

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10Q

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

For quarterly period ended APRIL 30, 1995 or

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

For the transition period from to

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 (I.R.S. Employer
incorporation or organization) Identification No.)

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

908-747-7800
(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 (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 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 No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 14,886,899 Class A Common Shares and 8,150,154 Class B Common Shares were outstanding as of May 31, 1995.

HOVNIANIAN ENTERPRISES, INC.

FORM 10Q

INDEX

PAGE NUMBER

PART I. Financial Information

Item 1. Consolidated Financial Statements:

Consolidated Balance Sheets at April 30, 1995 (unaudited) and October 31, 1994	3
Consolidated Statements of Income for the three and six months ended April 30, 1995 and 1994 (unaudited)	5
Consolidated Statements of Stockholders' Equity for the six months ended April 30, 1995 (unaudited)	6
Consolidated Statements of Cash Flows for the six months ended April 30, 1995 and 1994 (unaudited)	7
Notes to Consolidated Financial Statements (unaudited)	8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
---	----

PART II. Other Information

Item 4. Submission of Matters to a Vote of Security Holders	18
---	----

Item 6(a). Exhibit 27 - Financial Data Schedules	
--	--

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

Signatures

19

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

ASSETS	April 30, 1995	October 31, 1994
	-----	-----
Homebuilding:		
Cash and cash equivalents.....	\$ 9,039	\$ 17,299
Inventories - At cost, not in excess of net realizable value:		
Sold and unsold homes and lots under development.....	398,403	328,961
Land and land options held for future development or sale.....	52,659	57,579
Total Inventories.....	451,062	386,540
Receivables, deposits, and notes.....	35,979	25,778
Property, plant, and equipment - net.....	12,387	11,437
Prepaid expenses and other assets.....	35,371	26,757
Total Homebuilding.....	543,838	467,811
Financial Services:		
Cash and cash equivalents.....	372	138
Mortgage loans held for sale.....	21,409	29,459
Other assets.....	1,505	1,451
Total Financial Services.....	23,286	31,048
Investment Properties:		
Rental property - net.....	53,622	56,181
Property under development or held for future development.....	15,716	15,298
Investment in and advances to unconsolidated joint venture.....	3,766	3,994
Other assets.....	4,257	3,231
Total Investment Properties.....	77,361	78,704
Collateralized Mortgage Financing:		
Collateral for bonds payable.....	20,258	21,275
Other assets.....	881	1,404
Total Collateralized Mortgage Financing.....	21,139	22,679
Income Taxes Receivable - Including deferred tax benefits.....	13,033	12,683
Total Assets.....	\$678,657	\$612,925
	=====	=====

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	April 30, 1995	October 31, 1994
	-----	-----
Homebuilding:		
Nonrecourse land mortgages.....	\$ 23,128	\$ 26,938
Accounts payable and other liabilities.....	30,080	42,586
Customers' deposits.....	17,262	12,138
Nonrecourse mortgage secured by operating property..	2,925	2,946
	-----	-----

Total Homebuilding.....	73,395	84,608

Financial Services:		
Accounts payable and other liabilities.....	606	772
Mortgage warehouse line of credit.....	14,876	20,554

Total Financial Services.....	15,482	21,326

Investment Properties:		
Accounts payable and other liabilities.....	1,789	1,731
Nonrecourse mortgages secured by rental property....	26,661	17,541

Total Investment Properties.....	28,450	19,272

Collateralized Mortgage Financing:		
Accounts payable and other liabilities.....		15
Bonds collateralized by mortgages receivable.....	19,400	20,815

Total Collateralized Mortgage Financing.....	19,400	20,830

Notes Payable:		
Revolving credit agreement.....	172,500	99,200
Subordinated notes.....	200,000	200,000
Accrued interest.....	5,810	5,559

Total Notes Payable.....	378,310	304,759

Total Liabilities.....	515,037	450,795

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 15,221,421 shares (including 345,874 shares held in Treasury).....	152	149
Common Stock, Class B, \$.01 par value-authorized 13,000,000 shares; issued 8,507,380 shares (including 345,874 shares held in Treasury).....	85	88
Paid in Capital.....	33,935	33,858
Retained Earnings.....	134,747	133,334
Treasury Stock - at cost.....	(5,299)	(5,299)

Total Stockholders' Equity.....	163,620	162,130

Total Liabilities and Stockholders' Equity.....	\$678,657	\$612,925
=====		

See notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	1995	1994	1995	1994
	-----		-----	
Revenues:				
Homebuilding:				
Sale of homes.....	\$139,607	\$192,564	\$257,281	\$358,426
Land sales and other revenues.....	3,618	3,184	7,295	5,610

Total Homebuilding.....	143,225	195,748	264,576	364,036
Financial Services.....	1,685	2,405	2,824	4,221
Investment Properties.....	1,920	2,660	4,486	5,181
Collateralized Mortgage Financing.....	454	763	994	1,595

Total Revenues.....	147,284	201,576	272,880	375,033

Expenses:				
Homebuilding:				
Cost of sales.....	113,618	151,267	208,610	281,525
Selling, general and administrative..	17,622	21,281	33,256	32,539

Total Homebuilding.....	131,240	172,548	241,866	314,064
Financial Services.....	2,104	2,191	4,111	3,836
Investment Properties.....	1,521	1,838	2,975	3,198
Collateralized Mortgage Financing.....	542	868	1,056	1,837
Corporate General and Administration...	3,126	2,903	6,225	5,488
Interest.....	6,511	6,863	11,426	12,564
Other operations.....	1,507	2,760	3,700	3,978
Provision for loan writedown.....				1,883

Total Expenses.....	146,551	189,971	271,359	346,848
Income Before Income Taxes.....	733	11,605	1,521	28,185
State and Federal Income Taxes:				
State.....	339	311	506	275
Federal.....	(285)	3,363	(398)	8,526
Total Taxes.....	54	3,674	108	8,801
Net Income.....	\$ 679	\$ 7,931	\$ 1,413	\$ 19,384
Earnings Per Common Share.....	\$ 0.03	\$ 0.35	\$ 0.06	\$ 0.85

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		Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount				
Balance, October 31, 1994...	14,730,299	\$149	8,291,754	\$88	\$33,858	\$133,334	\$(5,299)	\$162,130
Sale of common stock under employee stock option plan.....	15,000				77			77
Conversion of Class B to Class A common stock.....	130,248	3	(130,248)	(3)				
Net Income.....						1,413		1,413
Balance, April 30, 1995.....	14,875,547	\$152	8,161,506	\$85	\$33,935	\$134,747	\$(5,299)	\$163,620

See notes to consolidated financial statements.

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

	Six Months Ended April 30,	
	1995	1994
Cash Flows From Operating Activities:		
Net Income.....	\$ 1,413	\$ 19,384
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation.....	2,031	1,641
Loss (gain) on sale and retirement of property and assets.....	(21)	398
Writedown of loan from sale of subsidiary.....		1,883
Deferred income taxes.....	3,028	464
Decrease (increase) in assets:		
Escrow cash.....	(725)	1,329
Receivables, prepaids and other assets.....	(19,004)	2,349
Mortgage notes receivable.....	6,956	(6,658)
Inventories.....	(64,522)	21,464
Increase (decrease) in liabilities:		
State and Federal income taxes.....	(3,378)	3,887
Customers' deposits.....	5,178	(6,212)
Interest and other accrued liabilities.....	(2,572)	(2,414)
Post development completion costs.....	(1,969)	(280)
Accounts payable.....	(8,012)	8,292
Net cash provided by (used in) operating activities.....	(81,597)	45,527
Cash Flows From Investing Activities:		
Proceeds from sale of property and assets.....	1,046	4,646
Investment in property and assets.....	(1,326)	(5,600)
Purchase of property.....	(1,904)	(1,123)
Investment in and advances to unconsolidated affiliates	238	(809)

Investment in income producing properties.....	1,417	(1,222)
Net cash used in investing activities.....	(529)	(4,108)
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes.....	599,195	312,822
Principal payments on mortgages and notes.....	(527,579)	(358,789)
Principal payments on subordinated debt.....		(2,160)
Investment in mortgage notes receivable.....	1,900	5,141
Proceeds from sale of stock.....	77	
Net cash provided by (used in) financing activities.....	73,593	(42,986)
Net Decrease In Cash.....	(8,533)	(1,567)
Cash Balance, Beginning Of Period.....	14,537	3,001
Cash Balance, End Of Period.....	\$ 6,004	\$ 1,434

See notes to consolidated financial statements.

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

1. The consolidated financial statements, except for the October 31, 1994 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		Six Months Ended	
	4/30/95	4/30/94	4/30/95	4/30/94
	(Dollars in Thousands)			
Interest Incurred (1):				
Residential (3).....	\$ 7,279	\$ 5,331	\$14,268	\$10,183
Commercial(4).....	1,472	1,220	2,672	2,499
Total Incurred.....	\$ 8,751	\$ 6,551	\$16,940	\$12,682
Interest Expensed:				
Residential (3).....	\$ 5,082	\$ 5,623	\$ 8,832	\$10,243
Commercial (4).....	1,429	1,240	\$ 2,594	2,321
Total Expensed.....	\$ 6,511	\$ 6,863	\$11,426	\$12,564
Interest Capitalized at				
Beginning of Period.....	\$32,172	\$28,317	\$28,948	\$27,925
Plus Interest Incurred.....	8,751	6,551	16,940	12,682
Less Interest Expensed.....	6,511	6,863	11,426	12,564
Less Charges to Reserves.....	198	97	248	135
Less Sale of Assets.....		355		355
Interest Capitalized at				
End of Period	\$34,214	\$27,553	\$34,214	\$27,553
Interest Capitalized at				
End of Period (5):				
Residential(3).....	\$28,024	\$21,631	\$28,024	\$21,631
Commercial(2).....	6,190	5,922	6,190	5,922
Total Capitalized.....	\$34,214	\$27,553	\$34,214	\$27,553

- (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 cost of sales.
- (4) Represents interest charged to rental operations.
- (5) Capitalized commercial interest at April 30, 1995 includes \$139,000 reported at October 31, 1994 as capitalized residential interest. This reclassification was the result of the transfer of a senior citizen rental facility from inventory.

3. Included in the consolidated balance sheets is total operating property amounting to \$25,563,000 and \$23,740,000 and accumulated depreciation on operating property amounting to \$12,779,000 and \$11,854,000 at April 30, 1995

and October 31, 1994, respectively. Accumulated depreciation on rental property amounted to \$8,505,000 and \$7,781,000 at April 30, 1995 and October 31, 1994, respectively.

4. On May 10, 1994, the Board of Directors of the Company adopted a resolution providing that the date for the year end of the fiscal year of the Company be changed from the last day of February to October 31. Prior to October 31, 1994 the Company filed the reports covering the three month period ended May 31, 1994 and the three and six month periods ended August 31, 1994 on Form 10-Q. The report covering the eight month transition period of March 1 through October 31, 1994 was filed on Form 10-K. Thereafter, the Company will file reports on January 31, April 30, July 31, and October 31.

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

CAPITAL RESOURCES AND LIQUIDITY

The Company's uses for cash during the six months ended April 30, 1995 were for operating expenses, seasonal increases in housing inventories, construction, income taxes, and interest. The Company provided for its cash requirements from the revolving credit facility, land purchase notes, 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.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") that provides a revolving credit line of up to \$225,000,000 (the "Revolving Credit Facility") through March 1998. Interest is payable monthly and at various rates of either prime plus 1/2% or Libor plus 2%. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement. As of April 30, 1995, borrowings under the Agreement were \$172,500,000.

The aggregate principal amount of subordinated indebtedness issued by the Company and outstanding as of October 31, 1994 was \$200,000,000. Annual sinking fund payments of \$20,000,000 are required in April 2000 and 2001 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 April 30, 1995, the aggregate principal amount of all such borrowings was \$34,276,000.

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

	April 30, 1995	October 31, 1994
	-----	-----
Residential real estate inventory.....	\$451,062,000	\$386,540,000
Residential rental property.....	6,524,000	8,158,000
	-----	-----
Total Residential Real Estate.....	457,586,000	394,698,000
Commercial properties.....	62,814,000	63,321,000
	-----	-----
Combined Total.....	\$520,400,000	\$458,019,000
	=====	=====

Total residential real estate increased \$62,888,000 during the six months ended April 30, 1995 primarily as a result of an inventory increase of \$64,522,000. The increase in residential real estate inventory was primarily due to the Company's seasonal increase in construction activities for deliveries later this year, and the Company's overall increase in housing volume. Substantially all residential homes under construction or completed and included in real estate inventory at April 30, 1995 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:

			(1) Contracted Not Closed	(2) Remaining Home Sites Available
	Commun- ities	Approved Lots	Homes Closed	-----
	-----	-----	-----	-----
April 30, 1995.....	86	15,263	4,410	2,117
				8,736

(1) Includes 47 and 88 lots under option at April 30, 1995 and October 31, 1994, respectively.

(2) Of the total home lots available, 579 and 641 were under construction or complete (including 132 and 115 models and sales offices) and 1,760 and 2,554 were under option at April 30, 1995 and October 31, 1994, respectively.

In addition, in substantially completed or suspended developments the Company owned or had under option 450 and 332 home lots at April 30, 1995 and October 31, 1994, respectively. 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 April 30, 1995 the Company controlled such land to build 13,860 proposed homes, compared to 12,696 homes at October 31, 1994.

The Company's commercial properties represent long-term investments in commercial and retail facilities completed or under development (see "Investment Properties" under "Results of Operations"). When individual facilities are completed and substantially leased, the Company will have the ability to obtain long-term financing on such properties. At April 30, 1995, the Company had long-term non-recourse financing aggregating \$26,661,000 on four commercial facilities, an increase from October 31, 1994, due to financing obtained for two New Jersey facilities amounting to \$9,200,000 offset by \$80,000 in principal amortization.

The collateralized mortgages receivable are pledged against non-recourse collateralized mortgage obligations. Residential mortgages receivable amounting to \$16,293,000 and \$23,460,000 at April 30, 1995 and October 31, 1994, 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 SIX MONTHS ENDED APRIL 30, 1995 COMPARED TO THE THREE AND SIX MONTHS ENDED APRIL 30, 1994

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprising primarily of New Jersey and eastern Pennsylvania), North Carolina, southeastern Florida, metro Washington, D.C. (northern Virginia), and southern California. Operations in California began for the first time during the summer of 1994. In addition, the Company develops and operates commercial properties as long-term investments in New Jersey, and, to a lesser extent, Florida.

On May 10, 1994, the Board of Directors of the Company adopted a resolution providing that the date for the year end of the fiscal year of the Company be changed from the last day of February to October 31. The reports covering the three month periods ended May 31, 1994 and August 31, 1994 were filed on Form 10-Q. The report covering the eight month transition period of March 1, 1994 through October 31, 1994 was filed on Form 10-K. Thereafter, the Company will file reports as of January 31, April 30, July 31, and October 31.

Historically, the Company realized a substantial portion of its net income in the fourth quarter of the year and a very small portion or even a loss in the first two quarters. As an example, in the old fiscal year ended February 28, 1994, the Company's fourth quarter net income was \$11.4 million or 61.0% of the year's total, while the first two quarters had a net income of \$2.5 million. The Company still expects the fourth quarter to show a larger portion of the new fiscal year ended October 31 net income, and the first two quarters to show a very small portion of the year's net income.

As a result of the year end change noted above, the first two quarters of the fiscal year ending October 31, 1995 is being primarily compared to November 1993 and the old fourth quarter ended February 28, 1994. Since the home sales revenue volume is significantly lower for the three and six months ended April 30, 1995, certain comparisons (primarily overheads) to the three and six months ended April 30, 1994 will be unfavorable and misleading. Where applicable in the following "Results of Operations", comparisons will be made to the three and six months ended August 31, 1994.

At April 30, 1995 the Company's home contract backlog for future delivery was 2,197 homes, with an aggregate sales value of \$387.8 million, compared to 2,175 homes, with an aggregate sales value of \$320.6 million at the same time last year. For the six months ended April 30, 1995 net contracts signed amounted to \$316.3 million or 1,909 homes, compared to \$270.8 million or 1,873 homes for the same period last year.

Total Revenues:

Revenues for the three months ended April 30, 1995 decreased \$54.3 million

or 26.9%, compared to the same period last year. This was a result of decreased revenues from sale of homes of \$53.0 million, a \$0.7 million decrease in financial services revenues, a \$0.7 million decrease in investment properties revenues, and a \$0.3 million decrease in collateralized mortgage financing revenues. These decreases were partially offset by a \$0.4 million increase in land sales and other homebuilding revenues.

Revenues for the six months ended April 30, 1995 decreased \$102.2 million or 27.2%, compared to the same period last year. This was a result of decreased revenues from sale of homes of \$101.2 million., a \$1.4 million decrease in financial services revenues, a \$0.7 million decrease in investment properties revenues, and a \$0.6 million decrease in collateralized mortgage financing revenues. These decreases were partially offset by a \$1.7 million increase in land sales and other homebuilding revenues.

Homebuilding:

Sale of homes revenues decreased \$53.0 million and \$102.2 million, or 27.5% and 28.2% during the three and six months ended April 30, 1995, compared to the same periods last year. Sale of homes revenues 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 April 30,		Six Months Ended April 30,		Six Months Ended August 31,
	1995	1994	1995	1994	1994
(Dollars in Thousands)					
Northeast Region:					
Housing Revenues.....	\$ 89,536	\$136,073	\$164,410	\$259,440	\$126,531
Homes Delivered.....	508	844	903	1,585	808
North Carolina:					
Housing Revenues.....	\$ 23,083	\$ 27,198	\$ 44,667	\$ 48,515	\$ 53,102
Homes Delivered.....	148	203	283	367	382
Florida:					
Housing Revenues.....	\$ 13,931	\$ 14,215	\$ 29,848	\$ 29,162	\$ 27,976
Homes Delivered.....	95	112	199	236	203
Metro Washington, D.C.:					
Housing Revenues.....	\$ 9,021	\$ 14,955	\$ 13,907	\$ 20,822	\$ 15,727
Homes Delivered.....	52	85	77	118	89
California:					
Housing Revenues.....	\$ 3,166	--	\$ 5,260	--	--
Homes Delivered.....	16	--	27	--	--
Other:					
Housing Revenues.....	\$ 870	\$ 123	\$ 1,189	\$ 487	\$ 1,273
Homes Delivered.....	27	2	33	8	19
Totals:					
Housing Revenues.....	\$139,607	\$192,564	\$257,281	\$358,426	\$224,609
Homes Delivered.....	846	1,246	1,522	2,314	1,501

The three and six months ended April 30, 1995 decrease in sale of homes revenues (compared to the prior year) were due to the Company's change in year end. Average sales prices have increased from \$154,895 for the six months ended April 30, 1994 to \$169,041 for the six months ended April 30, 1995. In the Northeast Region one reason average sales prices are increasing is because of the Company's diversified product mix of more detached single family homes and larger townhouses with garages designed for the move-up buyer. In Florida, average sales prices are increasing as a result of the addition of new higher priced single family developments. In North Carolina, average sales prices increased primarily due to the addition of higher priced communities to their line of homes previously offered for sale. In Metro Washington, D.C. average sales prices increased because during the six months ended April 30, 1995 there was a higher percentage of single family detached homes delivered than during the six months ended April 30, 1994.

Cost of sales include 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 April 30,		Six Months Ended April 30,	
	1995	1994	1995	1994
(Dollars in Thousands)				

Sale of Homes.....	\$139,607	\$192,564	\$257,281	\$358,426
Cost of Sales.....	112,121	150,477	206,707	279,989
	-----	-----	-----	-----
Housing Gross Margin.....	\$ 27,486	\$ 42,087	\$ 50,574	\$ 78,437
	=====	=====	=====	=====
Gross Margin Percentage.....	19.7%	21.9%	19.7%	21.9%

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 of 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, the decrease in the gross margin was also due to the following reasons:

- . Material costs have increased in all markets during the above periods as demand increased for such materials.
- . A change in product mix with an additional 9.4% of home sales coming from North Carolina, Florida, and California where gross margins are traditionally lower.
- . Increased competition in all markets which keeps prices and margins down.

Selling, general, and administrative expenses decreased \$3.7 million during the three months ended April 30, 1995 and increased \$0.7 million during the six months ended April 30, 1995 compared to the same periods last year. As a percentage of sale of homes revenues such expenses increased to 12.6% and 12.9% for the three and six months ended April 30, 1995, respectively, from 11.1% and 9.1% for the prior year. The six month increase in selling, general, and administrative expenses is primarily due to an increased number of communities open for sale, and increased advertising and buyer concessions due to a more competitive sales environment. The increase as a percentage of sale of homes revenues is the result of a lower volume due to the change in year end (see year end comments above). Selling, general, and administrative expenses for the three and six months ended August 31, 1994 as a percentage of sale of homes revenues was 13.1% and 13.5%, respectively.

Land Sales and Other Revenues:

Land sales and other revenues consist primarily of land and lot sales, title insurance activities, interest income, contract deposit forfeitures, and during the three and six months ended April 30, 1995, California housing management operations.

A breakout of land and lot sales is set forth below:

	Three Months Ended April 30,		Six Months Ended April 30,	
	1995	1994	1995	1994
	-----	-----	-----	-----
Land and Lot Sales.....	\$ 1,999	\$ 1,221	\$ 3,306	\$ 2,342
Cost of Sales.....	1,497	790	1,903	1,536
	-----	-----	-----	-----
Land and Lot Sales Gross Margin.....	\$ 502	\$ 431	\$ 1,403	\$ 806
	=====	=====	=====	=====

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.

In May 1994, the Company purchased a homebuilding and management company in California for \$0.8 million. Although no new management contracts are being obtained, the existing contracts resulted in \$0.8 million of revenues for the six months ended April 30, 1995. Included in Other Operations (see below) are expenses associated with the California homebuilding management operations, and amortization of a portion of the acquisition price of management contracts.

Financial Services

Financial services consists primarily of originating mortgages from sales of the Company's homes, and selling such mortgages in the secondary market. Approximately 30% and 20% of the Company's homebuyers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiaries during the years ended October 31, 1994 and 1993, respectively. For the three and six months ended April 30, 1995 a loss was incurred primarily due to expansion costs into other Company housing markets, reduced volume, and reduced interest rate spreads, due to increased competition. Most servicing rights on new mortgages originated by the Company will be sold as the loans are closed.

Investment Properties

Investment Properties consist of rental properties, property management, and gains or losses from sale of such property. At April 30, 1995, the Company owned and was leasing two office buildings, three office/warehouse facilities, three retail centers, and a senior citizen rental community in New Jersey. Investment Properties expenses do not include interest expense which is reported below under "Interest."

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, the Company has sold CMO pledged mortgages. The cost of such sales and the write-off of unamortized issuance expenses has resulted in losses.

Corporate General and Administrative

Corporate general and administration expenses includes the operations at the Company's headquarters in Red Bank, New Jersey. Corporate general and administration expenses increased \$0.2 million and \$0.7 million during the three and six months ended April 30, 1995 compared to the same period last year, or 7.7% and 13.4%. As a percentage of total revenues such expenses were 2.1% and 2.3% for the three and six months ended April 30, 1995 and 1.4% and 1.5% for the three and six months ended April 30, 1994. As a percentage of total revenues such expenses were 3.0% and 3.0% for the three and six months ended August 31, 1994.

Interest

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	1995	1994	1995	1994
Sale of Homes.....	\$ 5,030	\$ 5,554	\$ 8,757	\$10,161
Land and Lot Sales.....	52	69	75	82
Rental Properties.....	1,429	1,240	2,594	2,321
Total.....	\$ 6,511	\$ 6,863	\$11,426	\$12,564

Housing interest as a percentage of sale of homes revenues amounted to 3.6% and 3.4% for the three and six months ended April 30, 1995 and 2.9% and 2.8% for the three and six months ended April 30, 1994. The increase of interest as a percentage of sale of homes revenues is primarily attributable to increased interest rates on the Company's line of credit.

Other operations consisted primarily of title insurance activities, miscellaneous residential housing operations expenses, amortization of prepaid subordinated note issuance expenses, corporate owned life insurance loan interest, and California housing management operations (see "Land Sales and Other Revenues" above). During the six months ended April 30, 1995 other expenses included California homebuilding management expenses and amortization of purchased management contracts totaling \$1.1 million.

Total Taxes

Total taxes as a percentage of income before income taxes amounted to 7.4% and 7.1% for the three and six months ended April 30, 1995, respectively, and 31.7% and 31.2% for the three and six months ended April 30, 1994, respectively. The low percentage for the three and six months ended April 30, 1995 was due primarily to permanent differences between book and tax income and tax credits. The lower income before income taxes is the greater the impact such differences have on taxes as a percentage of income. Deferred federal and state income tax assets primarily represents the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years.

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. However, some material costs (primarily lumber) have recently increased above the rate of inflation due to demand being higher than available supplies. 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 51% of the Company's total costs and expenses.

Item 4. Submission to Matters to a Vote of Security Holders

The Company held its annual stockholders meeting on May 2, 1995 at 10:30 a.m. in the Board Room of the American Stock Exchange, 13th floor, 86 Trinity Place, New York, New York. The following matters were voted at the meeting:

. Election of all Directors to hold office until the next Annual Meeting of Stockholders. The elected Directors were:

- .. Kevork S. Hovnanian
- .. Ara K. Hovnanian
- .. Paul W. Buchanan
- .. Arthur Greenbaum
- .. Timothy P. Mason
- .. Desmond P. McDonald
- .. Peter S. Reinhart
- .. John J. Schimpf
- .. Stephen D. Weinroth

. Ratification of the selection of Kenneth Leventhal and Company as certified independent accountants for fiscal year ending October 31, 1995.

- .. Votes For 85,161,305
- .. Votes Against 70,335
- .. Abstain 28,099

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOVNANIAN ENTERPRISES, INC.
(Registrant)

DATE: June 12, 1995

/S/KEVORK S. HOVNANIAN
Kevork S. Hovnanian,
Chairman of the Board and
Chief Executive Officer

DATE: June 12, 1995

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

	6-MOS	
OCT-31-1995		
	APR-30-1995	
		9,786
		0
	35,686	
		0
	451,062	
	542,268	
		25,563
	12,779	
	678,657	
266,051		
		248,986
		237
	0	
		0
		163,383
678,657		
		257,281
	272,880	
		208,610
	259,933	
	0	
	0	
	11,426	
	1,521	
		108
1,413		
		0
		0
		0
		1,413
		0.06
		0.06