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 APRIL 30, 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. 14,065,557 Class A Common Shares and 7,715,259 Class B Common Shares were outstanding as of May 29, 1998.

HOVNANIAN ENTERPRISES, INC.

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

ASSETS	April 30, 1998	October 31, 1997
Homebuilding:		
Cash and cash equivalents	$ 9,807	$ 7,952
Inventories - At cost, not in excess of fair value:		
Sold and unsold homes and lots under development	378,503	363,592
Land and land options held for future development or sale	35,596	46,801
Total Inventories	414,099	410,393
Receivables, deposits, and notes	43,503	35,723
Property, plant, and equipment - net	17,434	18,027
Prepaid expenses and other assets	35,370	36,708
Total Homebuilding	520,213	508,803
Financial Services:		
Cash and cash equivalents	1,479	2,598
Mortgage loans held for sale	44,322	48,382
Other assets	2,736	2,518
Total Financial Services	48,537	53,498
Investment Properties:		
Held for sale:		
Rental property - net	4,777	23,920
Land and improvements	19,214	15,026
Other assets	128	1,397
Held for investment:		
Rental property - net	`10,980	11,412
Other assets	1,378	1,835
Total Investment Properties	36,477	53,590
Collateralized Mortgage Financing:		
Collateral for bonds payable	6,883	7,999
Other assets	574	627
Total Collateralized Mortgage Financing	7,457	8,626
Income Taxes Receivable - Including deferred tax benefits	12,222	12,565
Total Assets	$624,906	$637,082

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	April 30, 1998	October 31, 1997
Homebuilding:		
Nonrecourse land mortgages	$ 17,324	$ 20,625
Accounts payable and other liabilities	38,696	45,521
Customers' deposits	22,482	22,422
Nonrecourse mortgages secured by operating properties	3,782	3,830
Total Homebuilding	82,284	92,398
Financial Services:		
Accounts payable and other liabilities	1,432	1,522
Mortgage warehouse line of credit	39,974	45,823
Total Financial Services	41,406	47,345
Investment Properties:		
Accounts payable and other liabilities	1,751	502
Nonrecourse mortgages secured by rental property	5,669	19,241
Total Investment Properties	7,420	19,743
Collateralized Mortgage Financing:		
Accounts payable and other liabilities	10	10
Bonds collateralized by mortgages receivable	6,695	7,855
Total Collateralized Mortgage Financing	6,705	7,865
Notes Payable:		
Revolving credit agreement	101,425	95,000
Subordinated notes	190,000	190,000
Accrued interest	5,858	5,969
Total Notes Payable	297,283	290,969
Total Liabilities	435,098	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 15,765,353 shares (including 1,594,274 shares held in Treasury)	157	156
Common Stock,Class B,$.01 par value-authorized 13,000,000 shares; issued 8,069,782 shares (including 345,874 shares held in Treasury)	80	81
Paid in Capital	34,512	33,935
Retained Earnings	168,705	157,779
Treasury Stock - at cost	(13,646)	(13,189)
Total Stockholders' Equity	189,808	178,762
Total Liabilities and Stockholders' Equity	$624,906	$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 April 30,		Six Months Ended April 30,	
	1998	1997	1998	1997
Revenues:				
Homebuilding:				
Sale of homes	$203,567	$136,235	$407,624	$251,350
Land sales and other revenues	3,854	2,895	6,339	3,855
Total Homebuilding	207,421	139,130	413,963	255,205
Financial Services	4,140	1,928	7,702	3,786
Investment Properties	609	2,261	4,253	4,488
Collateralized Mortgage Financing	150	207	362	400

Total Revenues..................	212,320	143,526	426,280	263,879
Expenses:				
Homebuilding:				
Cost of sales......................	170,806	117,695	340,606	217,912
Selling, general and administrative	15,858	11,821	31,515	21,717
Inventory impairment loss..........	359	13,475	1,948	13,475
Total Homebuilding..............	187,023	142,991	374,069	253,104
Financial Services..................	3,580	2,408	6,791	4,800
Investment Properties:				
Operations........................	753	1,642	1,876	3,204
Provisions for impairment loss.....		14,446		14,446
Total Investment Properties......	753	16,088	1,876	17,650
Collateralized Mortgage Financing....	157	224	359	471
Corporate General and Administration.	4,779	3,283	9,140	6,877
Interest............................	7,990	8,016	16,466	13,508
Other Operations....................	428	443	951	1,251
Total Expenses..................	204,710	173,453	409,652	297,661
Income (Loss) Before Income Taxes......	7,610	(29,927)	16,628	(33,782)
State and Federal Income Taxes:				
State................................	596	(123)	1,244	242
Federal..............................	2,001	(10,662)	4,458	(13,108)
Total Taxes.......................	2,597	(10,785)	5,702	(12,866)
Net Income (Loss).....................	$ 5,013	$(19,142)	$ 10,926	$(20,916)
Basic and Diluted Earnings (Loss) Per Common Share......................	$ 0.23	$ (0.83)	$ 0.50	$ (0.91)

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....................	106,334				577			577
Conversion of Class B to Class A Common Stock....	30,904	1	(30,904)	(1)				
Treasury stock purchases..	(64,000)						(457)	(457)
Net Income................						10,926	10,926	
Balance, April 30, 1998...	14,171,079	$157	7,723,908	$80	$34,512	$168,705	($13,646)	$189,808

See notes to consolidated financial statements.

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

Six Months Ended
April 30,

	1998	1997
Cash Flows From Operating Activities:		
Net Income (Loss)..................................	$ 10,926	$ (20,916)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation..................................	1,936	2,928
(Gain)loss on sale and retirement of property and assets..................................	(2,690)	(92)
Deferred income taxes..........................	2,336	(8,784)
Provision to reduce inventory to net realizable value............................	1,948	27,921
Decrease (increase) in assets:		
Escrow cash.................................	(472)	2,619
Receivables, prepaids and other assets........	(7,453)	(17,335)
Mortgage notes receivable....................	5,819	38,028
Inventories.................................	(5,654)	(74,471)
Increase (decrease) in liabilities:		
State and Federal income taxes...............	(1,992)	(11,378)
Customers' deposits..........................	179	11,952
Interest and other accrued liabilities........	(2,490)	(1,265)
Post development completion costs............	1,349	(4,213)
Accounts payable.............................	(4,739)	(10,271)
Net cash provided by (used) in operating activities...............................	(997)	(65,277)
Cash Flows From Investing Activities:		
Proceeds from sale of property and assets...........	22,119	-
Purchase of property...............................	(1,230)	(1,580)
Investment in and advances to unconsolidated affiliates...	403	49
Investment in income producing properties...........	(4,188)	(7,647)
Net cash provided by (used) in investing activities...............................	17,104	(9,178)
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes..................	280,003	485,153
Principal payments on mortgages and notes...........	(297,525)	(409,123)
Principal payments on subordinated debt............	-	(10,000)
Investment in mortgage notes receivable............	1,166	535
Purchase of treasury stock.........................	(457)	(1,526)
Proceeds from sale of stock........................	577	-
Net cash provided by (used) in financing activities...............................	(16,236)	65,039
Net Increase (Decrease) In Cash.......................	(129)	(9,416)
Cash Balance, Beginning Of Period.....................	8,065	15,323
Cash Balance, End Of Period.........................	$ 7,936	$ 5,907

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 April 30,		Six Months Ended April 30,	
	1998	1997	1998	1997
	(Dollars in Thousands)			
Interest Incurred (1):				
Residential (3)...........	$ 6,656	$ 7,108	$ 13,298	$ 13,692
Commercial(4).............	485	1,296	1,164	2,613

Total Incurred	$ 7,141	$ 8,404	$ 14,462	$ 16,305
Interest Expensed:				
Residential (3)	$ 7,505	$ 6,720	$ 15,302	$ 10,895
Commercial (4)	485	1,296	1,164	2,613
Total Expensed	$ 7,990	$ 8,016	$ 16,466	$ 13,508
Interest Capitalized at Beginning of Period	$ 30,695	$ 41,551	$ 35,950	$ 39,152
Plus Interest Incurred	7,141	8,404	14,462	16,305
Less Interest Expensed	7,990	8,016	16,466	13,508
Less Charges to Reserves	-	92	-	102
Less Impairment Adjustments	-	945	460	945
Less Sale of Assets	-	-	3,640	-
Interest Capitalized at End of Period	$ 29,846	$ 40,902	$ 29,846	$ 40,902
Interest Capitalized at End of Period (5):				
Residential(3)	$ 27,340	$ 33,772	$ 27,340	$ 33,772
Commercial(2)	2,506	7,130	2,506	7,130
Total Capitalized	$ 29,846	$ 40,902	$ 29,846	$ 40,902

(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 homes are delivered and when land is not under active development.
(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 April 30, 1998 and October 31, 1997 amounted to $16,829,000 and $15,338,000, respectively. Rental property accumulated depreciation at April 30, 1998 and October 31, 1997 amounted to $3,097,000 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. At April 30, 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 offering 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 decides 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 properties in New Jersey and one in Pennsylvania. Residential inventory 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 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 the result of the properties carrying amounts exceeding their fair value less selling costs. At 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. The 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 option write offs are reported on the Consolidated Statements of Income as "Investment Properties - Provisions for Impairment Loss."

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, 1998 were for operating expenses, 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, sales 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 April 30, 1998, 1,248,400 shares were 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 $245,000,000 (the "Revolving Credit Facility") through March 2000. Interest is payable monthly and at various rates of either prime plus 1/8% or Libor plus 1.625%. The Company believes that it will be able either to extend the Agreement beyond March 2000 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 April 30, 1998, borrowings under the Agreement were $101,425,000.

The aggregate principal amount of subordinated indebtedness issued by the Company and outstanding as of April 30, 1998 was $190,000,000. 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 April 30, 1998, the aggregate principal amount of all such borrowings was $46,669,000.

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

	April 30, 1998	October 31, 1997
Residential real estate inventory..........	$414,099,000	$410,393,000
Residential rental property................	10,980,000	11,412,000
Total Residential Real Estate............	425,079,000	421,805,000
Commercial properties......................	23,991,000	38,946,000
Combined Total..........................	$449,070,000	$460,751,000

Total residential real estate increased $3,274,000 during the six months ended April 30, 1998 primarily as a result of a small inventory increase of $3,706,000. Substantially all residential homes under construction or completed and included in real estate inventory at April 30, 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

April 30, 1998........	75	15,812	6,573	1,863	7,376
October 31, 1997......	88	16,252	5,817	1,846	8,589

(1) Includes 77 and 24 lots under option at April 30, 1998 and October 31, 1997, respectively.

(2) Of the total home lots available, 450 and 579 were under construction or complete (including 43 and 101 models and sales offices), 3,065 and 3,968 were under option, and 578 and 762 were financed through purchase money mortgages at April 30, 1998 and October 31, 1997, respectively.

In addition, at April 30, 1998 and October 31, 1997, respectively, in substantially completed or suspended communities, the Company owned or had under option 231 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 April 30, 1998 the Company controlled such land to build 11,645 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:

	April 30, 1998			October 31, 1997		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast Region....	196	13	209	279	63	342
North Carolina......	82	-	82	83	--	83
Florida.............	36	7	43	47	11	58
Virginia............	15	6	21	16	10	26
California..........	56	16	72	60	16	76
Poland..............	29	1	30	10	2	12
Total	414	43	457	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 April 30, 1998, the Company had long-term non-recourse financing aggregating $5,669,000 on one commercial facility, a decrease of $13,572,000 from October 31, 1997, 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 six months ended April 30, 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 $43,650,000 and $47,660,000 at April 30, 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 SIX MONTHS ENDED APRIL 30, 1998 COMPARED TO THE THREE AND SIX MONTHS ENDED APRIL 30, 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, southern 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 six months produced slightly less than 50% of the Company's estimated deliveries for fiscal 1998 compared to 35% in the first six months of fiscal 1997. By increasing deliveries from 1,318 in 1997 to 1,942 in 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 Three Months Ended April 30,		Contract Backlog as of April 30,	
	1998	1997	1998	1997
	(Dollars in Thousands)			
Northeast Region:				
Dollars.............	$286,896	$211,384	$312,662	$286,424
Homes...............	1,309	1,099	1,359	1,401
North Carolina:				
Dollars.............	$ 59,893	$ 67,494	$ 51,920	$ 62,851
Homes...............	328	366	272	333
Florida:				
Dollars.............	$ 16,433	$ 31,107	$ 18,050	$ 39,276
Homes...............	87	185	94	222
Virginia:				
Dollars.............	$ 13,449	$ 7,757	$ 11,025	$ 5,764
Homes...............	50	37	39	27
California:				
Dollars.............	$ 28,304	$ 38,651	$ 14,626	$ 16,317
Homes...............	154	191	79	85
Poland:				
Dollars.............	$ 1,609	$ 2,075	$ 2,600	$ 3,088
Homes...............	20	28	35	42
Totals:				
Dollars.............	$406,584	$358,468	$410,883	$413,720
Homes...............	1,948	1,906	1,878	2,110

Total Revenues:

Revenues for the three months ended April 30, 1998 increased $68.8 million or 47.9%, compared to the same period last year. This was the result of a $67.3 million increase in revenues from the sale of homes, a $1.0 million increase in land sales and other homebuilding revenues and a $2.2 million increase in financial services revenues. The increases were partially offset by a $1.7 million decrease in investment properties revenues.

Revenues for the six months ended April 30, 1998 increased $162.4 million or 61.5%, compared to the same period last year. This was the result of a $156.3 million increase in revenues from the sale of homes, a $2.5 million increase in land sales and other homebuilding revenues, and a $3.9 million increase in financial services revenues. The increases were partially offset by a $0.3 million decrease in investment properties revenues.

Homebuilding:

Revenues from the sale of homes increased $67.3 million or 49.4% during the three months ended April 30, 1998, and increased $156.3 million or 62.2% during the six months ended April 30, 1998, compared to the same period 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 April 30,		Six Months Ended April 30,	
	1998	1997	1998	1997
	(Dollars in Thousands)			
Northeast Region:				
Housing Revenues.....	$136,133	$ 70,678	$275,144	$134,118

Homes Delivered......	597	345	1,237	675
North Carolina:				
Housing Revenues.....	$ 28,264	$ 26,341	$ 53,940	$ 48,383
Homes Delivered......	153	139	288	266
Florida:				
Housing Revenues.....	$ 15,254	$ 17,042	$ 24,766	$ 30,870
Homes Delivered......	90	101	143	180
Virginia:				
Housing Revenues.....	$ 4,843	$ 3,018	$ 10,961	$ 6,425
Homes Delivered......	18	16	38	34
California:				
Housing Revenues.....	$ 17,613	$ 18,489	$ 40,734	$ 30,822
Homes Delivered......	95	95	212	152
Poland:				
Housing Revenues.....	$ 1,460	$ 667	$ 2,079	$ 732
Homes Delivered......	17	10	24	11
Totals:				
Housing Revenues.....	$203,567	$136,235	$407,624	$251,350
Homes Delivered......	970	706	1,942	1,318

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 and California. In Florida, deliveries declined since the Company cut back its operations due to a dissatisfaction with its performance.

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 an additional explanation.

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,	
	1998	1997	1998	1997
	(Dollars in Thousands)			
Sale of Homes...............	$203,567	$136,235	$407,624	$251,350
Cost of Sales...............	169,220	116,522	337,748	216,305
Housing Gross Margin.........	$ 34,374	$ 19,731	$ 69,876	$ 35,045
Gross Margin Percentage......	16.9%	14.4%	17.1%	13.9%

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	1998	1997	1998	1997
Sale of Homes...............	100.0%	100.0%	100.0%	100.0%
Cost of Sales:				
Housing, land & development costs....	75.5%	76.9%	75.0%	76.9%
Commissions...........	1.9%	2.0%	1.9%	2.0%
Financing concessions..	0.7%	0.9%	0.7%	0.9%
Overheads.............	5.0%	5.8%	5.3%	6.3%

Total Cost of Sales	83.1%	85.6%	82.9%	86.1%
Gross Margin	16.9%	14.4%	17.1%	13.9%

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, gross margin percentages are higher in the Northeast Region compared to the Company's other markets. For the three and six months ended April 30, 1998 the Company's gross margin increased 2.5% and 3.2%, respectively, compared to the same periods last year. This can be attributed to a higher percentage of Northeast Region deliveries amounting to 67% in both the three and six months ended April 30, 1998 compared to 52% and 53% for the same periods in 1997. In addition, except for Florida, gross margins were higher in all the Company's U. S. markets. 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 redesign and quality programs; and an increased percentage of deliveries from better performing communities.

Selling, general, and administrative expenses as a percentage of total homebuilding revenues, decreased to 7.6% for the three and six months ended April 30, 1998 from 8.5% for the prior year three and six months. Such expenses increased during the three and six months ended April 30, 1998 $4.0 million and $9.8 million, respectively, compared to the same periods last year. The percentage decrease and dollar increase in selling, general and administrative 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 April 30,		Six Months Ended April 30,	
	1998	1997	1998	1997
Land and Lot Sales	$ 1,766	$ 1,352	$ 3,363	$ 1,896
Cost of Sales	1,586	1,173	2,858	1,607
Land and Lot Sales Gross Margin	180	179	505	289
Interest Expense	159	134	317	237
Land and Lot Sales Profit Before Tax	$ 21	$ 45	$ 188	$ 52

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 sales of the Company's homes, and selling such mortgages in the secondary market and title insurance activities. For the three and six months ended April 30, 1998 financial services provided a $0.6 million and $0.9 million pretax profit, respectively, compared to losses of $0.5 million and $1.0 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 property. 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. At April 30, 1998 the Company has one retail facility remaining and is a 50% partner in a joint venture also owning a retail facility. Both are 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 amounted to 2.3% for both the three months ended April 30, 1998 and 1997. For the six months ended April 30, 1998 such expenses decreased to 2.1% from 2.6% for the prior year six months. Corporate general and administration expenses increased $1.5 million and $2.3 million during the three and six months ended April 30, 1998 compared to the same periods last year. These increases are primarily attributed to increased bonus accruals based on 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.

The Company has assessed and formulated a plan to resolve any year 2000 issues. The plan includes internal and external resources. The Company does not anticipate this plan to have a material impact on future earnings and is expected to be completed by the end of fiscal 1999.

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,	
	1998	1997	1998	1997
Sale of Homes	$ 7,346	$ 6,586	$ 14,985	$ 10,658
Land and Lot Sales	159	134	317	237
Rental Properties	485	1,296	1,164	2,613
Total	$ 7,990	$ 8,016	$ 16,466	$ 13,508

Housing interest as a percentage of sale of homes revenues amounted to 3.6% and 3.7% for the three and six months ended April 30, 1998, respectively, compared to 4.8% and 4.3% for the three and six months ended April 30, 1997, respectively. The decrease in the percentage for the three and six months ended April 30, 1998 was primarily the result of the Company's lower levels of debt while at the same time increasing deliveries.

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 34% for the three and six months ended April 30, 1998. Due to 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.

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.

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

The Company held its annual stockholders meeting on April 14, 1998 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
.. Desmond P. McDonald
.. Peter S. Reinhart
.. J. Larry Sorsby
.. Stephen D. Weinroth

. Ratification of selection of Ernst & Young, LLP as certified independent accountants for fiscal year ending October 31, 1998.

.. Votes For	87,034,211
.. Votes Against	60,226
.. Abstain	24,044

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: June 5, 1998

/S/J. LARRY SORSBY
J. Larry Sorsby,
Senior Vice President,
Treasurer and
Chief Financial Officer

DATE: June 5, 1998

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

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