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 MAY 31, 1994 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 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)

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 (l) has filed all reports required to be filed by Sections l3 or l5(d) of the Securities Exchange Act of l934 during the preceeding 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. 14,448,800 Class A Common Shares and 8,438,467 Class B Common Shares were outstanding as of June 30, 1994.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

INDEX

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

ASSETS	May 31, 1994	February 28, 1994
Cash:		
Demand deposits	$ 3,477	$ 23,274
Escrow accounts	4,462	5,043
Total cash	7,939	28,317
Receivables:		
Customer accounts and other	15,255	17,935
Escrow and deposits	8,340	8,393
Related parties	1,560	1,411
Total receivables	25,155	27,739
Mortgages and Notes Receivable:		
Collateralized mortgages receivable	24,392	30,755
Residential mortgages receivable	20,874	50,673
Other mortgages and notes receivable	3,761	3,808
Mortgages and notes receivable	49,027	85,236
Inventories - At cost, not in excess of market:		
Real estate under development:		
Accumulated cost of construction:		
Finished	30,833	22,247
In progress	39,644	25,395
Land and land development costs	169,736	146,665
Land, land options, and costs of projects in planning	89,773	84,431
Total inventories	329,986	278,738
Property - At cost:		
Operating property	21,607	20,757
Less accumulated depreciation	11,283	10,925
Net operating property	10,324	9,832
Rental property	63,214	69,116
Less accumulated depreciation	7,025	7,156
Net rental property	56,189	61,960
Income producing properties under development	15,402	14,691
Property - net	81,915	86,483
Investment In and Advances to Unconsolidated Affiliate and Joint Ventures	5,217	4,353
Prepaid Expenses and Other Assets	34,533	28,736
Total Assets	$533,772	$539,602

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	May 31, 1994	February 28, 1994
Mortgages and Notes Payable:		
Nonrecourse land mortgages	$ 5,624	$ 7,494
Revolving credit agreement	54,375	
Mortgage warehouse line of credit	8,808	39,307
Nonrecourse mortgages secured by building, land, and land improvements	20,558	21,447
Total mortgages and notes payable	89,365	68,248

Bonds Collateralized By Mortgages Receivable...	24,017	30,343
Subordinated Notes..............................	200,000	200,000
Accounts Payable................................	17,924	19,821
Customers' Deposits.............................	15,321	12,103
Accrued Liabilities:		
State income taxes............................	(673)	640
Federal income taxes:		
Current.....................................	(1,332)	8,288
Deferred....................................	(6,593)	(5,990)
Interest......................................	6,683	7,660
Post development completion costs.............	10,519	12,145
Other...	10,033	15,343
Total accrued liabilities..................	18,637	38,086
Total liabilities..........................	365,264	368,601
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 14,789,900 shares (including 345,874 shares held in Treasury)	147	147
Common Stock,Class B,$.01 par value authorized 13,000,000 shares; issued 8,788,901 shares (including 345,874 shares held in Treasury)	88	88
Paid in Capital...............................	32,787	32,301
Retained Earnings.............................	140,785	143,764
Treasury Stock - at cost......................	(5,299)	(5,299)
Total stockholders' equity.............	168,508	171,001
Total Liabilities and Stockholders' Equity.....	$533,772	$539,602

See notes to consolidated financial statements.

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

	Three Months Ended	
	May 31, 1994	May 31, 1993
Revenues:		
Housing sales.................................	$92,876	$57,615
Land and lot sales............................	163	804
Rental operations.............................	1,944	1,639
Mortgage banking and finance operations......	2,437	1,947
Other operations..............................	1,569	945
Total revenues.............................	98,989	62,950
Cost and Expenses:		
Construction, land, interest and operations..	79,393	49,397
Selling, general and administrative..........	16,562	10,246
Rental operations.............................	2,478	2,034
Mortgage banking and finance operations......	3,035	2,243
Other operations..............................	2,000	643
Total costs and expenses...................	103,468	64,563
Loss Before Income Taxes and Extraordinary Loss..........................	(4,479)	(1,613)
State and Federal Income Taxes:		
State...	345	124
Federal:		
Current.....................................	(1,244)	(2,567)
Deferred....................................	(601)	1,817
Total taxes................................	(1,500)	(626)
	(2,979)	(987)
Extraordinary Loss from Extinguishment of Debt, Net of Income Taxes.........................		(1,277)

Net Loss	$(2,979)	$(2,264)
Earnings Per Common Share:		
Loss before extraordinary loss	$(0.13)	$(0.04)
Extraordinary loss		(0.06)
Net Loss	$(0.13)	$(0.10)

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, February 28, 1994	14,361,591	$147	8,480,462	$88	$32,301	$143,764	($5,299)	$171,001
Issuance of Class A Common Stock	45,000				486			486
Conversion of Class B to Class A common stock	37,435		(37,435)					
Net Loss						(2,979)		(2,979)
Balance, May 31, 1994	14,444,026	$147	8,443,027	$88	$32,787	$140,785	($5,299)	$168,508

See notes to consolidated financial statements.

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

	Three Months Ended	
	May 31, 1994	May 31, 1993
Cash Flows From Operating Activities:		
Net Loss	($2,979)	($2,264)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	878	597
Loss on sale and retirement of property and assets	436	38
Deferred income taxes	(507)	1,160
Decrease (increase) in assets:		
Escrow cash	581	(441)
Receivables, prepaids and other assets	(2,727)	(14,728)
Mortgages receivable	29,734	20,355
Inventories	(51,248)	(40,101)
Increase (decrease) in liabilities:		
State and Federal income taxes	(10,933)	(6,405)
Customers' deposits	3,218	7,470
Interest and other accrued liabilities	(6,383)	(4,615)
Post development completion costs	(1,626)	205
Accounts payable	(1,897)	2,915
Net cash used in operating activities	(43,453)	(35,814)
Cash Flows From Investing Activities:		
Proceeds from sale of property and assets	4,644	282
Cost of property and assets sold	(5,698)	(275)
Purchase of operating property	(883)	(676)
Investment in and advances to unconsolidated affiliates	(864)	38
Net investment in income producing properties	5,191	(8,572)
Investment in loans from sale of subsidiaries		92
Net cash provided by (used in) investing activities	2,390	(9,111)
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes	135,109	104,284

Principal payments on mortgages and notes......	(120,318)	(70,062)
Investment in mortgages receivable............	6,475	2,992
Net cash provided by financing activities............................	21,266	37,214
Net Decrease In Cash............................	(19,797)	(7,711)
Cash Balance, Beginning Of Period................	23,274	10,211
Cash Balance, End Of Period......................	$3,477	$2,500

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 February 28, 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	
	5/31/94	5/31/93
	(Dollars in Thousands)	
Interest Incurred (1):		
Residential (3)...................	$ 5,009	$ 4,483
Commercial(4).....................	1,246	1,166
Total Incurred.................	$ 6,255	$ 5,649
Interest Expensed:		
Residential (3)...................	$ 3,051	$ 2,562
Commercial (4)....................	1,182	1,080
Total Expensed................	$ 4,233	$ 3,642
Interest Capitalized at Beginning of Period..............	$26,443	$23,365
Plus Interest Incurred...............	6,255	5,649
Less Interest Expensed...............	4,233	3,642
Less Charges to Reserves............	103	76
Less Sale of Assets..................	355	
Interest Capitalized at End of Period	$28,007	$25,296
Interest Capitalized at End of Period:		
Residential(3)....................	$22,064	$19,355
Commercial(2).....................	5,943	5,941
Total Capitalized..............	$28,007	$25,296

(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.

3. In July 1993, the Company redeemed all of its outstanding 12 1/4% Subordinated Notes due 1998 at a price of 102% of par. The principal amount redeemed was $50,000,000 and the redemption resulted in an extraordinary loss of $1,277,000, net of income taxes of $658,000. As of May 31, 1993, the Company accrued and expensed the premium paid and expensed all unamortized prepaid issuance expenses as an extraordinary loss.

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. The report covering the three month periods ending May 31, 1994 and August 31, 1994 will be filed on Form 10-Q. The report covering the eight month transition period of March 1 through October 31, 1994 will be 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 three months ended May 31, 1994 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 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 $130,000,000 (the "Revolving Credit Facility") through July 1996. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement. As of May 31, 1994, borrowings under the Agreement were $54,375,000.

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 May 31, 1994, the aggregate principal amount of all such borrowings was $32,825,000.

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

	May 31, 1994	February 28, 1994
Residential real estate inventory............	$329,986,000	$278,738,000
Residential rental property..................	8,240,000	8,411,000
Total Residential Real Estate..............	338,226,000	287,149,000
Commercial properties........................	63,351,000	68,240,000
Combined Total.............................	$401,577,000	$355,389,000

Total residential real estate increased $51,077,000 during the three months ended May 31, 1994 as a result of an inventory increase of $51,248,000, and a rental condominium decrease of $171,000. 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. The Company's rental condominiums declined due to the Company's continued liquidation of New Hampshire rentals. Substantially all residential homes under construction or completed and included in real estate inventory at May 31, 1994 are expected to be sold and 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 communities under development:

	Commun-ities	Home Lots Owned/ Approved	Homes Closed	Contracted Not Closed (1)	Remaining Lots Available (2)
May 31, 1994........	86	11,932	3,978	2,026	5,928
February 28, 1994...	82	12,355	4,903	1,891	5,561

(1) Includes 76 and 283 lots under option at May 31, 1994 and February 28, 1994, respectively.

(2) Of the total home lots available, 370 and 359 were under construction or complete (including 80 and 83 models and sales offices) and 2,299 and 2,534 were under option at May 31, 1994 and February 28, 1994, respectively.

In addition, in substantially completed or suspended developments the Company owned 707 and 666 home lots at May 31, 1994 and February 28, 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 May 31, 1994 the Company controlled such land to build 12,495 proposed homes, compared to 12,916 homes at February 28, 1994.

The Company's commercial properties represent long-term investments in commercial and retail facilities completed or under development (see "Rental Program" and "Other Operations" under "Results of Operations"). During the three months ended May 31, 1994, the decrease in commercial properties was primarily the result of the sale of a mini-storage facility and office building in Hamilton Township, NJ and the sale of an office/warehouse facility in Pompano Beach, FL. When individual facilities are completed and substantially leased, the Company will have the ability to obtain long-term financing on such properties. At May 31, 1994, the Company had long-term non-recourse financing aggregating $17,866,000 on two commercial facilities, a decrease of $879,000 from February 28, 1994, due to principal amortization and the sale of the Pompano Beach, FL office/warehouse facility.

The Company's mortgages and notes receivable amounted to the following:

	May 31, 1994	February 28, 1994
Collateralized mortgages receivable........	$24,392,000	$30,755,000
Residential mortgages receivable...........	20,874,000	50,673,000
Land and lot mortgages receivable..........	2,538,000	2,609,000
Notes from the sale of subsidiaries........	1,223,000	1,199,000
Total Mortgages and Notes Receivable	$49,027,000	$85,236,000

The collateralized mortgages receivable are pledged against non-recourse collateralized mortgage obligations. Residential mortgages receivable amounting to $13,915,000 and $43,502,000 at May 31, 1994 and February 28, 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. Land and lot mortgages are usually short term (5 years or less) and not subject to construction loan subordination. Notes from the sale of subsidiaries are secured by the assets and/or stock of the subsidiaries and amortized over ten years.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MAY 31, 1994 COMPARED TO THE THREE MONTHS ENDED MAY 31, 1993

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, and metro Washington, D.C. (northern Virginia). In addition, the Company is in the mortgage banking and title insurance businesses, and develops and operates commercial properties as long-term investments in New Jersey, and, to a lesser extent, Florida.

Historically, the Company's quarter ending May 31 produces the least amount of deliveries for the year. This is primarily due to its building cycles because of winter climatic conditions in the Northeast Region causing housing starts to be at their lowest for the year. In addition, due to the change in year end (see Notes to Consolidated Financial Statements - Note 4), certain costs amortized to homes closed during the year will be amortized to homes closed during the eight months ending October 31, 1994. On a pro rata basis, since fewer homes are delivered per month in the first eight months of the year, the year end change resulted in a higher per home amoritization during the three months ended May 31, 1994. As a result, deliveries for the three months ended May 31, 1994 and 1993 were insufficient to cover overheads and losses in its other operations.

At May 31, 1994 the Company's home contract backlog for future delivery was 2,106 homes, with an aggregate sales value of $318.5 million, compared to 2,067 homes, with an aggregate sales value of $299.0 million at the same time last year. For the three months ended May 31, 1994 net contracts signed amounted to $127.9 million or 815 homes, compared to $155.0 million or 1,068 homes for the same period last year. This decrease is primarily the result of fewer contracts in the Company's Northeast Region and Florida. In all its markets, the Company and its competition have seen a decline in buyer traffic and contracts during this period and June 1994. In addition, the Northeast Region contracts are down as a result of delayed openings of new communities. Such delays are usually caused by additional time needed to obtain final approval to build from the local governing authority. Also, in Florida, the Company has intentionally slowed contracts by raising prices. The Company believes sales in Florida were too far ahead of production causing lower margins as costs increased on homes contracted at a fixed price.

The following table sets forth, for the periods indicated, certain income statement items as percentages of total revenues:

Three Months Ended May 31,	
1994	1993

Total Revenues	100.0%	100.0%
Costs and Expenses:		
Construction, land, interest and operations	80.2	78.5
Selling, general and administrative	16.7	16.3
Mortgage banking and finance operations	3.1	3.6
Rental and other operations	4.5	4.2
Total costs and expenses	104.5	102.6
Loss Before Income Taxes and Extraordinaty Loss	(4.5)	(2.6)
Total Income Taxes	(1.5)	(1.0)
Loss Before Extraordinary Loss	(3.0)	(1.6)
Extraordinary Loss From Extinguishment of Debt, Net of Income Taxes		(2.0)
Net Loss	(3.0)%	(3.6)%

Total Revenues:

Revenues for the three months ended May 31, 1994 increased $36.0 million, or 57.3%, compared to the same period last year. This was primarily a result of increased housing revenues of $35.2 million. Revenues from rental and other operations increased $0.9 million primarily due to the addition of a retail center and related rentals. Mortgage banking and finance operations increased $0.5 million and land and lot sales decreased $0.6 million.

Housing Operations:

Housing revenues increased $35.2 million, or 61.2%, during the three months ended May 31, 1994, compared to the same period last year. Housing 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 May 31, 1994	1993
	(Dollars in Thousands)	
Northeast Region:		
Housing Revenues	$48,000	$29,917
Homes Delivered	311	222
North Carolina:		
Housing Revenues	$24,363	$10,622
Homes Delivered	177	89
Florida:		
Housing Revenues	$11,573	$ 8,275
Homes Delivered	87	69
Metro Washington, D.C.:		
Housing Revenues	$ 8,441	$ 8,543
Homes Delivered	52	65
Other:		
Housing Revenues	$ 499	$ 258
Homes Delivered	8	5
Totals:		
Housing Revenues	$92,876	$57,615
Homes Delivered	635	450

The three months ended May 31, 1994 housing revenue increase (compared to the prior year) was due to increased homes delivered and increased average sales prices in all the Company's markets. 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, housing revenues are increasing as a result of the addition of new single family developments. In the Company's North Carolina Division, home deliveries increased due to increased market share. In addition, the Company has raised sales prices in all its markets.

Construction, land, interest, and operations include expenses for housing and land and lot sales. A breakout of construction, land, interest, and operations expenses for housing sales and housing gross margin is set forth below:

	Three Months Ended May 31, 1994	Three Months Ended May 31, 1993
	(Dollars in Thousands)	
Housing sales..................	$92,876	$57,615
Construction, land and operations expenses...........	76,239	46,249
Interest expense................	3,018	2,538
Total expenses................	79,257	48,787
Housing gross margin............	$13,619	$ 8,828
Gross margin percentage.........	14.7%	15.3%

Construction, land and operating expenses as a percentage of housing sales increased 1.8% to 82.1% for the three months ended May 31, 1994 from 80.3% for the same period last year. Such costs as a percentage of housing sales increased due to (1) a one-time expense of $1.2 million for warranty repair work to remedy a Northeast Region roof design problem, (2) a change in product mix with an additional 8% of home sales coming from North Carolina where such costs are traditionally a higher percentage, and (3) a 10% increase in such costs as a percentage of Florida home sales. The North Carolina market is more competitive which keeps prices and margins down. In Florida, 6% of the 10% increase was caused by higher developed lot costs. The balance of 4% was caused by sharply higher material costs resulting from demand being greater than current supplies. In the Northeast Region such costs as a percentage of housing sales decreased 1.5% before the $1.2 million in warranty repair work.

Housing interest has declined 1.1% as a percentage of housing sales to 3.3% for the three months ended May 31, 1994, from 4.4% for the same period last year. This decrease is primarily the result of the Company's increased inventory turnover and the use of equity to finance operations. Interest is capitalized during construction and expensed as houses are delivered.

Selling, general and administrative expenses increased $6.3 million, or 61.6%, during the three months ended May 31, 1994 compared to the same period last year. As a percentage of housing revenues such expenses increased less than 0.1 % to 17.8% for the period. The increase in the dollar amount of such expenses was primarily due to (1) a 61.2% increase in housing revenues, (2) a 34% overall increase in housing and Corporate associates due to anticipated growth in the near future, and (3) the accelerated amortization of such costs over fewer monthly home deliveries during the eight months ending October 31, 1994. Due to the change in year end (see Notes to Consolidated Financial Statements - Note 4), certain division selling, general, and administrative expenses amortized to homes delivered during a year will be amortized to homes delivered during the eight months ending October 31, 1994. On a pro rata basis, since fewer homes are delivered per month in the first eight months of the year, the year end change resulted in a higher per home amortization during the three months ended May 31, 1994.

Land and Lot Operations:

A breakout of construction, land, interest and operating expenses for land and lot sales and gross margin is set forth below:

	Three Months Ended May 31, 1994	Three Months Ended May 31, 1993
	(Dollars in Thousands)	
Land and lot sales...........	$ 163	$ 804
Construction, land and operations expenses........	103	586
Interest expense............	33	24
Total expenses............	136	610
Land and lot sales Gross margin..............	$ 27	$ 194

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Land and lot sales are incidental to the Company's residential housing operations and are expected to continue in the future but will significantly fluctuate up or down. During the three months ended May 31, 1994 land and lot sales consisted of two lot sales in the Northeast Region.

Mortgage Banking and Finance Operations:

Mortgage banking and finance operations consist primarily of originating mortgages from sales of the Company's homes and selling such mortgages in the secondary market. Such operations also include interest income and expense from the Company's collateralized mortgages receivable and related collateral mortgage obligations. Servicing rights on new mortgages originated by the Company are sold as the loans are closed.

Rental Program:

At May 31, 1994 the Company owned and was leasing three office buildings, three office/warehouse facilities, three retail centers, and a senior citizen residential complex. During the three months ended May 31, 1994 compared to the same period last year, rental operations increased primarily due to the completion and leasing of additional commercial properties and the senior citizen complex and the acquisition of a retail center. Rental operations include interest amounted to $1.2 million and $1.1 million for the three months ended May 31, 1994 and 1993, respectively. The Company is also renting condominium homes in New Hampshire but is liquidating these rentals through a reduced house price sales program. The Company expects such operations to operate at a loss after deducting interest and depreciation.

Other Operations:

Other operations consisted primarily of title insurance, investment properties, sale of assets and other income from residential housing operations including interest income, contract deposit forfeitures, and fees in California for managing certain homes as they are constructed and sold. The investment properties division supervises the construction of commercial properties and manages completed properties for the Company. Such properties, when completed, result in additional rental operations for the Company. During the three months ended May 31, 1994 the Company sold a 51,855 sq. ft. mini-storage facility and a 14,408 sq. ft. office building in Hamilton Township, NJ. In addition, the Company sold a 30,000 sq. ft. office/warehouse facility in Pompano Beach, FL. Included in other operations is the pretax loss from these sales amounting to $745,000.

Extraordinary Item:

In July 1993, the Company redeemed all of its outstanding 12 1/4% Subordinated Notes due 1998 at a price of 102% of par. The principal amount redeemed was $50,000,000 and the redemption resulted in an extraordinary loss of $1,277,000, net of income taxes of $658,000. As of May 31, 1993, the Company accrued and expensed the premium paid and expensed all unamortized prepaid issuance expenses as an extraordinary loss.

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.

SIGNATURES

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

HOVNANIAN ENTERPRISES, INC.
(Registrant)

DATE: 7/14/94

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

DATE: 7/14/94

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