Sold and unsold homes and lots under development	365,556	363,592
Land and land options held for future development or sale	50,742	46,801
Total Inventories	416,298	410,393
Receivables, deposits, and notes	41,244	35,723
Property, plant, and equipment - net	17,155	18,027
Prepaid expenses and other assets	35,347	36,708
Total Homebuilding	523,707	508,803
Financial Services:		
Cash and cash equivalents	1,426	2,598
Mortgage loans held for sale	59,825	48,382
Other assets	3,306	2,518
Total Financial Services	64,557	53,498
Investment Properties:		
Held for sale:		
Rental property - net	4,790	23,920
Land and improvements	19,953	15,026
Other assets	36	1,397
Held for investment:		
Rental property - net	10,888	11,412
Other assets	860	1,835
Total Investment Properties	36,527	53,590
Collateralized Mortgage Financing:		
Collateral for bonds payable	6,296	7,999
Other assets	336	627
Total Collateralized Mortgage Financing	6,632	8,626
Income Taxes Receivable - Including deferred tax benefits	5,642	12,565
Total Assets	$637,065	$637,082

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	July 31, 1998	October 31, 1997

LIABILITIES AND STOCKHOLDERS' EQUITY		
Homebuilding:		
Nonrecourse land mortgages	$ 14,941	$ 20,625
Accounts payable and other liabilities	45,559	45,521
Customers' deposits	25,649	22,422
Nonrecourse mortgages secured by operating properties	3,757	3,830
Total Homebuilding	89,906	92,398
Financial Services:		
Accounts payable and other liabilities	1,574	1,522
Mortgage warehouse line of credit	54,908	45,823
Total Financial Services	56,482	47,345
Investment Properties:		
Accounts payable and other liabilities	2,093	502
Nonrecourse mortgages secured by rental property	5,648	19,241
Total Investment Properties	7,741	19,743
Collateralized Mortgage Financing:		
Accounts payable and other liabilities	23	10
Bonds collateralized by mortgages receivable	5,873	7,855
Total Collateralized Mortgage Financing	5,896	7,865
Notes Payable:		
Revolving credit agreement	86,000	95,000
Subordinated notes	190,000	190,000
Accrued interest	4,742	5,969
Total Notes Payable	280,742	290,969
Total Liabilities	440,767	458,320
Stockholders' Equity:		
Preferred Stock,$.01 par value-authorized 100,000 shares; none issued		
Common Stock,Class A,$.01 par value-authorized 87,000,000 shares; issued 15,797,146 shares (including 1,740,274 shares held in Treasury)	157	156
Common Stock,Class B,$.01 par value-authorized 13,000,000 shares; issued 8,046,322 shares (including 345,874 shares held in Treasury)	80	81
Paid in Capital	34,561	33,935
Retained Earnings	176,418	157,779
Treasury Stock - at cost	(14,918)	(13,189)
Total Stockholders' Equity	196,298	178,762
Total Liabilities and Stockholders' Equity	$637,065	$637,082

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands Except Per Share Data)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1998	1997	1998	1997
Revenues:				
Homebuilding:				
Sale of homes	$237,900	$186,684	$645,524	$438,034
Land sales and other revenues	1,954	13,502	8,293	17,357
Total Homebuilding	239,854	200,186	653,817	455,391
Financial Services	5,562	2,577	13,264	6,363
Investment Properties	2,530	2,091	6,783	6,579
Collateralized Mortgage Financing	179	253	541	653
Total Revenues	248,125	205,107	674,405	468,986

Expenses:				
Homebuilding:				
Cost of sales......................	196,024	163,716	536,630	381,628
Selling, general and administrative	17,530	16,346	49,045	38,063
Inventory impairment loss..........	1,550		3,498	13,475
Total Homebuilding..............	215,104	180,062	589,173	433,166
Financial Services...................	4,837	2,474	11,628	7,274
Investment Properties:				
Operations.........................	787	1,291	2,663	4,495
Provision for impairment loss......				14,446
Total Investment Properties......	787	1,291	2,663	18,941
Collateralized Mortgage Financing....	181	208	540	679
Corporate General and Administration.	5,543	3,228	14,683	10,105
Interest............................	8,773	8,572	25,239	22,080
Other Operations.....................	510	270	1,461	1,521
Total Expenses...................	235,735	196,105	645,387	493,766
Income (Loss) Before Income Taxes......	12,390	9,002	29,018	(24,780)
State and Federal Income Taxes:				
State................................	982	748	2,226	990
Federal..............................	3,695	2,034	8,153	(11,074)
Total Taxes.......................	4,677	2,782	10,379	(10,084)
Net Income (Loss)......................	$ 7,713	$ 6,220	$ 18,639	$(14,696)
Basic and Diluted Earnings (Loss) Per Common Share....................	$ 0.35	$ 0.27	$ 0.85	$ (0.64)

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars In Thousands)

	A Common Stock		B Common Stock					
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, October 31, 1997.	14,097,841	$156	7,754,812	$81	$33,935	$157,779	$(13,189)	$178,762
Sale of Common Stock under Employee Stock Option Plan............	114,667				626			626
Conversion of Class B to Class A Common Stock....	54,364	1	(54,364)	(1)				
Treasury stock purchases..	(210,000)						(1,729)	(1,729)
Net Income................						18,639		18,639
Balance, July 31, 1998....	14,056,872	$157	7,700,448	$80	$34,561	$176,418	$ 14,918	$196,298

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Nine Months Ended July 31,	
	1998	1997

Cash Flows From Operating Activities:		
Net Income (Loss)	$ 18,639	$ (14,696)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	2,936	3,848
(Gain) loss on sale and retirement of property and assets	(2,678)	124
Deferred income taxes	1,623	(2,986)
Impairment losses	3,498	27,921
Decrease (increase) in assets:		
Escrow cash	(747)	2,739
Receivables, prepaids and other assets	(4,536)	(20,187)
Mortgage notes receivable	(9,541)	29,678
Inventories	(9,403)	(105,281)
Increase (decrease) in liabilities:		
State and Federal income taxes	5,301	(13,883)
Customers' deposits	3,319	14,451
Interest and other accrued liabilities	(974)	(1,582)
Post development completion costs	1,840	(4,341)
Accounts payable	(490)	(5,231)
Net cash provided by (used) in operating activities	8,787	(89,426)
Cash Flows From Investing Activities:		
Proceeds from sale of property and assets	22,134	224
Purchase of property	(2,128)	(2,593)
Investment in and advances to unconsolidated affiliates	473	195
Investment in income producing properties	(4,927)	(8,027)
Net cash provided by (used) in investing activities	15,552	(10,201)
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes	432,627	990,429
Principal payments on mortgages and notes	(453,891)	(884,624)
Principal payments on subordinated debt		(10,000)
Investment in mortgage notes receivable	1,756	918
Purchase of treasury stock	(1,729)	(4,630)
Proceeds from sale of stock	626	
Net cash provided by (used) in financing activities	(20,611)	92,093
Net Increase (Decrease) In Cash	3,728	(7,534)
Cash Balance, Beginning Of Period	8,065	15,323
Cash Balance, End Of Period	$ 11,793	$ 7,789

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. The consolidated financial statements, except for the October 31, 1997 consolidated balance sheets, have been prepared without audit. In the opinion of management, all adjustments for interim periods presented have been made, which include only normal recurring accruals and deferrals necessary for a fair presentation of consolidated financial position, results of operations, and changes in cash flows. Results for the interim periods are not necessarily indicative of the results which might be expected for a full year.

2. Interest costs incurred, expensed and capitalized were:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1998	1997	1998	1997
	(Dollars in Thousands)			
Interest Incurred (1):				
Residential (3)	$ 6,789	$ 6,950	$ 20,087	$ 20,642
Commercial(4)	680	1,346	1,844	3,959
Total Incurred	$ 7,469	$ 8,296	$ 21,931	$ 24,601

Interest Expensed:				
Residential (3)	$ 8,093	$ 7,226	$ 23,395	$ 18,121
Commercial (4)	680	1,346	1,844	3,959
Total Expensed	$ 8,773	$ 8,572	$ 25,239	$ 22,080
Interest Capitalized at Beginning of Period	$ 29,846	$ 40,902	$ 35,950	$ 39,152
Plus Interest Incurred	7,469	8,296	21,931	24,601
Less Interest Expensed	8,773	8,572	25,239	22,080
Less Charges to Reserves		7		109
Less Impairment Adjustments			460	945
Less Sale of Assets			3,640	
Interest Capitalized at End of Period	$ 28,542	$ 40,619	$ 28,542	$ 40,619
Interest Capitalized at End of Period (5):				
Residential(3)	$ 26,036	$ 33,489	$ 26,036	$ 33,489
Commercial(2)	2,506	7,130	2,506	7,130
Total Capitalized	$ 28,542	$ 40,619	$ 28,542	$ 40,619

(1) Does not include interest incurred by the Company's mortgage and finance subsidiaries.
(2) Does not include a reduction for depreciation.
(3) Represents acquisition interest for construction, land and development costs which is charged to interest expense when land is not under active development and when homes are delivered.
(4) Represents interest allocated to or incurred on long term debt for investment properties and charged to interest expense.
(5) Commercial interest includes $831,000 reported at October 31, 1996 as capitalized residential interest. This reclassification is a result of the transfer of land and related capitalized interest from homebuilding to investment properties.

3. Homebuilding accumulated depreciation at July 31, 1998 and October 31, 1997 amounted to $14,237,000 and $15,338,000, respectively. Rental property accumulated depreciation at July 31, 1998 and October 31, 1997 amounted to $3,189,000 and $10,450,000, respectively.

4. In accordance with FAS 121, the Company records impairment losses on inventories related to communities under development when events and circumstances indicate that they may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their related carrying amounts. As of July 31, 1998 inventory in New Jersey with a carrying amount of $2,536,000 was written down $1,550,000 to its fair value. The Company has decided to sell this New Jersey property through lot sales and has decreased lot prices to speed up liquidation. As of July 31, 1997 inventory with a carrying amount of $27,510,000 was written down to its fair value. The total amount of this writedown was $8,714,000. This was principally attributed to a $5,364,000 writedown of the Company's investment in Florida communities. This writedown was based upon management's decision to reduce its investment in Florida by accelerating sales through the reduction of sales prices and pricing concessions. The remainder of the writedown at April 30, 1997 was attributable to one community in New Jersey and one in Pennsylvania. The FAS 121 calculations were based on the Company's evaluation of the expected revenue less costs to complete including interest and selling costs. In addition, the Company, from time to time, will write off certain residential land options including approval, engineering and capitalized interest costs for properties management decided not to purchase. The Company wrote off such costs on two properties in New Jersey amounting to $1,589,000 and $359,000 during the three months ended January 31, 1998 and April 30, 1998, respectively. During the three months ended April 30, 1997 the Company wrote off $4,761,000 on two propeties in New Jersey and one in Pennsylvania. Residential innventory FAS 121 impairment losses and option write offs are reported on the Consolidated Statements of Income as "Homebuilding-Inventory Impairment Loss."

At April 30, 1997 the Company decided to exit from the investment properties business. As a result, all commercial properties were no longer held for use, but held for sale. This resulted in FAS 121 impairment losses on certain investment properties. The impairment losses were a result of the properties carrying amounts exceeding their fair value less selling costs. As of April 30, 1997, properties with a carrying amount of $33,820,000 were written down to their fair value. The total amount of this writedown was $12,690,000. At April 30, 1997 the Company also recorded a $1,756,000 write-off of a commercial land option including approval, engineering and capitalized interest costs. These writedowns and write-offs for the quarter ended April 30, 1997 were attributable to commercial properties in both New Jersey and Florida.

Investment property FAS 121 impairment losses and write offs are reported on the Consolidated Statements of Income as "Investment Properties - Provisions for Impairment Loss."

5. The cash balances used in the nine months ended July 31, 1998 column of the Consolidated Statements of Cash Flows consist of the following:

	Ending Balance July 31, 1998	Beginning Balance October 31, 1997
	(In Thousands)	
Homebuilding	$ 10,187	$ 5,128
Financial Services	1,088	2,351
Investment Properties	518	586
Total	$ 11,793	$ 8,065

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAPITAL RESOURCES AND LIQUIDITY

The Company's uses for cash during the nine months ended July 31, 1998 were for operating expenses, seasonal increases in housing inventories, construction, income taxes, interest, and the repurchase of common stock. The Company provided for its cash requirements from the revolving credit facility, sale of commercial properties, and from housing and other revenues. The Company believes that these sources of cash are sufficient to finance its working capital requirements and other needs.

In December 1996 the Board of Directors authorized a stock repurchase program to purchase up to 2 million shares of Class A Common Stock. As of August 31, 1998, 1,394,400 shares have been repurchased under this program.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") that provides a revolving credit line of up to $280,000,000 (the "Revolving Credit Facility") through July 2001. Interest is payable monthly and at various rates of either prime or Libor plus 1.45%. The Company recently extended the Agreement one year and reduced interest rates from prime plus 1/8% or Libor plus 1.625%. The Company believes that it will be able either to extend the Agreement beyond July 2001 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement. As of July 31, 1998, borrowings under the Agreement were $86,000,000.

The aggregate principal amount of subordinated indebtedness issued by the Company and outstanding as of July 31, 1998 was $190,000,000. During the nine months ended July 31, 1997, the Company reduced its subordinated debt by $10,000,000. Annual sinking fund payments of $10,000,000 and $20,000,000 are required in April 2000 and 2001, respectively, with additional payments of $60,000,000 and $100,000,000 due in April 2002 and June 2005, respectively.

The Company's mortgage banking subsidiary borrows under a bank warehousing arrangement. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities, but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of the Company's subsidiaries. As of July 31, 1998, the aggregate principal amount of all such borrowings was $60,781,000.

The book value of the Company's residential inventories, rental condominiums, and commercial properties completed and under development amounted to the following:

	July 31, 1998	October 31, 1997
Residential real estate inventory	$416,298,000	$410,393,000
Residential rental property	10,888,000	11,412,000
Total Residential Real Estate	427,186,000	421,805,000
Commercial properties	24,743,000	38,946,000
Combined Total	$451,929,000	$460,751,000

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Total residential real estate increased $5,381,000 during the nine months ended July 31, 1998 primarily as a result of an inventory increase of $5,905,000. Substantially all residential homes under construction or completed and included in real estate inventory at July 31, 1998 are expected to be closed during the next twelve months. Most residential real estate completed or under development is financed through the Company's line of credit and subordinated indebtedness.

The following table summarizes housing lots in the Company's active selling communities under development (including Poland):

	Commun-ities	Approved Lots	Homes Deliv-ered	(1) Contracted Not Delivered	(2) Remaining Home Sites Available
July 31, 1998.........	79	16,373	6,822	1,819	7,732
October 31, 1997......	88	16,252	5,817	1,846	8,589

(1) Includes 75 and 24 lots under option at July 31, 1998 and October 31, 1997, respectively.

(2) Of the total home lots available, 458 and 579 were under construction or complete (including 50 and 101 models and sales offices), 3,752 and 3,968 were under option, and 435 and 762 were financed through purchase money mortgages at July 31, 1998 and October 31, 1997, respectively.

In addition, at July 31, 1998 and October 31, 1997, respectively, in substantially completed or suspended communities, the Company owned or had under option 299 and 254 home lots. The Company also controls a supply of land primarily through options for future development. This land is consistent with anticipated home building requirements in its housing markets. At July 31, 1998 the Company controlled such land to build 12,149 proposed homes, compared to 9,736 homes at October 31, 1997.

The following table summarizes the Company's started or completed unsold homes in active, substantially complete and suspended communities:

	July 31, 1998			October 31, 1997		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast Region....	160	9	169	279	63	342
North Carolina......	113		113	83		83
Florida.............	27	6	33	47	11	58
Virginia............	24	12	36	16	10	26
California..........	67	22	89	60	16	76
Poland..............	21	1	22	10	2	12
Total	412	50	462	495	102	597

The Company's commercial properties represent investments in commercial and retail facilities completed or under development (see "Investment Properties" under "Results of Operations"). At July 31, 1998, the Company had long-term non-recourse financing aggregating $5,648,000 on one commercial facility, a decrease from $19,241,000 at October 31, 1997, primarily due to the sale of four facilities. The book value of the four facilities was $19,585,000 which was the primary reason commercial facilities declined during the nine months ended July 31, 1998.

Collateral Mortgage Financing - Collateral for bonds payable consist of collateralized mortgages receivable which are pledged against non-recourse collateralized mortgage obligations. Financial Services - Mortgage loans held for sale consist of residential mortgages receivable of which $59,156,000 and $47,660,000 at July 31, 1998 and October 31, 1997, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of such mortgages is being held as an investment by the Company. The Company may incur risk with respect to mortgages that are delinquent, but only to the extent the losses are not covered by mortgage insurance or resale value of the house. Historically, the Company has incurred minimal credit losses.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED JULY 31, 1998

COMPARED TO THE THREE AND NINE MONTHS ENDED JULY 31, 1997

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprising of New Jersey, southern New York State and eastern Pennsylvania), North Carolina, southeastern Florida, northern Virginia, southwestern California and Poland. In addition, the Company develops and operates commercial properties as long-term investments in New Jersey, and, to a lesser extent, Florida, but is exiting this business (see "Investment Properties" below).

Historically, the Company's first six months produces the least amount of deliveries for the year. The Company's management has made a concerted effort to change this trend using new management tools to focus on delivery evenness and through a new incentive plan. As a result, the first nine months produced slightly less than 75% of the Company's estimated deliveries for fiscal 1998 compared to 60% in the first nine months of fiscal 1997. By increasing deliveries from 2,246 for the first nine months of 1997 to 3,027 for the first nine months of 1998 the Company substantially increased net income from its housing operations. Management is working hard to continue this trend and is trying to ensure future quarters will show similar delivery evenness.

Important indicators of the future results of the Company are recently signed contracts and home contract backlog for future deliveries. The Company's sales contracts and homes in contract (using base sales prices) by market area is set forth below:

	Sales Contracts for the Nine Months Ended July 31,		Contract Backlog as of July 31,	
	1998	1997	1998	1997
	(Dollars in Thousands)			
Northeast Region:				
Dollars.............	$411,040	$336,244	$294,385	$305,365
Homes...............	1,847	1,748	1,218	1,507
North Carolina:				
Dollars.............	$ 93,195	$ 97,833	$ 50,623	$ 57,957
Homes...............	504	535	260	302
Florida:				
Dollars.............	$ 25,936	$ 46,403	$ 19,813	$ 41,201
Homes...............	135	281	98	238
Virginia:				
Dollars.............	$ 28,714	$ 11,518	$ 29,632	$ 6,927
Homes...............	114	51	127	27
California:				
Dollars.............	$ 53,706	$ 61,436	$ 21,688	$ 24,234
Homes...............	313	327	134	144
Poland:				
Dollars.............	$ 2,125	$ 2,511	$ 1,591	$ 2,543
Homes...............	26	33	19	33
Totals:				
Dollars.............	$614,716	$555,945	$417,732	$438,227
Homes...............	2,939	2,975	1,856	2,251

Total Revenues:

Revenues for the three months ended July 31, 1998 increased $43.0 million or 21.0%, compared to the same period last year. This was the result of a $51.2 million increase in revenues from the sale of homes, a $3.0 million increase in financial services revenues, and a $0.4 million increase in investment properties revenues. The increases were partially offset by a $11.5 million decrease in land sales and other homebuilding revenues, and a $0.1 million decrease in collateralized mortgage financing revenues.

Revenues for the nine months ended July 31, 1998 increased $205.4 million or 43.8%, compared to the same period last year. This was the result of a $207.5 million increase in revenues from the sale of homes, a $6.9 million increase in financial services revenues, and a $0.2 million increase in investment properties revenues. This increase was patially offset by a $9.1 million decrease in land sales and other homebuilding revenues, and a $0.1 million decrease in collateralized mortgage financing revenues.

Homebuilding:

Revenues from the sale of homes increased $51.2 million or 27.4% during the three months ended July 31, 1998, and increased $207.5 million or 47.4% during the nine months ended July 31, 1998 compared to the same periods last year. Revenues from sales of homes are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

Information on homes delivered by market area is set forth below:

	Three Months Ended July 31, 1998	Three Months Ended July 31, 1997	Nine Months Ended July 31, 1998	Nine Months Ended July 31, 1997
	(Dollars in Thousands)			
Northeast Region:				
Housing Revenues.....	$162,847	$118,186	$437,991	$252,303
Homes Delivered......	679	543	1,916	1,218
North Carolina:				
Housing Revenues.....	$ 34,655	$ 35,293	$ 88,595	$ 83,676
Homes Delivered......	188	200	476	466
Florida:				
Housing Revenues.....	$ 8,111	$ 14,325	$ 32,877	$ 45,195
Homes Delivered......	44	80	187	260
Virginia:				
Housing Revenues.....	$ 11,256	$ 2,759	$ 22,217	$ 9,184
Homes Delivered......	46	14	84	48
California:				
Housing Revenues.....	$ 18,832	$ 15,113	$ 59,566	$ 45,935
Homes Delivered......	104	77	316	229
Poland:				
Housing Revenues.....	$ 2,199	$ 1,008	$ 4,278	$ 1,741
Homes Delivered......	24	14	48	25
Totals:				
Housing Revenues.....	$237,900	$186,684	$645,524	$438,034
Homes Delivered......	1,085	928	3,027	2,246

The increase in the number of homes delivered was due to the Company's efforts to even out deliveries during the year as noted above. The Company was most successful in achieving evenness in its Northeast Region. In Virginia deliveries are up significantly due the the Company's acquisition of a small builder on May 1, 1998. In Florida, deliveries declined since the Company cut back its operations due to a dissatisfaction with its performance.

During the third quarter of fiscal 1998 the Company recorded an impairment loss of $1,550,000, reducing a New Jersey property to its fair value. During the first and second quarters of fiscal 1998 the Company has written off approval, engineering and capitalized interest costs associated with two options in New Jersey amounting to $1,589,000 and $359,000, respectively. The Company did not exercise the options because of changes in local market conditions and it was having difficulties obtaining government approvals.

During the second quarter of fiscal 1997 the Company recorded impairment losses and wrote off option costs amounting to $8,714,000 and $4,761,000, respectively. See "Notes to Consolidated Financial Statements - Note 4" for additional explanation.

Cost of sales includes expenses for housing and land and lot sales. A breakout of such expenses for housing sales and housing gross margin is set forth below:

	Three Months Ended July 31, 1998	Three Months Ended July 31, 1997	Nine Months Ended July 31, 1998	Nine Months Ended July 31, 1997
	(Dollars in Thousands)			
Sale of Homes...............	$237,900	$186,684	$645,524	$438,034
Cost of Sales...............	194,898	154,701	532,646	371,006
Housing Gross Margin.........	$ 43,002	$ 31,983	$112,878	$ 67,028

Gross Margin Percentage......	18.1%	17.1%	17.5%	15.3%

Cost of Sales expenses as a percentage of home sales revenues are presented below:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1998	1997	1998	1997
Sale of Homes................	100.0%	100.0%	100.0%	100.0%
Cost of Sales:				
Housing, land & development costs....	74.2	74.7	74.7	75.9
Commissions............	1.9	2.0	1.9	2.0
Financing concessions..	0.7	0.7	0.7	0.9
Overheads..............	5.1	5.5	5.2	5.9
Total Cost of Sales..........	81.9	82.9	82.5	84.7
Gross Margin.................	18.1%	17.1%	17.5%	15.3%

The Company sells a variety of home types in various local communities, each yielding a different gross margin. As a result, depending on the mix of both communities and on home types delivered, consolidated quarterly gross margin will fluctuate up or down and may not be representative of the consolidated gross margin for the year. In addition, gross margin percentages are higher in the Northeast Region compared to the Company's other markets. For the three and nine months ended July 31, 1998 the Company's gross margin increased 1.0% and 2.2%, respectively, compared to the same periods last year. This can be attributed to higher gross margins being achieved in each of the Company's markets except Florida. Additionally, the gross margin benefited from a higher percentage of deliveries from the Northeast Region amounting to 68% in both the three and nine months ended July 31, 1998 compared to 63% and 58% for the same periods in 1997. Higher margins are also attributed to the Company's housing markets being generally strong, permitting selective price increases and reduced selling incentives; positive effects from process resedign and quality programs; and an increased percentage of deliveries from better performing communities.

Selling, general, and administrative costs as a percentage of total homebuilding revenues decreased to 7.3% for the three months ended July 31, 1998 from 8.2% for the prior year's three months, and decreased to 7.5% for the nine months ended July 31, 1998 from 8.4% for the prior year's nine months. Such expenses increased during the three and nine months ended July 31, 1998 $1.2 million and $11.0 million, respectively, compared to the same periods last year. The percentage decrease and dollar increase in selling, general and administrative expenses is principally due to increased deliveries.

Land Sales and Other Revenues:

Land sales and other revenues consist primarily of land and lot sales. A breakout of land and lot sales is set forth below:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1998	1997	1998	1997
Land and Lot Sales................	$ 954	$ 12,749	$ 4,317	$ 14,645
Cost of Sales.....................	1,126	9,015	3,984	10,622
Land and Lot Sales Gross Margin...	(172)	3,734	333	4,023
Interest Expense..................	96	423	413	660
Land and Lot Sales Profit Before Tax............................	$ (268)	$ 3,311	$ (80)	$ 3,363

Land and lot sales are incidental to the Company's residential housing operations and are expected to continue in the future but may significantly fluctuate up or down.

Financial Services

Financial services consist primarily of originating mortgages from the Company's homebuyers, as well as from third parties, selling such mortgages in the secondary market, and title insurance activities. For the three and nine months ended July 31, 1998 financial services provided a $0.7 million and $1.6 million pretax profit, respectively, compared to a profit of $0.1 million and a loss of $0.9 million for the same periods in 1997. This was a direct result of the Company's mortgage banking and title subsidiaries originating a higher volume of mortgages and title policies, respectively, due to the housing operations increased volume. The Company recently initiated efforts to originate mortgages from unrelated third parties and expects these third party loans to increase as a percentage of the Company's total loan volume over the next few years.

Investment Properties

Investment Properties consist of rental properties, property management, and gains or losses from the sale of such properties. At the end of the second quarter of 1997 the Company announced that it was planning an orderly exit from the investment properties business. The Company is selling its investment properties (except for the two senior citizen rental communities) and during the first quarter of 1998 sold four facilities and in the third quarter sold its 50% investment in a retail facility. At July 31, 1998 the Company has one retail facility remaining which is under contract and expected to close prior to the end of fiscal 1998. In addition, the Company has various parcels of land approved for commercial development. The Company has contracts on all parcels and expects to close all sales by October 31, 1998.

Collateralized Mortgage Financing

In the years prior to February 29, 1988 the Company pledged mortgage loans originated by its mortgage banking subsidiaries against collateralized mortgage obligations ("CMO's"). Subsequently the Company discontinued its CMO program. As a result, CMO operations are diminishing as pledged loans are decreasing through principal amortization and loan payoffs, and related bonds are reduced. In recent years, as a result of bonds becoming callable, the Company has also sold a portion of its CMO pledged mortgages.

Corporate General and Administrative

Corporate general and administration expenses includes the operations at the Company's headquarters in Red Bank, New Jersey. Such expenses include the Company's executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, and administration of insurance, quality, and safety. As a percentage of total revenues, such expenses increased to 2.2% for the three months ended July 31, 1998 from 1.6% for the prior year's three months. Corporate general and administration expenses increased $2.3 million and $4.6 million during the three and nine months ended July 31, 1998 compared to the same periods last year. These increases are primarily attributed to increased bonus accruals based on a 1998 projected increase in Return on Equity, increased depreciation from the amortization of capitalized process redesign costs in prior years and increased process redesign costs in 1998.

Interest

Interest expense includes housing, land and lot, and rental properties interest. Interest expense is broken down as follows:

	Three Months Ended July 31, 1998	Three Months Ended July 31, 1997	Nine Months Ended July 31, 1998	Nine Months Ended July 31, 1997
Sale of Homes..............	$ 7,997	$ 6,803	$ 22,982	$17,461
Land and Lot Sales.........	96	423	413	660
Rental Properties..........	680	1,346	1,844	3,959
Total......................	$ 8,773	$ 8,572	$ 25,239	$22,080

Housing interest as a percentage of sale of homes revenues amounted to 3.4% and 3.6% for the three and nine months ended July 31, 1998, respectively, and 3.6% and 4.0% for the three and nine months ended July 31, 1997, respectively. The decrease in the percentage for the three and nine months ended July 31, 1998 was primarily the result of the Company's lower debt levels.

Other Operations

Other operations consist primarily of miscellaneous residential housing operations expenses, amortization of prepaid subordinated note issuance expenses and corporate owned life insurance loan interest.

Total Taxes

Total taxes as a percentage of income before taxes amounted to approximately 36% for both the three and nine months ended July 31, 1998. Due to the losses in fiscal 1997, the Company recorded tax credits. Deferred federal and state income tax assets primarily represent the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years.

Year 2000 Issues

The Company has assessed and formulated a plan to resolve, its information technology ("IT") and non-IT system year 2000 issues. The Company has designated a full-time year 2000 project leader, engaged consultants to review and evaluate its plan, identified Company IT and non-IT noncompliant systems and is in the process of evaluating subcontractors and suppliers state of readiness. The Company's plan has prioritized its efforts on its software systems and computer hardware equipment. The Company expects to have substantially all critical IT software year 2000 capable and tested by June 30, 1999. All other Company IT and non-IT systems are not considered critical to Company operations and if noncapable for year 2000 would only be an inconvenience. The Company does not anticipate the costs of implementation of its plan to have a material impact on future earnings.

The Company is concerned about the readiness of its subcontractors and suppliers. The Company is in the process of communicating with these third parties. If the Company finds third parties whose lack of readiness as to year 2000 issues would have a substantial impact on the Company's operations, the Company will look to replace such subcontractors and suppliers. In most cases, the Company uses more than one subcontractor and supplier so it believes finding replacements will not be difficult.

The Company believes it is on track to solve its year 2000 issues. It does not believe it will have material lost revenues due to the year 2000 issues. Based on the above it sees no need to develop a worst-case year 2000 scenario. However, the Company is in the process of developing year 2000 contingency plans.

Inflation

Inflation has a long-term effect on the Company because increasing costs of land, materials and labor result in increasing sale prices of its homes. In general, these price increases have been commensurate with the general rate of inflation in the Company's housing market and have not had a significant adverse effect on the sale of the Company's homes. A significant risk faced by the housing industry generally is that rising house costs, including land and interest costs, will substantially outpace increases in the income of potential purchasers. In recent years, in the price ranges in which it sells homes, the Company has not found this risk to be a significant problem.

Inflation has a lesser short-term effect on the Company because the Company generally negotiates fixed price contracts with its subcontractors and material suppliers for the construction of its homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between four to twelve months. Construction costs for residential buildings represent approximately 56% of the Company's total costs and expenses.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of l934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOVNANIAN ENTERPRISES, INC.
(Registrant)

DATE: September 9, 1998 /S/J. LARRY SORSBY

J. Larry Sorsby,
Senior Vice President,
Treasurer and
Chief Financial Officer

DATE: September 9, 1998

/S/PAUL W. BUCHANAN
Paul W. Buchanan,
Senior Vice President
Corporate Controller

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