

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the twelve months ended OCTOBER 31, 1996

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission file number: 1-8551

Hovnanian Enterprises, Inc.

(Exact name of registrant as specified in its charter)

Delaware 22-1851059

(State or other jurisdiction of or organization) (I.R.S. Employer incorporation Identification No.)

10 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class -----	Name of Each Exchange on Which Registered -----
Class A Common Stock, \$.01 par value per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act - None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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. (X) Yes () No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of the close of business on January 10, 1997, there were outstanding 15,167,071 shares of the Registrant's Class A Common Stock and 7,869,982 shares of its Class B Common Stock. The approximate aggregate market value (based upon the closing price on the American Stock Exchange) of these shares held by non-affiliates of the Registrant as of January 10, 1997 was \$67,888,000. (The value of a share of Class A Common Stock is used as the value for a share of Class B Common Stock as there is no established market for Class B Common Stock and it is convertible into Class A Common Stock on a share-for-share basis.)

Documents Incorporated by Reference:

Part III - Those portions of registrant's definitive proxy statement to be filed pursuant to Regulation 14A in connection with registrant's annual meeting of shareholders to be held in April 1997 which are responsive to Items 10, 11, 12 and 13.

HOVNANIAN ENTERPRISES, INC.
 FORM 10-K
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PART I

ITEMS 1 AND 2 - BUSINESS AND PROPERTIES

The Company primarily designs, constructs and markets multi-family attached condominium apartments and townhouses and single family detached homes in planned residential developments in its Northeast Region (comprised primarily of New Jersey and eastern Pennsylvania), in southeastern Florida, in North Carolina, in Metro Washington, D. C. (northern Virginia), and in southwestern California. The Company recently began housing operations in Poland. The Company markets its homes to first time buyers and to first and second time move-up buyers and concentrates on the moderately priced segment of the housing market. The Company has diversified its business, on a limited scale, through mortgage banking, title insurance activities and the development and ownership of commercial properties, primarily in New Jersey, and, to a lesser extent, in Florida.

The Company employed approximately 1,100 full-time associates as of October 31, 1996. The Company was incorporated in New Jersey in 1967 and was reincorporated in Delaware in 1982.

RESIDENTIAL DEVELOPMENT ACTIVITIES

The Company's residential development activities include evaluating and purchasing properties, master planning, obtaining governmental approvals and constructing, marketing and selling homes. A residential development generally includes a number of residential buildings containing from two to twenty-four individual homes per building and/or single family detached homes, together with amenities such as recreational buildings, swimming pools, tennis courts and open areas. By using standardized designs and materials and by rigorous control of subcontracting costs, the Company attempts to keep selling prices moderate.

The Company attempts to reduce the effect of certain risks inherent in the housing industry through the following policies and procedures:

- The Company acquires land for future development principally through the use of land options which need not be exercised before the completion of the regulatory approval process. The Company structures these options in most cases with flexible takedown schedules rather than with an obligation to takedown the entire parcel upon approval. Additionally, the Company purchases improved lots in certain markets by acquiring a small number of improved lots with an option on additional lots. This allows the Company to minimize the economic costs and risks of carrying a large land inventory, while maintaining its ability to commence new developments during favorable market periods.

- In an attempt to reduce its land acquisition costs, the Company monitors

housing industry cycles and seeks to acquire land options near the cyclical trough of specific geographic housing cycles.

- The Company generally begins construction on a residential multi-family building only after entering into contracts for the sale of at least 75% of the homes in that building. Single family detached homes are generally started after a contract is signed and mortgage approvals obtained. This limits the build-up of inventory of unsold homes and the costs of maintaining and carrying that inventory.

- The Company finances all construction, land acquisition and operations through equity, long term debt, its unsecured revolving credit facility or cash flow. This eliminates the need of obtaining specific community construction financing, which is especially important at a time when obtaining such community financing is difficult.

- Through its presence in multiple geographic markets, the Company's goal is to reduce the effects that housing industry cycles, seasonality and local conditions in any one area may have on its business.

The Company concentrates on a segment of the housing market consisting of moderately priced, multi-family attached condominium apartments and townhouses, which are marketed primarily to first time buyers, as well as moderately priced townhouses with garages and single family detached homes, which are marketed primarily to first and second time move-up buyers. In recent years, the Company has diversified its product mix to include more detached single family homes and larger townhouses with garages designed for the move-up buyer and age restricted communities for active adults. Current base prices for the Company's homes in contract backlog in the United States at October 31, 1996 (exclusive of upgrades and options) range from \$47,000 to \$530,000 in its Northeast Region, from \$104,000 to \$348,000 in Florida, from \$95,000 to \$325,000 in North Carolina, from \$100,000 to \$306,000 in Metro Washington, D. C., and from \$103,000 to \$337,000 in California. Closings generally occur and are reflected in revenues from four to twelve months after sales contracts are signed.

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

	Year Ended		Eight Months Ended	Year Ended
	October	October	October	February
	31, 1996	31, 1995	31, 1994	28, 1994
	-----	-----	-----	-----
	(Housing Revenue in Thousands)			
Northeast Region(1):				
Housing Revenues.....	\$460,931	\$492,388	\$223,582	\$389,577
Homes Delivered.....	2,364	2,707	1,403	2,527
Average Price.....	\$194,979	\$181,894	\$159,360	\$154,165
North Carolina:				
Housing Revenues.....	\$123,347	\$115,919	\$ 78,465	\$ 72,639
Homes Delivered.....	738	718	558	580
Average Price.....	\$167,137	\$161,447	\$140,618	\$125,239
Florida:				
Housing Revenues.....	\$ 99,085	\$ 67,272	\$ 37,076	\$ 48,780
Homes Delivered.....	632	451	265	405
Average Price.....	\$156,780	\$149,162	\$139,909	\$120,444
Metro Washington D.C.:				
Housing Revenues.....	\$ 16,749	\$ 36,006	\$ 25,236	\$ 44,783
Homes Delivered.....	75	186	137	288
Average Price.....	\$223,320	\$193,581	\$184,204	\$155,497
California:				
Housing Revenues.....	\$ 64,570	\$ 27,707	\$ 736	--
Homes Delivered.....	325	149	4	--
Average Price.....	\$198,677	\$185,953	\$184,000	--
Other:				
Housing Revenues.....	--	\$ 1,189	\$ 1,227	\$ 1,710
Homes Delivered.....	--	33	20	28
Average Price.....	--	\$ 36,030	\$ 61,350	\$ 61,071
Combined Total:				
Housing Revenues.....	\$764,682	\$740,481	\$366,322	\$557,489
Homes Delivered.....	4,134	4,244	2,387	3,828
Average Price.....	\$184,974	\$174,477	\$153,465	\$145,634

(1) Excludes suspended operations in New York which are included with New Hampshire in "Other" below.

The overall increase in housing revenues was primarily the result of

increases in average sales prices in all the Company's markets. The increased average sales prices are primarily the result of diversifying the Company's product mix in the Northeast Region to include 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. In Metro Washington, D.C. average sales prices increased because there was a higher percentage of single family detached homes delivered. The decrease in the number of homes delivered during the year ended October 31, 1996 is primarily due to the decreased deliveries in the Northeast Region. This decrease was due to the Company's attempt to maximize profits through increased margins not increased volume. In Metro Washington, D.C. deliveries declined since the Company cut back its operations due to a highly competitive market.

Information on homes delivered by product type is set forth below:

Year Ended		Eight Months Ended	Year Ended
October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994

(Housing Revenues in Thousands)

First Time Buyer Product(1)

Housing Revenues.....	\$ 77,682	\$108,052	\$ 47,787	\$154,518
Homes Delivered.....	619	878	475	1,310
Percentage of Housing Revenues.....	10%	15%	13%	28%

Move-Up Buyer Product(2)

Housing Revenues.....	\$687,000	\$632,429	\$318,535	\$402,971
Homes Delivered.....	3,515	3,366	1,912	2,518
Percentage of Housing Revenues.....	90%	85%	87%	72%

- (1) First time buyer product consists of all of the Company's multi-family attached home products other than townhouses with garages.
- (2) Move-up buyer product consists of single family detached homes and townhouses with garages.

The Company's net sales contracts in the United States increased to 4,156 homes or \$737,025,000 for the year ended October 31, 1996 from 3,910 homes or \$660,033,000 for the year ended October 31, 1995. Overall on a dollar basis this increase amounted to 11.7% and was the result of a 6.3% increase in the number of homes contracted and a 5.1% increase in the average home base sales prices. On a market area basis, California enjoyed the highest increase of 64.5%, followed by Florida with a 34.1% increase, the Northeast Region with an 11.6% increase and North Carolina with a 3.3% increase. Only Metro Washington D. C. had a decrease due to the downsizing of the division.

In anticipation of future losses the Company has written down certain residential inventories to their estimated fair value. During the year ended October 31, 1996 such inventories were written down \$1,608,000 and presented on the consolidated statement of income as "Inventory impairment loss." The \$2,780,000 impairment loss for the year ended October 31, 1995 represents the total aggregate impairment loss of \$9,634,000 recorded on inventory at October 31, 1995 net of \$6,854,000 of reserves placed on inventories at October 31, 1994 and not used during the current year. See "Notes to Consolidated Financial Statements - Note 10" for additional explanation.

As of October 31, 1996, the following table summarizes the Company's United States active communities under development:

Communities	Approved Lots	Homes Delivered	(1)	(2)	
			Contracted Not Delivered	Remaining Home Sites Available	
Northeast Region.....	36	7,111	2,100	964	4,047
North Carolina.....	30	2,944	1,119	208	1,617
Florida.....	9	1,491	666	212	613
Metro Washington D.C..	2	329	250	24	55
California.....	7	950	478	46	426
Total	84	12,825	4,613	1,454	6,758

(1) Includes 74 lots under option.

(2) Of the total home sites available, 528 were under construction or

completed (including 106 models and sales offices), 1,214 were under option, and 1,280 were financed through purchase money mortgages.

In addition, in substantially completed or suspended developments, the Company had 64 homes under construction or completed including 38 homes which are in contract and 2 models. The Company also had 384 lots without construction (5 in contract) in these substantially completed or suspended developments.

As of October 31, 1996, the following table summarizes the Company's United States started or completed unsold homes:

	Unsold Homes -----	Models -----	Total -----
Northeast Region.....	242	71	313
North Carolina.....	68	--	68
Florida.....	51	10	61
Metro Washington D.C.....	18	3	21
California.....	67	24	91
	-----	-----	-----
Total	446	108	554
	=====	=====	=====

BACKLOG

Sales of the Company's United States residential homes typically are made pursuant to a standard sales contract. This contract requires a nominal customer deposit at the time of signing with the remainder of a 5% to 10% down payment due 30 to 60 days after signing and provides the customer with a statutorily mandated right of rescission for a period ranging up to 15 days after execution. The contract may include a financing contingency, which permits the customer to cancel his obligation in the event mortgage financing at prevailing interest rates (including financing arranged or provided by the Company) is unobtainable within the period specified in the contract. This contingency period typically is four to eight weeks following the date of execution.

At October 31, 1996 and October 31, 1995, the Company had a backlog of signed contracts in the United States for 1,497 homes and 1,476 homes, respectively, with sales values aggregating \$291,070,000 and \$275,701,000, respectively. Substantially all of the Company's backlog at October 31, 1996 is expected to be completed and closed within the next twelve months. At December 31, 1996 and 1995, the Company's backlog of signed contracts was 1,645 homes and 1,539 homes, respectively, with sales values aggregating \$323,979,000 and \$280,074,000, respectively.

RESIDENTIAL LAND INVENTORY

It is the Company's objective to control a supply of land, primarily through options, consistent with anticipated homebuilding requirements in its housing markets. United States controlled land as of October 31, 1996, exclusive of communities under development described under "Business and Properties -- Residential Development Activities," is summarized in the following table:

	Number of Proposed Communities	Proposed Developable Lots	Total Land Option Price	Book Value(1)(2)
	-----	-----	-----	-----
(In Thousands)				
Northeast Region:				
Under Option.....	40	10,068	\$172,251	\$ 31,898
Owned.....	5	1,079		21,556
	-----	-----		-----
Total.....	45	11,147		53,454
	-----	-----		-----
North Carolina:				
Owned.....	1	146		834
	-----	-----		-----
Florida:				
Under Option.....	3	181	\$ 6,320	205
Owned.....	3	992		2,263
	-----	-----		-----
Total.....	6	1,173		2,468
	-----	-----		-----
Metro Washington, D.C.:				
Under Option.....	2	104	\$ 3,379	260
Owned.....	2	191		3,764

Total.....	4	295		4,024
California:				
Under Option.....	2	322	\$ 5,785	744
Totals:				
Under Option.....	47	10,675		33,107
Owned.....	11	2,408	\$187,735	28,417
Combined Total.....	58	13,083		\$ 61,524

(1) Properties under option also includes costs incurred on properties not under option but which are under investigation. For properties under option, the Company paid, as of October 31, 1996, option fees and deposits aggregating approximately \$12,077,000. As of October 31, 1996, the Company spent an additional \$21,030,000 in non-refundable predevelopment costs on such properties.

(2) The book value of \$61,524,000 plus net other land inventory costs of \$153,000, totals \$61,677,000 which is identified on the balance sheet as "Inventories - land, land options, and cost of projects in planning."

In its Northeast Region, the Company's objective is to control a supply of land sufficient to meet anticipated building requirements for at least three to five years.

In North Carolina and Metro Washington, D.C., some land historically has been acquired from land developers on a lot takedown basis. Under a typical agreement with the lot developer, the Company purchases a minimal number of lots. The balance of the lots to be purchased are covered under an option agreement or a non-recourse purchase agreement. Due to the dwindling supply of improved lots in North Carolina and Metro Washington, D.C., the Company is currently optioning parcels of unimproved land for development.

In Florida, the Company is focusing its development efforts primarily in the southeast. Emphasis is principally on building single family detached homes. The Company satisfies its land requirements primarily through a takedown program of developed lots in existing subdivisions. As a result of its decision to concentrate in the southeast, the Company is attempting to sell all its land in other locations, including the parcels of owned land included in the table on the previous page.

In California, the Company has focused its development efforts in the southwest region. Here the emphasis is on affordable housing and will consist of single family attached and detached homes. Where possible the Company plans to option developed or partially developed lots with no more than fifty to seventy-five lots to be taken down during any twelve month period.. With a dwindling supply in California of developed lots, some land parcels will be optioned which will require the full range of development activities. Option fees range up to 10% of the land value.

INTERNATIONAL HOMEBUILDING

During the year ended October 31, 1996 the Company opened its first international community in Poland. Sales contracts and backlog at October 31, 1996 was 25 homes with a base sales price of \$1,752,000. Profitability of this community will determine whether the Company pursues further overseas expansion.

CUSTOMER FINANCING

At the Company's communities, on-site personnel facilitate sales by offering to arrange financing for prospective customers through K. Hovnanian Mortgage, Inc. ("KHM"). Management believes that the ability to offer financing to customers on competitive terms as a part of the sales process is an important factor in completing sales.

KHM's business consists of providing the Company's customers with competitive financing and coordinating and expediting the loan origination transaction through the steps of loan application, loan approval and closing. KHM has its headquarters in Red Bank, New Jersey and operates origination offices in Raleigh, Charlotte and Winston-Salem, North Carolina, West Palm Beach, Florida and Newport Beach, California. Additionally, KHM originates loans in Pennsylvania and New York.

KHM's principal sources of revenues are: (i) net gains from the sale of loans; (ii) revenues from the sale of the rights to service loans; and (iii) interest income earned on mortgage loans during the period they are held by KHM prior to their sale to investors.

KHM is approved by the Government National Mortgage Association ("GNMA") as

a seller-servicer of Federal Housing Administration ("FHA") and Veterans Administration ("VA") loans. A portion of the conventional loans originated by KHM (i.e., loans other than those insured by FHA or guaranteed by VA) qualify for inclusion in loan guarantee programs sponsored by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"). KHM also originates conventional loans which are sold to a number of private investors. KHM arranges for fixed and adjustable rate, conventional, privately insured mortgages, FHA-insured or VA-guaranteed mortgages, and mortgages funded by revenue bond programs of states and municipalities.

KHM is a delegated underwriter under the FHA Direct Endorsement and VA Automatic programs in accordance with criteria established by such agencies. Additionally, KHM has delegated underwriting authority from FNMA and FHLMC. As a delegated underwriter, KHM may underwrite and close mortgage loans under programs sponsored by these agencies without their prior approval, which expedites the loan origination process.

KHM, like other mortgage bankers, customarily sells nearly all of the loans that it originates. Loans are sold either individually or in pools to GNMA, FNMA, or FHLMC or against forward commitments to institutional investors, including banks and savings and loan associations.

KHM plans to grow its mortgage banking operations. Initially, KHM focused on originating loans from customers who purchase homes from Hovnanian Enterprises, Inc. affiliates. KHM's objective is to increase the capture rate of these customers from the 41% rate achieved in fiscal 1996 to 70% over the next several years. Additionally it has reduced the time to approve a loan from an average of sixty days to under ten days. KHM believes it now offers superior mortgage products and services and is exploring methods to offer its mortgage products and services to unrelated third parties. These methods include direct mailings, telemarketing activities and the solicitation of real estate and mortgage brokers.

RENTAL PROPERTY DEVELOPMENT ACTIVITIES AND LAND INVENTORY

The Company diversified its business, on a limited scale, through the development, acquisition and ownership of commercial properties, primarily in central New Jersey, and, to a lesser extent, in Florida. The Company has concentrated primarily on the construction of single-story office/warehouses and retail strip centers. The Company's objectives are to create recurring revenues from the rental and/or sale of its developed properties and to achieve appreciation in the value of its properties over the long-term. The Company expects to limit its future commercial development activities.

In connection with the development of its commercial properties, the Company would, when possible, purchase or enter into options to purchase all sites subject to obtaining applicable zoning and required utilities. Generally, the Company will seek anchor tenants and other lessees for its projects before construction begins. In some situations, on land already owned by the Company, the Company may build office/warehouse buildings on speculation, but only to a limited degree. Following the construction and lease-up of new buildings, the Company intends to perform all functions relating to the management and operation of the buildings.

The Company has completed or acquired and placed into operation the following commercial properties:

Location	October 31, 1996		Percent Leased	October 31, 1996 Book Value
	Square Feet Total	Square Feet Leased		
North Brunswick, NJ:				
Retail center.....	53,042	51,542	97%	\$ 4,468,000
Office/warehouse building.	86,155	76,400	89%	5,879,000
Office/warehouse building.	85,680	82,070	96%	6,694,000
Piscataway Township, NJ:				
Retail center.....	97,520	97,520	100%	10,117,000
Franklin Township, NJ:				
Retail Center.....	138,364	138,364	100%	(1)
West Palm Beach, FL:				
Office Building(2).....	43,290	42,139	97%	4,430,000
Jacksonville, FL - Phase I:				
Office/warehouse building.	42,456	39,306	93%	3,850,000
Office building.....	35,689	33,125	93%	3,844,000
Total.....	582,196	560,466	96%	\$39,282,000

(1) Property is held in a partnership 50% owned by the Company. The Company's investment in this partnership of \$186,000 is included in the balance sheet under "Investment In and Advances To Unconsolidated Affiliates and Joint Venture."

(2) Includes 16,458 square feet leased to the Company's Florida Division.

The Company has the ability to obtain long-term financing on its commercial properties after each property is substantially leased. At October 31, 1996, all the above listed properties had non-recourse financing totaling \$31,071,000.

The Company had two residential rental properties at October 31, 1996 both being low income senior citizen communities. These communities consist of 171 condominium apartments and are fully leased. By building these homes the Company qualified for federal tax credits amounting to approximately \$12,000,000, which it expects to receive over ten years. At October 31, 1996, the net book value of these communities was \$11,676,000.

At October 31, 1996, the Company owned two additional parcels of commercial land in New Jersey. One of these parcels is adjacent to the North Brunswick, NJ commercial properties. The Company is seeking opportunities to sell, lease, or develop this property. Its book value at October 31, 1996 amounted to \$9,808,000. On the second parcel in Newark, NJ adjacent to its University Heights residential development, the Company is currently planning a 112,000 square foot retail center. Construction will not begin until an anchor tenant is secured. The Company has secured a federal government urban development grant amounting to \$3,928,000 to partially defray the cost of developing the facility. At October 31, 1996 the Company had spent \$1,496,000 in site preparation costs. At completion the total cost, net of the grant, is estimated to be \$14,500,000.

In addition, the Company owns one parcel of commercial land in Jacksonville, Florida. On a portion of this parcel the Company has constructed 78,145 square feet of office/warehouse and office buildings. The Company will build additional buildings on this parcel after existing space is leased. The book value of the remaining land at October 31, 1996 amounted to \$1,522,000.

CERTAIN OPERATING POLICIES AND PROCEDURES

Financial Goals. The Company is focusing on housing margin improvement and de-emphasizing revenue growth. The Company has been growing rapidly since 1991. Housing revenues rose from \$587 million during the year ended February 28, 1994 to \$807 million for the year ended October 31, 1996. While housing revenues have increased, housing margins have decreased from 1994 to 1996. To improve its housing margin, the Company will focus on reducing overheads, increasing associate productivity and reducing construction costs by decreasing construction cycle times and using national and regional contracts. Also the Company has consolidated its vendor base and centralized purchasing functions in the Northeast Region which, when implemented in all of the Northeast Region's communities, is projected to result in savings of approximately \$6 million a year.

Strategic Initiatives. In order to help improve housing margins the Company previously introduced three strategic initiatives. These initiatives are Partners In Excellence, Process Redesign, and Training.

Partners In Excellence (the Company's total quality management initiative) is intended to focus on improving the way operations are performed. It involves all Company associates through a systematic, team-oriented approach to improvement. It increases the Company's profits by streamlining processes and by reducing errors which cost money.

Process Redesign is a fundamental rethinking and radical redesign of our processes to achieve dramatic improvements in performance. The Company's Process Redesign efforts are currently focused on two areas: financial planning and reporting and home construction. The financial planning and reporting team is intended to integrate systems and provide flexible and easy access to data from all operating areas in the Company. The home construction team is analyzing the entire production process. It is working to improve estimating, bidding, contracting, budgeting, scheduling, work/materials ordering, receiving, inspecting, and payment processing.

Training is designed to provide our associates with the knowledge, attitudes, skill and habits necessary to succeed at their jobs. The Company's Training Department regularly conducts training classes in sales, construction, administrative, and managerial areas. In addition, as Process Redesign develops new systems, the Training Department is responsible for educating the Company's associates on the systems, procedures, and operations.

Land Acquisition, Planning and Development. Before entering into a contract to acquire land, the Company completes extensive comparative studies

and analyses which assist the Company in evaluating the economic feasibility of such land acquisition. The Company generally follows a policy of acquiring options to purchase land for future community developments. The Company attempts to acquire land with a minimum cash investment and negotiate takedown options, thereby limiting the financial exposure to the amounts invested in property and predevelopment costs. This policy of land acquisition may somewhat raise the price of land that the Company acquires, but significantly reduces risk. Further, this policy generally allows the Company to obtain necessary development approvals before acquisition of the land, thereby enhancing the value of the options and the land eventually acquired.

The Company's option and purchase agreements are typically subject to numerous conditions, including, but not limited to, the Company's ability to obtain necessary governmental approvals for the proposed community. Generally, the deposit on the agreement will be returned to the Company if all approvals are not obtained, although predevelopment costs may not be recoverable. By paying an additional, nonrefundable deposit, the Company has the right to extend a significant number of its options for varying periods of time. In all instances, the Company has the right to cancel any of its land option agreements by forfeiture of the Company's deposit on the agreement. In such instances, the Company generally is not able to recover any predevelopment costs.

The Company's development activities include site planning and engineering, obtaining environmental and other regulatory approvals and constructing roads, sewer, water and drainage facilities, and for the Company's residential developments, recreational facilities and other amenities. These activities are performed by the Company's staff, together with independent architects, consultants and contractors. The Company's staff also carries out long-term planning of communities.

Design. The Company's residential communities are generally located in suburban areas near major highways. The communities are designed as neighborhoods that fit existing land characteristics. The Company strives to create diversity within the overall planned community by offering a mix of homes with differing architecture, textures and colors. Wherever possible, recreational amenities such as a swimming pool, tennis courts and tot lots are included.

Construction. The Company designs and supervises the development and building of its communities. Its homes are constructed according to standardized prototypes which are designed and engineered to provide innovative product design while attempting to minimize costs of construction. The Company employs subcontractors for the installation of site improvements and construction of homes. Agreements with subcontractors are generally short term and provide for a fixed price for labor and materials. The Company rigorously controls costs through the use of a computerized monitoring system. Because of the risks involved in speculative building, the Company's general policy is to construct a residential multi-family building only after signing contracts for the sale of at least 75% of the homes in that building. Single family detached homes are usually constructed after the signing of a contract and mortgage approval has been obtained.

Materials and Subcontractors. The Company attempts to maintain efficient operations by utilizing standardized materials available from a variety of sources. In addition, the Company contracts with subcontractors representing all building trades in connection with the construction of its homes. In recent years, the Company has experienced no material construction delays due to shortages of materials or labor. The Company cannot predict, however, the extent to which shortages in necessary materials or labor may occur in the future.

Marketing and Sales. The Company's residential communities are sold principally through on-site sales offices. In order to respond to its customers' needs and trends in housing design, the Company relies upon its internal market research group to analyze information gathered from, among other sources, buyer profiles, exit interviews at model sites, focus groups and demographic data bases. The Company makes use of newspaper, radio, magazine, billboard, video and direct mail advertising, special promotional events, illustrated brochures, full-sized and scale model homes in its comprehensive marketing program. For the year ended October 31, 1996, the Company's advertising expenditures totaled \$11,513,000.

Customer Service and Quality Control. The Company's associates responsible for customer service participate in pre-closing quality control inspection as well as responding to post-closing customer needs. Prior to closing, each home is inspected and any necessary completion work is undertaken by the Company. In some of its markets the Company is also enrolled in a standard limited warranty program which, in general, provides a homebuyer with a one-year warranty for the home's materials and workmanship, a two-year warranty for the home's heating, cooling, ventilating, electrical and plumbing systems and a ten-year warranty for major structural defects. All of the warranties contain standard exceptions, including, but not limited to, damage caused by the customer.

Customer Financing. The Company sells its homes to customers who generally finance their purchases through mortgages. During the year ended October 31, 1996, approximately 41% of the Company's customers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiary, with a substantial portion of the Company's remaining customers obtaining mortgages from various independent lending institutions. Mortgages originated by the Company's wholly-owned mortgage banking subsidiary are sold in the secondary market.

Financing arrangements with independent lending institutions are at prevailing rates and on terms in accordance with the lending institutions policies. Mortgages offered by the Company's subsidiary are on terms similar to those offered by independent lending institutions. There are no assurances that mortgage financing will remain readily available to the Company's customers at affordable rates.

COMPETITION

The Company's residential business is highly competitive. The Company competes in each of the geographic areas in which it operates with numerous real estate developers, ranging from small local builders to larger regional and national builders and developers, some of which have greater sales and financial resources than the Company. Resales of housing and the availability of rental housing provide additional competition. The Company competes primarily on the basis of reputation, price, location, design, quality, service and amenities.

Competition in commercial real estate is considerable. The Company competes in the acquisition of properties for development and in the leasing of space with many other realty and general contracting concerns, both local and national, many of which have greater resources than the Company. To the extent the level of vacant office space in the metropolitan or suburban areas in which the Company's commercial properties are located increases, the Company would not proceed with the development of such properties and, with respect to existing developments, the Company's ability to increase rental rates and/or maintain its occupancy levels could be adversely affected.

REGULATION AND ENVIRONMENTAL MATTERS

General. The Company is subject to various local, state and federal statutes, ordinances, rules and regulations concerning zoning, building design, construction and similar matters, including local regulations which impose restrictive zoning and density requirements in order to limit the number of homes that can eventually be built within the boundaries of a particular locality. In addition, the Company is subject to registration and filing requirements in connection with the construction, advertisement and sale of its communities in certain states and localities in which it operates even if all necessary government approvals have been obtained. The Company may also be subject to periodic delays or may be precluded entirely from developing communities due to building moratoriums that could be implemented in the future in the states in which it operates. Generally, such moratoriums relate to insufficient water or sewerage facilities or inadequate road capacity.

Environmental. The Company is also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning protection of health and the environment ("environmental laws"). The particular environmental laws which apply to any given community vary greatly according to the community site, the site's environmental conditions and the present and former uses of the site. These environmental laws may result in delays, may cause the Company to incur substantial compliance and other costs, and prohibit or severely restrict development in certain environmentally sensitive regions or areas.

The Florida Growth Management Act of 1985 became fully effective in Palm Beach County on February 1, 1990. The act requires that infrastructure, including roads, sewer and water lines must be in existence concurrently with the construction of the development. If such infrastructure is not concurrently available, then the community cannot be developed. This will have an effect on limiting the amount of land available for development and may delay approvals of some developments.

Fair Housing Act. In July 1985, New Jersey adopted the Fair Housing Act which established an administrative agency to adopt criteria by which municipalities will determine and provide for their fair share of low and moderate income housing. This agency adopted such criteria in May 1986. Its implementation thus far has caused some delay in approvals for some of the Company's New Jersey communities and may result in a reduction in the number of homes planned for some properties.

Both prior to the enactment of the Fair Housing Act and in its implementation thus far, municipal approvals in some of the New Jersey municipalities in which the Company owns land or land options required the Company to set aside up to 22% of the approved homes for sale at prices affordable to persons of low and moderate income. In order to comply with such requirements, the Company must sell these homes at a loss. The Company attempts to reduce some of these losses through increased density, certain cost saving

construction measures and reduced land prices from the sellers of property. Such losses are absorbed by the market priced homes in the same developments.

State Planning Act. Pursuant to the 1985 State Planning Act, the New Jersey State Planning Commission has adopted a State Development and Redevelopment Plan ("State Plan"). The State Plan, if fully implemented, would designate large portions of the state as unavailable for development or as available for development only at low densities, and other portions of the state for more intense development. State government agencies would be required to make permitting decisions in accordance with the State Plan, if it is fully implemented. The state government agencies have not yet adopted policies and regulations to fully implement the State Plan. However, at least one state agency has issued an Executive Order requiring compliance with the State Plan. It is unclear what effect this Executive Order may have on the Company's ability to develop its lands.

Conclusion. Despite the Company's past ability to obtain necessary permits and approvals for its communities, it can be anticipated that increasingly stringent requirements will be imposed on developers and homebuilders in the future. Although the Company cannot predict the effect of these requirements, they could result in time-consuming and expensive compliance programs and substantial expenditures for pollution and water quality control, which could have a material adverse effect on the Company. In addition, the continued effectiveness of permits already granted or approvals already obtained is dependent upon many factors, some of which are beyond the Company's control, such as changes in policies, rules and regulations and their interpretation and application.

Company Offices. The Company owns its corporate headquarters, a four-story, 24,000 square feet office building located in Red Bank, New Jersey, a 43,290 square feet office building located in West Palm Beach, Florida of which 16,458 square feet house the Florida divisional office, a 17,450 square feet office building located in Winston-Salem, North Carolina, and 17,225 square feet in a Middletown, New Jersey condominium office building. The Company leases office space consisting of 40,000 square feet in various New Jersey locations, 12,000 square feet in Fairfax, Virginia, 13,000 square feet in various North Carolina locations, 3,400 square feet in Broward County, Florida, and 5,000 square feet in southwestern California.

ITEM 3 - LEGAL PROCEEDINGS

During fiscal 1989, the Company became aware that a certain fire-retardant plywood commonly used in the roof construction of multi-family homes may contain a product defect causing accelerated deterioration of the plywood. The Company has determined that such plywood was used principally in 33 of its communities containing approximately 11,750 homes.

Common areas, including roofs, in each of the Company's multi-family condominium developments are governed and controlled by homeowners' associations for each development, rather than by individual homeowners. Certain of the 33 homeowners' associations in the affected developments have asserted claims against the Company. As of October 31, 1995, the Company had entered separate agreements with all 33 associations (the "Settling Associations").

In August 1989 the Company brought suit in an action entitled K. Hovnanian at Bernards I, Inc., et al. v. Hoover Treated Wood Products, Inc., et al. (No. L-11822-89) in the Superior Court, Law Division, Middlesex County, New Jersey against the plywood material manufacturers, treaters, suppliers and others (the "Defendants") to determine the proper responsibility for damages, to protect its interests and to recover its damages.

In November 1992 the Company and the Settling Associations entered into a settlement agreement with most of the Defendants. Based upon the settlement monies received, the use of the Settling Associations' roof shingle reserves, and the actual expenditures in performing the repairs, the Company believes the repair costs will not require it to set aside future reserves for such roof repairs.

In addition, the Company is involved from time to time in litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on the Company.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the year ended October 31, 1996 no matters were submitted to a vote of security holders.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information on executive officers of the registrant is incorporated herein from Part III, Item 10.

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

The number of shares and all data presented on a per share basis in this Form 10-K have been adjusted to give effect to all stock splits. The Company's Class A Common Stock is traded on the American Stock Exchange and was held by approximately 1,200 shareholders of record at January 10, 1997. Prior to the Company's recapitalization in September 1992 the Company's Common Stock was also traded on the American Stock Exchange. (See "Notes to Consolidated Financial Statements - Note 1" for additional explanation on recapitalization.) There is no established public trading market for the Company's Class B Common Stock, which was held by approximately 900 shareholders of record at January 10, 1997. The high and low sales prices for the Company's Class A Common Stock were as follows for each fiscal quarter during the year ended October 31, 1996, October 31, 1995, the eight months ended October 31, 1994, and the years ended February 28, 1994:

Quarter	Class A Common Stock							
	Oct. 31, 1996		Oct. 31, 1995		Oct 31, 1994(1)		Feb 28, 1994	
	High	Low	High	Low	High	Low	High	Low
First.....	\$7.75	\$6.25	\$6.25	\$4.75	\$13.88	\$9.88	\$12.38	\$10.50
Second.....	\$8.25	\$6.25	\$6.50	\$5.00	\$11.38	\$7.75	\$14.13	\$10.63
Third.....	\$7.25	\$5.06	\$7.13	\$5.25	\$ 8.63	\$5.75	\$18.13	\$13.25
Fourth.....	\$6.63	\$5.50	\$8.25	\$5.31	--	--	\$16.00	\$13.00

(1) For eight months ended October 31, 1994 the third period represents the two months September and October 1994.

Certain debt instruments to which the Company is a party contain restrictions on the payment of cash dividends. As a result of the most restrictive of these provisions, approximately \$45,063,000 was free of such restrictions at October 31, 1996. The Company has never paid dividends nor does it currently intend to pay dividends.

ITEM 6 - SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected financial data for the Company and its consolidated subsidiaries and should be read in conjunction with the financial statements included elsewhere in this Form 10-K. Per common share data and weighted average number of common shares outstanding reflect all stock splits.

Summary Consolidated Income Statement Data	Year Ended		Eight Months Ended	Year Ended		
	October 31, 1996	October 31, 1995	October 31, 1994	February 31, 1994	February 28, 1994	February 28, 1993
(In Thousands Except Per Share Data)						
Revenues.....	\$807,464	\$777,745	\$386,585	\$587,010	\$429,315	\$318,527
Expenses.....	782,458	756,091	402,090	557,859	414,790	316,633
Income(loss) before income taxes, extraordinary loss and cumulative effect of change in accounting for income taxes.....	25,006	21,654	(15,505)	29,151	14,525	1,894
State and Federal income tax..	7,719	7,526	(5,075)	9,229	4,735	299
Extraordinary loss.....				(1,277)		
Cumulative effect of change in accounting for income taxes.....						883
Net income (loss).....	\$ 17,287	\$ 14,128	\$(10,430)	\$ 18,645	\$ 9,790	\$ 2,478
Earnings per common share:						
Income (loss) before extraordinary loss and cumulative effect of change in accounting for income taxes.....	\$ 0.75	\$ 0.61	\$ (0.46)	\$ 0.87	\$ 0.43	\$ 0.07
Extraordinary loss.....				(0.05)		
Cumulative effect of change in accounting for income taxes.....						0.04
Net income (loss).....	\$ 0.75	\$ 0.61	\$ (0.46)	\$ 0.82	\$ 0.43	\$ 0.11

	=====	=====	=====	=====	=====	=====
Weighted average number of common shares outstanding...	23,037	23,032	22,906	22,821	22,775	21,988

Summary Consolidated
Balance Sheet Data

Total assets.....	\$614,111	\$645,378	\$612,925	\$539,602	\$465,029	\$399,455
Mortgages and notes payable....	\$145,336	\$183,044	167,179	68,244	\$ 66,699	\$105,071
Bonds collateralized by mortgages receivable.....	\$ 9,231	\$ 17,880	20,815	30,343	39,914	49,879
Participating senior subordinated debentures and subordinated notes.....	\$200,000	\$200,000	200,000	200,000	152,157	67,723
Stockholders' equity.....	\$193,622	\$176,335	162,130	171,001	151,937	141,989

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAPITAL RESOURCES AND LIQUIDITY

The Company's cash uses during the twelve months ended October 31, 1996 were for operating expenses, seasonal increases in housing inventories, construction, income taxes and interest. The Company provided for its cash requirements from outside borrowings, the revolving credit facility, the sale of a commercial facility, and land purchase notes, as well as 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") which provides a revolving credit and letter of credit line of up to \$245,000,000 through March 1999. Interest is payable monthly and at various rates of either prime plus 1/4% or Libor plus 1.75%. The Company believes that it will be able either to extend the Agreement beyond March 1999 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 October 31, 1996, \$30,000,000 of indebtedness was outstanding under the Agreement.

The aggregate principal amount of subordinated indebtedness issued by the Company and outstanding as of October 31, 1996 was \$200,000,000. Annual sinking fund payments of \$20,000,000 are required in April 2001 and 2002 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 the Company 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 October 31, 1996, the aggregate outstanding principal amount of such borrowings was \$64,427,000.

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

	October 31, 1996	October 31, 1995
Residential real estate inventory.....	\$376,307,000	\$404,413,000
Residential rental property.....	12,190,000	12,381,000
Total residential real estate.....	388,497,000	416,794,000
Commercial properties.....	53,204,000	62,297,000
Combined Total.....	\$441,701,000	\$479,091,000

Total residential real estate decreased \$28,297,000 from October 31, 1995 to October 31, 1996 as a result of an inventory decrease of \$28,106,000 and a residential rental property decrease of \$191,000. The decrease in residential real estate inventory was primarily due to the Company's efforts to reduce inventories in the Company's very competitive Florida and Metro Washington, D. C. markets. Also inventories in the Northeast declined due to the Company's efforts to increase inventory turnover and reduce its debt to equity percentage. Residential homes under construction or completed and included in residential

real estate inventory at October 31, 1996 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 included in the Company's total residential real estate (including Poland):

	Total Home Lots	Contracted Not Delivered	Remaining Lots Available
	-----	-----	-----
October 31, 1996:			
Owned.....	9,819	1,446	8,373
Optioned.....	12,041	76	11,965
	-----	-----	-----
Total.....	21,860	1,522	20,338
	=====	=====	=====
October 31, 1995:			
Owned.....	10,279	1,379	8,900
Optioned.....	12,823	97	12,726
	-----	-----	-----
Total.....	23,102	1,476	21,626
	=====	=====	=====

Included in the remaining lots available are the following homes:

	October 31, 1996	October 31, 1995
	-----	-----
Unsold homes under construction or complete.....	448	321
Model homes.....	110	123
	-----	-----
Total.....	558	444
	=====	=====

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 October 31, 1996 the Company had long-term non-recourse financing aggregating \$31,071,000 on six commercial facilities, a decrease from October 31, 1995, due to \$419,000 in principal amortization. In January 1996 the Company sold a retail center with a book value of \$8,022,000 at October 31, 1995. The sale of this center and depreciation were the primary causes for a \$9,093,000 decrease in commercial properties.

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 \$57,095,000 and \$45,669,000 at October 31, 1996 and October 31, 1995, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of mortgage loans held for sale 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

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprised primarily of New Jersey and eastern Pennsylvania), in southeastern Florida, North Carolina, Metro Washington, D. C. (northern Virginia), southwestern California, and Poland. Operations in Poland began for the first time during the year ending October 31, 1996, but deliveries will not occur until the year ended October 31, 1997. 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 has filed reports as of January 31, April 30, July 31, and October 31. At October 31, 1996 the Company reclassified certain expenses previously reported as selling, general and administration to cost of sales. These expenses were sales commissions, buyer concessions, the amortization of prepaid selling expenses, property taxes and condominium association subsidies. The amount of the

reclassification was \$35,963,000, \$33,435,000, \$16,686,000 and \$22,262,000 for the years ended October 31, 1996 and October 31, 1995, the eight months ended October 31, 1994 and the year ended February 28, 1994, respectively. In addition, the Company reclassified its title revenues previously reported as other homebuilding revenues to financial service revenues, and title expenses from other operations to financial service expenses.

During the year ended October 31, 1996, October 31, 1995, the eight months ended October 31, 1994, and the year ended February 28, 1994, the Company's Northeast Region and North Carolina Division consistently produced operating profits. These profits have been reduced by net losses from its other housing divisions, its other operations and the establishment of reserves to reduce the book value of certain residential inventories to their estimated fair value (net realizable value for periods prior to the year ended October 31, 1995 - see "Notes to Consolidated Financial Statements - Note 10.") During the eight months ended October 31, 1994 the Company's operations resulted in a net loss primarily from the losses from other operations, a provision to reduce certain inventory to net realizable value, lower gross margins, and higher selling, general, and administrative expenses due to the expensing of such costs over fewer average monthly home deliveries during the eight month transition period ended October 31, 1994 compared to the average monthly home deliveries over twelve months.

Total Revenues

Compared to the same prior period revenues increased (decreased) as follows:

	Year Ended		Eight Months Ended	Year Ended
	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994
	(Dollars in Thousands)			
Homebuilding:				
Sale of homes.....	\$ 24,201	\$ 69,611	\$113,381	\$160,183
Land sales and other revenues...	3,214	5,640	1,684	(5,831)
Financial services.....	868	(25)	1,589	1,803
Investment properties.....	1,388	(792)	1,054	2,415
Collateralized mortgage financing.	48	(1,132)	(519)	(875)
Total change.....	\$ 29,719	\$ 73,302	\$117,189	\$157,695
Percent change.....	3.8%	10.4%	43.5%	36.7%

U. S. Homebuilding

Compared to the same prior period, housing revenues increased \$24.2 million or 3.3% for the year ended October 31, 1996, \$69.6 million or 10.4% for the year ended October 31, 1995, \$113.4 million or 44.8% for the eight months ended October 31, 1994, and \$160.2 million or 40.3% for the year ended February 28, 1994. 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:

	Year Ended		Eight Months Ended	Year Ended
	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994
	(Dollars in Thousands)			
Northeast Region(1):				
Housing Revenues.....	\$460,931	\$492,388	\$223,582	\$389,577
Homes Delivered.....	2,364	2,707	1,403	2,527
North Carolina:				
Housing Revenues.....	\$123,347	\$115,919	\$ 78,465	\$ 72,639
Homes Delivered.....	738	718	558	580
Florida:				
Housing Revenues.....	\$ 99,085	\$ 67,272	\$ 37,076	\$ 48,780
Homes Delivered.....	632	451	265	405
Metro Washington, D. C.:				
Housing Revenues.....	\$ 16,749	\$ 36,006	\$ 25,236	\$ 44,783
Homes Delivered.....	75	186	137	288
California:				

Housing Revenues.....	\$ 64,570	\$ 27,707	\$ 736	--
Homes Delivered.....	325	149	4	--
Other:				
Housing Revenues.....	--	\$ 1,189	\$ 1,227	\$ 1,710
Homes Delivered.....	--	33	20	28
Totals:				
Housing Revenues.....	\$764,682	\$740,481	\$366,322	\$557,489
Homes Delivered.....	4,134	4,244	2,387	3,828

(1) Excludes suspended operations in New York which are included with New Hampshire in "Other".

The overall increase in housing revenues was primarily the result of increases in average sales prices in all the Company's markets. The increased average sales prices are primarily the result of diversifying the Company's product mix in the Northeast Region to include 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. In Metro Washington, D.C. average sales prices increased because there was a higher percentage of single family detached homes delivered. The decrease in the number of homes delivered during the year ended October 31, 1996 is primarily due to the decreased deliveries in the Northeast Region. This decrease was due to the Company's attempt to maximize profits through increased margins not increased volume. In Metro Washington, D. C. deliveries declined since the Company cut back its operations due to a highly competitive market.

Unaudited quarterly housing revenues and sales contracts using base sales prices by market area for the years ending October 31, 1996 and 1995 are set forth below:

	Quarter Ended			
	October 31, 1996	July 31, 1996	April 30, 1996	January 31, 1996

	(In Thousands)			
Housing Revenues:				
Northeast Region.....	\$210,951	\$112,665	\$ 81,950	\$ 55,365
North Carolina.....	44,334	33,506	24,445	21,062
Florida.....	38,910	21,407	20,890	17,878
Metro Washington, D.C.....	5,538	3,614	3,200	4,397
California.....	25,747	15,936	13,019	9,868

Total.....	\$325,480	\$187,128	\$143,504	\$108,570
	=====			

Sales Contracts (Net of Cancellations):				
Northeast Region.....	\$149,930	\$ 94,933	\$147,576	\$ 55,785
North Carolina.....	28,973	31,485	43,136	19,594
Florida.....	13,485	19,668	41,003	19,315
Metro Washington, D.C.....	1,638	2,249	5,821	3,463
California.....	16,419	14,847	19,496	8,209

Total.....	\$210,445	\$163,182	\$257,032	\$106,366
	=====			

	Quarter Ended			
	October 31, 1995	July 31, 1995	April 30, 1995	January 31, 1995

	(In Thousands)			
Housing Revenues:				
Northeast Region.....	\$228,548	\$101,431	\$ 89,536	\$ 72,874
North Carolina.....	41,581	29,670	23,083	21,585
Florida.....	23,387	14,037	13,931	15,917
Metro Washington, D.C.....	9,764	12,335	9,021	4,886
California.....	16,545	5,902	3,166	2,094
Other.....	--	--	870	318

Total.....	\$319,825	\$163,375	\$139,607	\$117,674
	=====			

Sales Contracts (Net of Cancellations):				
Northeast Region.....	\$102,506	\$104,449	\$115,774	\$ 78,964
North Carolina.....	28,494	33,017	32,208	25,529
Florida.....	19,197	17,541	19,734	13,214

Metro Washington, D.C.....	4,621	9,325	13,719	5,094
California.....	13,624	10,989	7,014	4,227
Other.....	--	--	751	42
	-----	-----	-----	-----
Total.....	\$168,442	\$175,321	\$189,200	\$127,070
	=====	=====	=====	=====

The Company's contract backlog using base sales prices by market area is set forth below:

	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994
	-----	-----	-----	-----
(Dollars in Thousands)				
Northeast Region:				
Total Contract Backlog.....	\$198,248	\$176,517	\$227,719	\$173,430
Number of Homes.....	977	885	1,284	1,182
North Carolina:				
Total Contract Backlog.....	\$ 43,587	\$ 43,336	\$ 39,719	\$ 55,620
Number of Homes.....	233	253	240	402
Florida:				
Total Contract Backlog.....	\$ 36,910	\$ 36,213	\$ 30,283	\$ 37,837
Number of Homes.....	217	243	215	278
Metro Washington, D. C.:				
Total Contract Backlog.....	\$ 4,252	\$ 6,592	\$ 7,933	\$ 10,377
Number of Homes.....	24	28	43	50
California:				
Total Contract Backlog.....	\$ 8,073	\$ 13,043	\$ 4,405	--
Number of Homes.....	46	67	21	--
Other:				
Total Contract Backlog.....	--	--	\$ 396	\$ 863
Number of Homes.....	--	--	7	14
Totals:				
Total Contract Backlog.....	\$291,070	\$275,701	\$310,455	\$278,127
Number of Homes.....	1,497	1,476	1,810	1,926

The Company has written down certain residential inventories \$1.6 million and \$2.8 million during the years ended October 31, 1996 and October 31, 1995, respectively, to their estimated fair value. See "Notes to Consolidated Financial Statements - Note 10." for additional explanation. These writedowns were established primarily because of lower property values due to economic downturns or a change in the marketing strategy to liquidate a particular property.

The writedowns of residential inventories during the years ended October 31, 1996 and October 31, 1995 were primarily attributable to one community in New York, two in New Jersey, a parcel of land in Florida, and four communities in Metro Washington, D.C. In the New York community, the 1995 writedown is an addition to 1994 and prior years' reserves due to reduced sales prices, buyers' concessions, and an extended sellout period. In New Jersey the 1996 and 1995 writedowns were due to the change in use of a parcel of land from residential to commercial and due to the termination of home sales in a community and the offering of the remaining owned lots for sale, respectively. In Florida a parcel of idle land was written down in 1996 due to a decline in land values. In Metro Washington, D.C. the 1996 writedown was primarily due to reduced sales prices in one community. The 1995 writedown was also due to the termination of home sales in two communities and the offering of the remaining owned lots for sale. Also in Metro Washington, D.C. a reserve was taken in 1995 against a parcel of land which the Company is attempting to liquidate through lot sales and increased in 1996 due to continued decline in lot values. At October 31, 1996 and 1995 residential inventories were reduced \$5.1 million and \$9.6 million, respectively, to reduce such inventories to estimated fair value.

Prior to the year ended October 31, 1995 the Company established reserves to reduce certain residential inventories to their estimated net realizable values including costs to carry and dispose. These reserves were established primarily because of lower property values due to economic downturns or a change in the marketing strategy to liquidate a particular property. The established reserves are reduced for carrying costs (i.e., property taxes, interest, etc.) incurred or losses incurred upon property sale. During the eight months ended October 31, 1994, the Company established reserves of \$6.4 million. This reserve was primarily attributable to the New York community noted above.

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

	Year Ended		Eight Months Ended	Year Ended
	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994
	(Dollars In Thousands)			
Sale of homes.....	\$764,682	\$740,481	\$366,322	\$557,489
Cost of sales.....	638,944	617,681	312,994	456,915
Housing gross margin....	\$125,738	\$122,800	\$ 53,328	\$100,574
Gross margin percentage.	16.4%	16.6%	14.6%	18.0%

As noted above, certain expenses are now being included in cost of sales. These costs amounted to 4.7%, 4.5%, 4.5%, and 4.0% of sale of homes revenues for the years ended October 31, 1996 and October 31, 1995, the eight months ended October 31, 1994 and the year ended February 28, 1994, respectively.

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 gross margin will fluctuate up or down. During the year ended October 31, 1996 gross margins improved in all the Company's markets except Metro Washington, D.C. compared to the year ended October 31, 1995. These increases were offset by a change in geographic and product mix with an additional 6.2% of home deliveries coming from outside the Northeast Region where gross margins are traditionally lower. Although material costs increased, the Company was able to improve margins primarily due to the Company's cost reduction efforts. Such efforts include more standardized designs, and national purchase contracts.

Selling and general administrative expenses increased \$0.8 million during the year ended October 31, 1996 compared to the prior year. As a percentage of homebuilding revenues such expenses decreased to 7.7% for the year ended October 31, 1996 from 7.9% for the prior year. The dollar increase is due primarily to increased home sales resulting in increased advertising and sales center operations. The percentage decrease is primarily due to the increased deliveries. Such expenses increased \$5.7 million during the eight months ended October 31, 1994 and \$9.6 million during the year ended February 28, 1994, respectively, compared to the similar prior period. These increases were also due primarily to increased home sales. As a percentage of housing revenues, such expenses decreased to 9.2% for the eight months ended October 31, 1994 from 11.2% for the similar prior period. As a percentage of housing revenues, such expenses decreased to 7.4% for the year ended February 28, 1994 from 7.9% for the year ended February 28, 1993.

Land Sales and Other Revenues

Land sales and other revenues consist primarily of land and lot sales, interest income, contract deposit forfeitures, corporate owned life insurance benefits, and California housing management operations.

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

	Year Ended		Eight Months Ended	Year Ended
	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994
	(In Thousands)			
Land and lot sales.....	\$13,998	\$ 8,101	\$ 2,812	\$ 4,188
Cost of sales.....	12,548	6,714	2,643	3,158
Land and lot sales gross margin...	\$ 1,450	\$ 1,387	\$ 169	\$ 1,030

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.

During the year ended October 31, 1995 other revenues included a \$1.0 million gain from the sale of an investment and \$1.2 million of net interest receipts due to amendments to prior years' Federal income tax returns. During the eight months ended October 31, 1994 the Company purchased a home building and management company in California for \$0.8 million. Although no new management contracts have been obtained, the contracts resulted in \$1.0 million and \$1.7 million of revenues for the year ended October 31, 1995 and the eight months ended October 31, 1994, respectively. Included in Other Operations (see below) are expenses associated with the California homebuilding management

operations and amortization of all of the acquisition price of the management contracts of \$0.8 million.

International Homebuilding

During the year ended October 31, 1996 the Company opened its first international community in Poland. Sales contracts and backlog at October 31, 1996 was 25 homes with a base sales price of \$1,752,000. Profitability of this community will determine whether the Company pursues further overseas expansion.

Financial Services

Financial services consists primarily of originating mortgages from sales of the Company's homes, and selling such mortgages in the secondary market. In addition, title insurance activities have been reclassified from other housing operations to financial services as noted above. Approximately 41%, 34%, 29%, and 27% of the Company's homebuyers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiaries during the years ended October 31, 1996 and 1995, the eight months ended October 31, 1994, and the year ended February 28, 1994, respectively. The Company's mortgage banking goals are to improve profitability by increasing the capture rate of its homebuyers and expanding its business to include originations from unrelated mortgages. In addition, its goals included reducing expenses by reducing mortgage processing time. During the year ended October 31, 1996 processing time from application to issuance of approval was reduced to an average of under 10 days. As a result of increased capture rates of Company homebuyers and reduced costs, primarily through reduced processing time, the mortgage banking operations have almost reached break even for the year ended October 31, 1996 compared to losses in previous years. The Company expects further profit improvements in fiscal 1997 and beyond. 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 October 31, 1996, the Company owned and was leasing two office buildings, three office/warehouse facilities, two retail centers, and two senior citizen rental communities. During the year ended October 31, 1996 investment property revenues included a \$1.9 million pretax gain from the sale of a retail center. Investment properties expenses do not include interest expense (see "Interest" below).

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. As a percentage of total revenues such expenses were 1.7%, 1.7%, 2.6%, and 1.8% for the years ended October 31, 1996 and 1995, the eight months ended October 31, 1994, and the year ended February 28, 1994, respectively. Such expenses include the Company's long term improvement initiatives of total quality, process redesign (net of capitalized expenses), and training. Such initiatives resulted in additional expenses for the years ended October 31, 1996 and 1995 and the eight months ended October 31, 1994 amounting to \$1.6 million, \$2.0 million, and \$1.3 million, respectively. For the year ended October 31, 1996 such expenses also included a one-time insurance adjustment and increased depreciation on recently acquired computer equipment for all Company locations.

Interest

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

Year Ended		Eight Months Ended	Year Ended
-----		-----	-----
October	October	October	February
31, 1996	31, 1995	31, 1994	28, 1994
-----		-----	-----

(In Thousands)

Sale of homes.....	\$ 25,992	\$ 24,706	\$ 11,355	\$ 17,424
Land and lot sales.....	657	735	763	198
Rental properties.....	5,508	5,303	3,195	4,908
	-----	-----	-----	-----
Total.....	\$ 32,157	\$ 30,744	\$ 15,313	\$ 22,530
	=====	=====	=====	=====

Housing interest as a percentage of sale of home revenues amounted to 3.4%, 3.3%, 3.1%, and 3.1% for the years ended October 31, 1996 and 1995, the eight months ended October 31, 1994, and the year ended February 28, 1994, respectively.

Other Operations

Other operations consisted primarily of miscellaneous residential housing operations, 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 year ended October 31, 1995 and the eight months ended October 31, 1994 other expenses included California housing management expenses and amortization of purchased management contracts amounting to \$1.2 million and \$2.5 million, respectively. The year ended October 31, 1995 also included the cost of organizational restructuring in the Northeast Region and California amounting to \$1.3 million. The eight months ended October 31, 1994 also included the writeoff of a \$1.0 million receivable resulting from the reversal of a legal judgment, and \$0.4 million loss from the sale of a 49% interest in a condominium management company.

Total Taxes

Total taxes as a percentage of income before income taxes amounted to 30.9% and 34.8% for the years ended October 31, 1996 and 1995, respectively. Total net tax benefits as a percentage of the loss before income taxes amounted to 32.7% for the eight months ended October 31, 1994. Total taxes as a percentage of income before income taxes amounted to 31.7% for the year ended February 28, 1994. 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. (See "Notes to Consolidated Financial Statements - Note 9" for an additional explanation of taxes.)

Extraordinary Loss

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.

Inflation

Inflation has a long-term effect on the Company because increasing costs of land, materials and labor result in increasing sales prices of its homes. In general, these price increases have been commensurate with the general rate of inflation in the Company's housing markets and have not had a significant adverse effect on the sale of the Company's homes. A significant inflationary risk faced by the housing industry generally is that rising housing 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 50% of the Company's total costs and expenses.

Item 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements of Hovnanian Enterprises, Inc. and its consolidated subsidiaries are set forth herein beginning on Page F-1.

Item 9 - CHANGES IN OR DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

During the years ended October 31, 1996 and 1995, the eight months ended October 31, 1994, and the year ended February 28, 1994 there have not been any changes in or disagreements with accountants on accounting and financial disclosure.

PART III

Item 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by Item 10, except as set forth below under the heading "Executive Officers of the Registrant", is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A, in connection with the Company's annual meeting of shareholders to be held in April 1997, which will involve the election of directors.

Executive Officers of the Registrant

The executive officers of the Company are listed below and brief summaries of their business experience and certain other information with respect to them are set forth following the table. Each executive officer holds such office for a one year term.

Name	Age	Position	Year Started With Company
Kevork S. Hovnanian	73	Chairman of the Board, Chief Executive Officer, and Director of the Company.	1967
Ara K. Hovnanian	39	President and Director of the Company.	1979
Paul W. Buchanan	46	Senior Vice President-Corporate Controller and Director of the Company.	1981
Timothy P. Mason	56	Senior Vice President-Administration/Secretary and Director of the Company.	1975
Peter S. Reinhart	46	Senior Vice President and General Counsel and Director of the Company.	1978
John J. Schimpf	47	Executive Vice President and Director of the Company.	1981
J. Larry Sorsby	41	Senior Vice President, Treasurer and Chief Financial Officer	1988

Mr. K. Hovnanian founded the predecessor of the Company in 1959 (Hovnanian Brothers, Inc.) and has served as Chairman of the Board of the Company since its incorporation in 1967. Mr. K. Hovnanian was also President of the Company from 1967 to April 1988.

Mr. A. Hovnanian was appointed President in April 1988, after serving as Executive Vice President from March 1983. Mr. A. Hovnanian was elected a Director of the Company in December 1981. Mr. A. Hovnanian is the son of Mr. K. Hovnanian.

Mr. Buchanan was appointed Senior Vice President-Corporate Controller in May 1990, after serving as Vice President-Corporate Controller from March 1983. Mr. Buchanan was elected a Director of the Company in March 1982.

Mr. Mason was appointed Senior Vice President of Administration/ Secretary of the Company in March 1991, after serving as Vice President - Administration/Treasurer and Secretary of the Company since March 1982. Mr. Mason was elected a Director of the Company in 1980.

Mr. Reinhart was appointed Senior Vice President and General Counsel in April 1985 after serving as Vice President and Chief Legal Counsel since March 1983. Mr. Reinhart was elected a Director of the Company in December 1981.

Mr. Schimpf was appointed Executive Vice President of the Company in April 1988 after serving as Senior Vice President from April 1985. Mr. Schimpf was elected a Director of the Company in June 1986.

Mr. Sorsby was appointed Senior Vice President, Treasurer and Chief Financial Officer of the Company in February, 1996 after serving as Senior Vice President-Finance/Treasurer of the Company since March 1991 and Vice President/Finance since September 1988.

Item 11 - EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference

to the Company's definitive proxy statement to be filed pursuant to Regulation 14A, in connection with the Company's annual meeting of shareholders to be held in April 1997, which will involve the election of directors.

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item 12 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A, in connection with the Company's annual meeting of shareholders to be held in April 1997, which will involve the election of directors.

Item 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item 13 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A, in connection with the Company's annual meeting of shareholders to be held in April 1997, which will involve the election of directors.

PART IV

Item 14 - EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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All other schedules are either not applicable to the Company or have been omitted because the required information is included in the financial statements or notes thereto.

Exhibits:

- 3(a) Certificate of Incorporation of the Registrant.(1)
- 3(b) Certificate of Amendment of Certificate of Incorporation of the Registrant.(8)
- 3(c) Bylaws of the Registrant.(8)
- 4(a) Specimen Class A Common Stock Certificate.(8)
- 4(b) Specimen Class B Common Stock Certificate.(8)
- 4(c) Indenture dated as of April 29, 1992, relating to 11 1/4% Subordinated Notes between the Registrant and First Fidelity Bank, including form of 11 1/4% Subordinated Notes due April 15, 2002.(2)
- 4(d) Indenture dated as of May 28, 1993, relating to 9 3/4% Subordinated Notes between Registrant and First Fidelity Bank, National Association, New Jersey, as Trustee, including form of 9 3/4% Subordinated Note due 2005.(4)
- 10(a) Credit Agreement dated July 30, 1993 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain Subsidiaries Thereof, Midlantic National Bank, Chemical Bank, United Jersey Bank/Central, N.A., and NBD Bank, N.A.(7)
- 10(b) Amendment to Credit Agreement among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., Certain Subsidiaries Thereof, Midlantic National Bank, Chemical Bank, United Jersey Bank, NBD Bank, N.A., PNC Bank, National Association, Meridian Bank, Nations Bank of Virginia, N.A., First National Bank of Boston, and Continental Bank.(10)
- 10(c) Second Amendment to Credit Agreement dated April 28, 1995 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., Certain Subsidiaries Thereof, Midlantic Bank,N.A., Chemical Bank, United Jersey Bank, NBD Bank, PNC Bank, National Association, Meridian Bank, Nations Bank, National Association, First National Bank of Boston, Bank of America Illinois, and Bank of America

- National Trust and Savings Association.(11)
- 10(d) Third Amendment to Credit Agreement dated June 4, 1996 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., Certain Subsidiaries Thereof, Midlantic Bank,N.A., Chemical Bank, Meridian Bank, NationsBank,N.A., First National Bank of Boston, Bank of America Illinois, First National Bank of Chicago, Comerica Bank, and Credit Lyonnais.(12)
- 10(e) Description of Management Bonus Arrangements.(8)
- 10(f) Description of Savings and Investment Retirement Plan.(1)
- 10(g) Stock Option Plan.(6)
- 10(h) Management Agreement dated August 12, 1983 for the management of properties by K. Hovnanian Investment Properties, Inc.(1)
- 10(i) Agreement dated July 8, 1981 between Hovnanian Properties of Atlantic County, Inc. and Kevork S. Hovnanian.(2)
- 10(j) Management Agreement dated December 15, 1985, for the management of properties by K. Hovnanian Investment Properties, Inc.(3)
- 10(k) Description of Deferred Compensation Plan.(5)
- 22 Subsidiaries of the Registrant.
- 27 Financial Data Schedules
- (1) Incorporated by reference to Exhibits to Registration Statement (No. 2-85198) on Form S-1 of the Registrant.
- (2) Incorporated by reference to Exhibits to Registration Statement (No. 33-46064) on Form S-3 of the Registrant.
- (3) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended February 28, 1986 of the Registrant.
- (4) Incorporated by reference to Exhibits to Registration Statement (No. 33-61778) on Form S-3 of the Registrant.
- (5) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended February 28, 1990 of the Registrant.
- (6) Incorporated by reference to the Proxy Statement dated June 15, 1990.
- (7) Incorporated by reference to an Exhibit to Quarterly Report on Form 10-Q for the quarter ended August 31, 1993, of the Registrant.
- (8) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended February 28, 1994 of the Registrant.
- (9) Incorporated by reference to an Exhibit to Quarterly Report on Form 10-Q for the quarter ended August 31, 1994, of the Registrant.
- (10) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the eight months ended October 31, 1994 of the Registrant.
- (11) Incorporated by referenct to Exhibits to Annual Report on Form 10K for the year ended October 31, 1995 for the Registrant.
- (12) Incorporated by reference to Exhibits to Quarterly Report on Form 10Q for the quarter ended April 30, 1996 of the Registrant.

Reports on Form 8-K

The Company did not file any reports on Form 8-K during the quarter ended October 31, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
By:

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated

/S/KEVORK S. HOVNIANIAN Kevork S. Hovnanian	Chairman of The Board, Chief Executive Officer and Director	1/17/97
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/S/ARA K. HOVNIANIAN Ara K. Hovnanian	President and Director	1/17/96
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/S/PAUL W. BUCHANAN Paul W. Buchanan	Senior Vice President Corporate Controller and Director	1/17/97
/S/TIMOTHY P. MASON Timothy P. Mason	Senior Vice President- Administration/Secretary and Director	1/17/97
/S/PETER S. REINHART Peter S. Reinhart	Senior Vice President and General Counsel and Director	1/17/97
/S/JOHN J. SCHIMPF John J. Schimpf	Executive Vice President and Director	1/17/97
/S/J. LARRY SORSBY J. Larry Sorsby	Senior Vice President, Treasurer, and Chief Financial Officer	1/17/97

HOVNIANIAN ENTERPRISES, INC.

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All other schedules have been omitted because the required information of such other schedules is not present, is not present in amounts sufficient to require submission of the schedule or because the required information is included in the financial statements and notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and
Board of Directors of
Hovnianian Enterprises, Inc.

We have audited the accompanying consolidated balance sheets of Hovnianian Enterprises, Inc. and subsidiaries as of October 31, 1996 and 1995, and the related consolidated statements of income, stockholders' equity and cash flows for the years ended October 31, 1996 and 1995, the eight-month period ended October 31, 1994 and for the year ended February 28, 1994. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and schedules are the responsibility of the Company's

management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hovnanian Enterprises, Inc. and subsidiaries at October 31, 1996 and 1995 and the consolidated results of their operations and cash flows for the years ended October 31, 1996 and 1995, the eight-month period ended October 31, 1994 and for the year ended February 28, 1994 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/S/ Ernst & Young LLP

New York, New York
December 20, 1996

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

ASSETS	October 31, 1996	October 31, 1995
	-----	-----
Homebuilding:		
Cash and cash equivalents(Note 4).....	\$ 16,535	\$ 13,758
	-----	-----
Inventories - At cost, not in excess of fair value (Notes 6 and 10):		
Sold and unsold homes and lots under development.....	314,630	345,410
Land and land options held for future development or sale.....	61,677	59,003
	-----	-----
Total Inventories.....	376,307	404,413
	-----	-----
Receivables, deposits, and notes (Notes 5 and 11).	26,442	27,589
	-----	-----
Property, plant, and equipment - net (Note 3).....	18,251	14,456
	-----	-----
Prepaid expenses and other assets.....	31,939	26,414
	-----	-----
Total Homebuilding.....	469,474	486,630
	-----	-----
Financial Services:		
Cash.....	4,196	1,695
Mortgage loans held for sale (Note 5).....	57,812	46,621
Other assets.....	3,217	2,329
	-----	-----
Total Financial Services.....	65,225	50,645
	-----	-----
Investment Properties:		
Rental property - net (Note 3).....	51,892	63,310
Property under development or held for future development.....	13,502	11,368
Investment in and advances to unconsolidated joint venture.....	186	3,804
Other assets.....	3,106	3,795
	-----	-----

Total Investment Properties.....	68,686	82,277
Collateralized Mortgage Financing:		
Collateral for bonds payable (Note 5).....	9,478	18,184
Other assets.....	576	1,281
Total Collateralized Mortgage Financing.....	10,054	19,465
Income Taxes Receivable - Including deferred tax benefits (Note 9).....	672	6,361
Total Assets.....	\$614,111	\$645,378
	=====	=====

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	October 31, 1996	October 31, 1995
	-----	-----
Homebuilding:		
Nonrecourse land mortgages (Note 6).....	\$ 25,151	\$ 25,046
Accounts payable and other liabilities.....	45,146	48,188
Customers' deposits (Note 4).....	12,371	11,624
Nonrecourse mortgages secured by operating properties (Note 5).....	3,918	4,003
Total Homebuilding.....	86,586	88,861
Financial Services:		
Accounts payable and other liabilities.....	1,631	1,476
Mortgage warehouse line of credit (Note 5).....	55,196	41,855
Total Financial Services.....	56,827	43,331
Investment Properties:		
Accounts payable and other liabilities.....	721	1,105
Nonrecourse mortgages secured by rental property (Note 6).....	31,071	31,490
Total Investment Properties.....	31,792	32,595
Collateralized Mortgage Financing:		
Accounts payable and other liabilities.....	11	14
Bonds collateralized by mortgages receivable (Note 5).....	9,231	17,880
Total Collateralized Mortgage Financing.....	9,242	17,894
Notes Payable:		
Revolving credit agreement (Note 6).....	30,000	80,650
Subordinated notes (Note 7).....	200,000	200,000
Accrued interest.....	6,042	5,712
Total Notes Payable.....	236,042	286,362
Total Liabilities.....	420,489	469,043
Commitments and Contingent Liabilities (Notes 4 and 13)		
Stockholders' Equity (Notes 11 and 12):		
Preferred Stock, \$.01 par value-authorized 100,000 shares; none issued		
Common Stock, Class A, \$.01 par value-authorized 87,000,000 shares; issued 15,481,222 shares (including 345,874 shares held in Treasury).....	155	154
Common Stock, Class B, \$.01 par value-authorized 13,000,000 shares; issued 8,247,579 shares (including 345,874 shares held in Treasury).....	82	83
Paid in Capital.....	33,935	33,935
Retained Earnings (Note 7).....	164,749	147,462
Treasury Stock - at cost.....	(5,299)	(5,299)
Total Stockholders' Equity.....	193,622	176,335
	-----	-----

Total Liabilities and Stockholders' Equity..... \$614,111 \$645,378
=====

See notes to consolidated financial statements.

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

	Year Ended		Eight Months	Year
	October 31, 1996	October 31, 1995	Ended October 31, 1994	Ended February 28, 1994
Revenues:				
Homebuilding:				
Sale of homes.....	\$764,682	\$740,481	\$366,322	\$557,489
Land sales and other revenues.....	18,612	15,398	5,954	8,401
Total Homebuilding.....	783,294	755,879	372,276	565,890
Financial Services.....	11,216	10,348	5,886	8,458
Investment Properties.....	10,919	9,531	6,396	9,024
Collateralized Mortgage Financing.....	2,035	1,987	2,027	3,638
Total Revenues.....	807,464	777,745	386,585	587,010
Expenses:				
Homebuilding:				
Cost of sales.....	651,492	624,395	315,637	460,073
Selling, general and administrative.....	60,704	59,914	34,355	42,020
Provision to reduce inventory to estimated net realizable value(Note 10).			6,357	
Inventory impairment loss (Note 10).....	1,608	2,780		
Total Homebuilding.....	713,804	687,089	356,349	502,093
Financial Services.....	10,669	11,571	6,995	7,542
Investment Properties.....	6,388	6,135	5,206	5,797
Collateralized Mortgage Financing.....	2,076	2,173	2,379	4,284
Corporate General and Administration(Note 2)	14,002	13,002	10,133	10,678
Interest.....	32,157	30,744	15,313	22,530
Other operations.....	3,362	5,377	5,715	3,052
Provision for loan writedown (Note 11).....				1,883
Total Expenses.....	782,458	756,091	402,090	557,859
Income(Loss) Before Income Taxes and Extraordinary Loss.....	25,006	21,654	(15,505)	29,151
State and Federal Income Taxes:				
State (Note 9).....	1,336	2,306	1,118	903
Federal (Note 9).....	6,383	5,220	(6,193)	8,326
Total Taxes.....	7,719	7,526	(5,075)	9,229
Extraordinary Loss from Extinguishment of Debt, Net of Income Taxes (Note 7).....				(1,277)
Net Income (Loss).....	\$ 17,287	\$ 14,128	\$(10,430)	\$ 18,645
Earnings Per Common Share (Note 1):				
Income (loss) before extraordinary loss and cumulative effect of change in accounting.	\$0.75	\$0.61	(\$0.46)	\$ 0.87
Extraordinary loss.....				(0.05)
Net Income (Loss).....	\$0.75	\$0.61	(\$0.46)	\$ 0.82

See notes to consolidated financial statements.

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

A Common Stock	B Common Stock	Paid-In	Retained	Treasury
Shares Issued and	Shares Issued and			

	Outstanding	Amount	Outstanding	Amount	Capital	Earnings	Stock	Total
	-----	-----	-----	-----	-----	-----	-----	-----
Balance, February 28, 1993	13,320,754	\$137	9,462,793	\$98	\$31,882	\$125,119	(\$5,299)	\$151,937
Sale of common stock under employee stock option plan	29,250		29,250		419			419
Conversion of Class B to Class A common stock.....	1,011,587	10	(1,011,581)	(10)				
Net Income.....						18,645		18,645
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.....	180,000	2			1,557			1,559
Conversion of Class B to Class A common stock.....	188,708		(188,708)					
Net Loss.....						(10,430)		(10,430)
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.....	293,184	5	(293,184)	(5)				
Net Income.....						14,128		14,128
Balance, October 31, 1995...	15,038,483	154	7,998,570	83	33,935	147,462	(5,299)	176,335
Conversion of Class B to Class A common stock.....	96,865	1	(96,865)	(1)				
Net Income.....						17,287		17,287
Balance, October 31, 1996...	15,135,348	\$155	7,901,705	\$82	\$33,935	\$164,749	(\$5,299)	\$193,622

See notes to consolidated financial statements.

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

	Year Ended		Eight Months Ended	Year Ended
	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994
	-----	-----	-----	-----
Cash Flows From Operating Activities:				
Net Income (Loss).....	\$ 17,287	\$ 14,128	\$(10,430)	\$ 18,645
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation.....	5,246	4,095	2,508	3,035
Loss (gain) on sale and retirement of property and assets.....	(1,998)	875	623	244
Writedown of loan from sale of subsidiary				1,883
Deferred income taxes.....	(820)	1,786	(960)	(1,573)
Loss from unconsolidated affiliates.....				8
Provision to reduce inventory to estimated net realizable value.....			6,357	
Inventory impairment loss.....	1,608	2,780		
Decrease (increase) in assets:				
Escrow cash.....	(2,129)	(654)	1,986	1,811
Receivables, prepaids and other assets.	(4,297)	(2,929)	4,530	(6,006)
Mortgage notes receivable.....	(10,966)	(21,432)	20,362	(22,043)
Inventories.....	26,498	(20,653)	(113,745)	(35,347)
Increase (decrease) in liabilities:				
State and Federal income taxes.....	6,509	4,536	(14,661)	6,140
Customers' deposits.....	774	(470)	455	3,974
Interest and other accrued liabilities.	(3,366)	4,873	(6,701)	(3,308)
Post development completion costs.....	4,062	(3,557)	(1,041)	3,166
Accounts payable.....	(3,681)	4,472	3,016	7,289
Amortization of debenture discounts....				3
Net cash provided (used in) by operating activities.....	34,727	(12,150)	(107,701)	(22,079)
Cash Flows From Investing Activities:				
Net proceeds from sale of property and assets	10,308	1,046	5,292	2,114
Investment in property and assets.....	(5,882)	(8,106)	(9,850)	(4,594)

Investment in and advances to unconsolidated affiliates.....	3,792	200	(298)	204
Investment in income producing properties....	(2,134)	(4,858)	4,133	(16,597)
Investment in loans from sale of subsidiaries				50
Net cash provided (used in) by investing activities.....	6,084	(11,718)	(723)	(18,823)
Cash Flows From Financing Activities:				
Proceeds from mortgages and notes.....	1,142,106	944,284	473,621	552,640
Proceeds from subordinated debt.....				100,000
Principal payments on mortgages and notes..	(1,188,449)	(931,254)	(384,218)	(557,531)
Principal payments on subordinated debt.....				(52,160)
Investment in mortgage notes receivable.....	8,941	8,138	10,284	10,597
Proceeds from sale of stock.....		77		419
Net cash used (provided by) in financing activities.....	(37,402)	21,245	99,687	53,965
Net Increase (Decrease) In Cash.....	3,409	(2,623)	(8,737)	13,063
Cash Balance, Beginning Of Period.....	11,914	14,537	23,274	10,211
Cash Balance, End Of Period.....	\$ 15,323	\$ 11,914	\$ 14,537	\$ 23,274
Supplemental Disclosures Of Cash Flow:	=====	=====	=====	=====
Cash paid during the year for:				
Interest (net of amount capitalized).....	\$ 32,194	\$ 30,128	\$ 17,380	\$ 25,173
Income Taxes.....	6,875	1,192	10,574	3,867
	-----	-----	-----	-----
	\$ 39,069	\$ 31,320	\$ 27,954	\$ 29,040
See notes to consolidated financial statements	=====	=====	=====	=====

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 1996, OCTOBER 31, 1995, THE EIGHT MONTHS ENDED OCTOBER 31, 1994 AND THE YEAR ENDED FEBRUARY 28, 1994.

1. SUMMARY OF ACCOUNTING POLICIES

Year End Change - On May 10, 1994, the Board of Directors of the Company adopted a resolution providing that the date for the 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 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 through October 31, 1994 was included in the 1994 Form 10-K. Thereafter, the Company has filed reports as of January 31, April 30, July 31, and October 31.

Operations - The Company, a Delaware Corporation, principally develops housing communities in New Jersey, Pennsylvania, Florida, North Carolina, Virginia, and California. In addition, the Company has recently started building in Poland. The Company also develops and operates income producing properties.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and all wholly-owned or majority owned subsidiaries after elimination of all significant intercompany balances and transactions. The Company's investments in joint ventures in which the Company's interest is 50% or less are accounted for by the equity method of accounting.

Reclassification - Certain expenses which had been previously reported as selling, general and administration were reclassified to cost of sales. These costs include sales commissions, buyer concessions, the amortization of prepaid selling expenses, property taxes and condominium association subsidies. In addition, the assets and liabilities, as well as the revenues and expenses of the Company's Title Division have been reclassified out of Homebuilding and into the Financial Services section of the consolidated balance sheets and consolidated statements of income.

Organizational Restructuring - During the fiscal years ended October 31, 1996 and October 31, 1995, the Company recorded a \$0.3 million and \$1.3 million charge, respectively, for the cost of consolidating operations, writing off of certain assets, and associate severance payments. The charges for these fiscal years were associated with consolidating certain common functions in the New Jersey, Pennsylvania, Florida, and California building divisions. This consolidation effort is designed to reduce redundant costs and improve the Company's operating efficiency in these regions.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and these differences could have a significant impact on the financial

statements.

New Accounting Pronouncement - The Company has adopted FASB Statement No. 121("FAS 121"), "Accounting for the Impairment of Long-Lived Assets and For Long-Lived Assets to be Disposed." Details of this change in accounting are disclosed in Note 10.

Income Recognition - Income from sales is recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the transaction.

Cash - Cash includes cash deposited in checking accounts, overnight repurchase agreements, certificates of deposit, Treasury bills and government money market funds.

Fair Value of Financial Instruments - The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company's financial instruments consist of cash equivalents, mortgages and notes receivable, mortgages and notes payable, and the subordinated notes payable. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values.

Inventories - For inventories of communities under development, a loss is recorded when events and circumstances indicate impairment and the undiscounted future cash flows generated are less than the related carrying amounts. The impairment loss is based on expected revenue, cost to complete including interest, and selling costs. Inventories and long-lived assets held for sale are recorded at the lower of cost or fair value less selling costs. Fair value is defined in FAS 121 as the amount at which an asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Construction costs are accumulated during the period of construction and charged to cost of sales under specific identification methods. Land, land development, and common facility costs are amortized based upon the number of homes to be constructed in each housing community utilizing a relative sales value allocation method.

Interest costs related to properties in progress are capitalized during the construction period and expensed along with the associated cost of sales as the related inventories are sold (see Note 6).

The cost of land options is capitalized when incurred and either included as part of the purchase price when the land is acquired or charged to operations when the Company determines it will not exercise the option.

Property - Rental operations of the Company arise primarily from rental of commercial properties. In addition, the Company has from time to time rented under short-term leases condominium homes, not yet under contract of sale. Such homes are reclassified from inventory and depreciated after a reasonable selling period not to exceed one year.

Post Development Completion Costs - In those instances where a development is substantially completed and sold and the Company has additional construction work to be incurred, an estimated liability is provided to cover the cost of such work.

Deferred Income Tax - Deferred income taxes or income tax benefits are provided for temporary differences between amounts recorded for financial reporting and for income tax purposes.

Common Stock - Each share of Class A Common Stock entitles its holder to one vote per share and each share of Class B Common Stock entitles its holder to ten votes per share. The amount of any regular cash dividend payable on a share of Class A Common Stock will be an amount equal to 110% of the corresponding regular cash dividend payable on a share of Class B Common Stock. If a shareholder desires to sell shares of Class B Common Stock, such stock must be converted into shares of Class A Common Stock.

On December 16, 1996, the Company's Board of Directors approved a stock repurchase plan of up to 2 million shares, equal to 8.7% of the Company's total and outstanding shares as of October 31, 1996.

Depreciation - The straight-line method is used for both financial and tax reporting purposes for all assets except office furniture and equipment which are depreciated using the declining balance method over their estimated useful lives.

Prepaid Expenses - Prepaid expenses which relate to specific housing communities are amortized to costs of sales as the applicable inventories are sold.

Per Share Calculations - Per share amounts are calculated on a weighted average basis.

2. CORPORATE INITIATIVES

The Company has embarked on long term improvement initiatives of total quality, process redesign, and training. Included in Corporate General and Administration is \$1,601,000 and \$1,987,000 for the years ended October 31, 1996 and 1995, respectively.

3. PROPERTY

Homebuilding property, plant, and equipment consists of land, land improvements, buildings, building improvements, furniture and equipment used by the Company and its subsidiaries to conduct day to day business. Homebuilding accumulated depreciation related to these assets at October 31, 1996 and October 31, 1995 amounted to \$14,970,000 and \$12,408,000, respectively. Rental property consists of two office buildings, three office warehouse facilities, two retail shopping centers, and two senior citizen rental communities in New Jersey. Accumulated depreciation on rental property at October 31, 1996 and October 31, 1995 amounted to \$11,108,000 and \$9,440,000, respectively. In January of 1996, the Company sold a retail center with a book value of \$8,022,000 and recorded a gain of \$1,998,000.

4. ESCROW CASH

The Company holds escrow cash amounting to \$5,840,000 and \$3,711,000 at October 31, 1996 and October 31, 1995, respectively, which primarily represents customers' deposits which are restricted from use by the Company. The Company is able to release escrow cash by pledging letters of credit. At October 31, 1996 and October 31, 1995, \$5,163,000 and \$5,885,000 was released from escrow and letters of credit were pledged, respectively. Escrow cash accounts are substantially invested in short-term certificates of deposit or time deposits.

5. MORTGAGES AND NOTES RECEIVABLE

The Company's wholly-owned mortgage banking subsidiary originates mortgage loans, primarily from the sale of the Company's homes. Such mortgage loans are sold in the secondary mortgage market or prior to February 28, 1987 pledged against collateralized mortgage obligations ("CMO's"). At October 31, 1996 and October 31, 1995, respectively, \$57,095,000 and \$45,669,000 of such mortgages were pledged against the Company's mortgage warehouse line (see "Notes to Consolidated Financial Statements - Note 6"). The Company may incur risk with respect to mortgages that are delinquent and not pledged against CMO's, but only to the extent the losses are not covered by mortgage insurance or resale value of the home. Historically, the Company has incurred minimal credit losses. The mortgage loans held for sale are carried at the lower of cost or market value, determined on an aggregate basis. There was no valuation adjustment at October 31, 1996.

6. MORTGAGES AND NOTES PAYABLE

Substantially all of the nonrecourse land mortgages are short-term borrowings. Nonrecourse mortgages secured by operating and rental property are installment obligations having annual principal maturities in the following years ending October 31, of approximately \$553,000 in 1997, \$3,360,000 in 1998, \$607,000 in 1999, \$21,479,000 in 2000, and \$8,991,000 after 2000. The interest rates on these obligations range from 8.125% to 10.5%.

The Company has an unsecured Revolving Credit Agreement ("Agreement") with a group of banks which provides up to \$245,000,000 through March 1999. Interest is payable monthly and at various rates of either prime plus 1/4% or LIBOR plus 1.75%. In addition, the Company pays 1/2% per annum on the weighted average unused portion of the line.

Interest costs incurred, expensed and capitalized were:

	Year Ended		Eight Months Ended	Year Ended
	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994

	(Dollars in Thousands)			
Interest incurred (1):				
Residential(3).....	\$30,058	\$32,257	\$15,677	\$20,830
Commercial(4).....	5,493	5,571	3,289	5,138
	-----	-----	-----	-----
Total incurred.....	\$35,551	\$37,828	\$18,966	\$25,968
	=====	=====	=====	=====

Interest expensed:				
Residential(3).....	\$26,649	\$25,441	\$12,118	\$17,622
Commercial(4).....	5,508	5,303	3,195	4,908
	-----	-----	-----	-----
Total expensed.....	\$32,157	\$30,744	\$15,313	\$22,530
	=====	=====	=====	=====

Interest capitalized at beginning of year.....	\$36,182	\$29,480	\$26,443	\$23,366
Plus: Interest incurred.....	35,551	37,828	18,966	25,968
Less: Interest expensed.....	32,157	30,744	15,313	22,530
Less: Charged to reserves.....	424	382	261	361
Less: Sale of assets.....	-	-	355	-
	-----	-----	-----	-----

Interest capitalized at end of year.....	\$39,152	\$36,182	\$29,480	\$26,443
	=====	=====	=====	=====

Interest capitalized at end of year (5),(6):				
Residential(3).....	\$32,669	\$29,684	\$23,507	\$20,209
Commercial(2).....	6,483	6,498	5,973	6,234
	-----	-----	-----	-----
Total interest capitalized.....	\$39,152	\$36,182	\$29,480	\$26,443
	=====	=====	=====	=====

- (1) Data does not include interest incurred by the Company's mortgage and finance subsidiaries.
- (2) Data 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.
- (4) Represents rental operation's interest charged to interest expense.
- (5) Capitalized residential interest at February 28, 1994 includes \$1,635,000 reported at February 28, 1993 as capitalized commercial interest. This reclassification was the result of the transfer of two parcels of land from commercial due to a change in the intended use to residential housing.
- (6) Capitalized commercial interest at October 31, 1995 includes \$257,000 reported at October 31, 1994 as capitalized residential interest. This reclassification was the result of a transfer of two senior citizen rental communities to Investment Properties.

Average interest rates and average balances outstanding for short-term debt are as follows:

	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994
	-----	-----	-----	-----
	(Dollars In Thousands)			
Average outstanding borrowings.....	\$127,770	\$160,029	\$ 72,204	\$ 39,632
Average interest rate during period(1).....	8.5%	8.7%	7.4%	5.4%
Average interest rate at end of period(2).....	7.6%	8.0%	9.9%	--
Maximum outstanding at any month end.....	\$157,125	\$187,050	\$118,455	\$ 72,700

- (1) Total interest incurred for the eight months or year divided by average outstanding short term borrowings.
- (2) Average interest rate at end of period excludes the 1/2% charge on the unused balance.

7. SUBORDINATED NOTES

On June 24, 1988, the Company issued \$50,000,000 principal amount of 12 1/4% Subordinated Notes due June 15, 1998. In July 1993, the Company redeemed all of these notes at a price of 102% of par. The redemption resulted in an extraordinary loss of \$1,277,000 net of an income tax benefit of \$658,000.

On April 29, 1992, the Company issued \$100,000,000 principal amount of 11 1/4% Subordinated Notes due April 15, 2002. Interest is payable semi-annually. Annual sinking fund payments of \$20,000,000 are required to commence April 15, 2000, and are calculated to retire 40% of the issue prior to maturity.

On June 7, 1993, the Company issued \$100,000,000 principal amount of 9 3/4% Subordinated Notes due June 1, 2005. Interest is payable semiannually. The notes are redeemable in whole or in part at the Company's option, initially at 104.875% of their principal amount on or after June 1, 1999 and reducing to 100% of their principal amount on or after June 1, 2002.

The indentures relating to the subordinated notes and the Revolving Credit Agreement contain restrictions on the payment of cash dividends. At October 31, 1996, \$45,063,000 of retained earnings were free of such restrictions.

The fair value of the Subordinated Notes is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The combined fair value of the Subordinated Notes is estimated at \$190,250,000 as of October 31, 1996.

8. RETIREMENT PLAN

On December 1982, the Company established a defined contribution savings and investment retirement plan. Under such plan there are no prior service costs. All associates with over one year of service are eligible to participate in the retirement plan and employer contributions are based on a percentage of associate contributions. Plan costs charged to operations amount to \$1,406,000 for the year ended October 31, 1996, \$1,028,000 for the year ended October 31, 1995, \$843,000 for the eight months ended October 31, 1994 and \$788,000 for the year ended February 28, 1994.

9. INCOME TAXES

Income Taxes payable (receivable) including deferred benefits, consists of the following:

	October 31, 1996	October 31, 1995
	-----	-----
	(In Thousands)	
State income taxes:		
Current.....	\$ 251	\$ 1,345
Deferred.....	(1,337)	(903)
Federal income taxes:		
Current.....	6,601	(1,437)
Deferred.....	(6,187)	(5,366)
	-----	-----
Total.....	\$ (672)	\$ (6,361)
	=====	=====

Deferred income taxes have been provided (reduced) due to temporary differences as follows:

	Year Ended		Eight Months	Year
	-----	-----	Ended	Ended
	October	October	October	February
	31, 1996	31, 1995	31, 1994	28, 1994
	-----	-----	-----	-----
	(In Thousands)			
Capitalized interest.....	\$ (152)	\$ (2)	\$ (3)	\$ (3)
Homeowner association maintenance reserves.....	275	(53)	(46)	166
Installment sales.....	(52)	(59)	(431)	(493)
Provision to reduce inventory to net realizable value.....	1,710	1,665	(287)	1,324
Inventory impairment loss.....	(563)	(973)		
Deferred expenses.....	(1,312)	8	(54)	(727)
Depreciation.....	219	316	328	298
Post development completion costs...	(1,198)	352	(127)	(1,988)
Net operating losses.....		33	97	(129)
Other.....	(182)	65	(3)	(21)
Low income housing tax credit.....		434	(434)	
	-----	-----	-----	-----
Benefit (Provision) - total.....	\$ (1,255)	\$ 1,786	\$ (960)	\$ (1,573)
	=====	=====	=====	=====

The deferred tax liabilities or assets have been recognized in the consolidated balance sheets due to temporary differences and loss carryforwards as follows:

	October 31, 1996	October 31, 1995
	-----	-----
	(In Thousands)	
Deferred Tax Liabilities:		
Deferred interest.....	\$ 85	\$ 247
Installment sales.....	242	294
Accelerated depreciation.....	2,137	1,749

Total.....	2,464	2,290
Deferred Tax Assets:		
Deferred income.....	321	338
Maintenance guarantee reserves	313	589
Provision to reduce inventory to net realizable value.....	1,600	2,199
Inventory impairment loss....	563	973
Uniform capitalization of overhead.....	3,055	1,911
Post development completion costs.....	2,972	1,763
Other.....	1,164	786
Total.....	9,988	8,559
Net Deferred Tax Assets.....	\$(7,524)	\$(6,269)

The effective tax rates varied from the expected rate. The sources of these differences were as follows:

	Year Ended		Eight Months Ended	Year Ended
	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994
Computed "expected" tax rate.....	35.0%	35.0%	(35.0%)	35.0%
State income taxes, net of Federal income tax benefit.....	3.2%	6.9%	4.7%	1.8%
Loss carryforward of New Fortis subsidiary.....	--	--	--	(2.1%)
Company owned life insurance.....	(2.9%)	(4.4%)	(3.7%)	(2.0%)
Low income housing tax credit....	(5.3%)	(4.2%)	(2.8%)	--
Other.....	.9%	1.5%	4.1%	(1.0%)
Effective tax rate.....	30.9%	34.8%	(32.7%)	31.7%

The Company has state net operating loss carryforwards for financial reporting and tax purposes of \$280,000,000 due to expire between the years October 31, 1997 and October 31, 2011.

10. REDUCTION OF INVENTORY TO FAIR VALUE

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 cashflows estimated to be generated by those assets are less than their related carrying amounts. As of October 31, 1996 and October 31, 1995, inventory with a carrying amount of \$2,240,000 and \$10,701,000, respectively, was written down by \$1,289,000 and \$4,142,000, respectively, to its fair value. This was based on the Company's evaluation of the expected revenue, cost to complete including interest and selling cost. The writedowns during the years ended October 31, 1996 and October 31, 1995 were primarily attributable to one community in New York, one in New Jersey, two in Florida and four communities in Metro Washington, D.C.

Also in accordance with FAS 121, the Company records impairment losses on inventories and long lived assets held for sale when the related carrying amount exceeds the fair value less the selling cost. As of October 31, 1996 and October 31, 1995, inventory with a carrying amount of \$12,031,000 and \$18,956,000, respectively, was written down by \$3,795,000 and \$5,492,000, respectively, to its fair value. The writedowns during the years ended October 31, 1996 and October 31, 1995 were attributable to land held for sale in New Jersey, Pennsylvania, Metro Washington, D.C. and Florida. During the year ended October 31, 1996, of the land parcels liquidated, the Company recovered the carrying value or recognized insubstantial losses on the land held for sale.

The total aggregate impairment losses, which are presented in the consolidated statements of income, on the inventory held for development and the land held for sale were \$1,608,000 and \$2,780,000 for the years ended October 31, 1996 and October 31, 1995, respectively.

During the eight months ended October 31, 1994, the Company provided reserves of \$6.4 million to reduce certain residential properties to their estimated net realizable values. The October 31, 1994 reserve was primarily attributable to three communities, one each in New York, New Hampshire and Pennsylvania. As

of October 31, 1996, only lots in Pennsylvania remain. During the twelve months ended October 31, 1995 and the eight months ended October 31, 1994 and the year ended February 28, 1994, the Company charged \$3,886,000, \$5,209,000 and \$4,176,000, respectively, of costs relating to construction, operations, selling, general and administration and interest, against reserves for losses realized from the sales of certain homes and land parcels.

11. TRANSACTIONS WITH RELATED PARTIES

The Company's Board of Directors has adopted a general policy providing that it will not make loans to officers or directors of the Company or their relatives at an interest rate less than the interest rate at the date of the loan on six month U.S. Treasury Bills, that the aggregate of such loans will not exceed \$2,000,000 at any one time, and that such loans will be made only with the approval of the members of the Company's Board of Directors who have no interest in the transaction. At October 31, 1996 and 1995 related party receivables from officers and directors amounted to \$1,908,000 and \$1,954,000, respectively. Notwithstanding the policy stated above, the Board of Directors of the Company concluded that the following transactions were in the best interests of the Company.

On March 1, 1990, the Company sold all the assets and liabilities of its wholly-owned engineering subsidiary Najarian and Associates ("N & A") to the employees of N & A for \$3,600,000. One of these employees and former President of N & A was Tavit O. Najarian, the son-in-law of Mr. K. Hovnanian, Chairman of the Board and Director of the Company. The sale was approved by members of the Company's Board of Directors who were not related to Mr. Najarian. At the closing the Company received a cash payment of \$720,000 and a \$2,880,000 note. Originally the note carried an annual interest rate of 10% and was to amortize over ten years. As long as any portion of the note is outstanding, the Company receives 25% of the net cash flow. During the year ended February 29, 1992, N & A began to experience a significant decrease in business activity. As a result, the note was modified by changing the interest rate to prime, add accrued interest from September 1, 1991 to September 1, 1992 to principal and reschedule principal payments over the balance of the term of the note. As a result of continued financial difficulties, a committee consisting of independent directors of the Board of Directors of the Company (the "Committee") engaged an outside consultant to determine the fair market value of the above note. Based on the consultant's findings, the Committee recommended a reduction in the note including accrued interest from \$2,983,000 to \$1,100,000 at February 28, 1994. This reduction of the note was charged to operations during the year ended February 28, 1994. In addition, the Committee recommended a new term of ten years with annual interest on the note of 5% for the first two years adjusting to prime thereafter. Amortization would begin in year three with an annual minimum amount of 5%, ranging up to 30% in year 10, or 85% of cash flow after interest, whichever is greater. The Committee also recommended a \$300,000 discount if the loan was paid in full during the first two years. During the year ended October 31, 1996, the loan plus accrued interest was paid in full net of the \$300,000 prepayment discount which was charged to operations.

The Company provides property management services to various limited partnerships including one partnership in which Mr. A. Hovnanian, President and a Director of the Company, is a general partner, and members of his family and certain officers and directors of the Company are limited partners. At October 31, 1996, no amounts were due the Company by these partnerships.

On May 10, 1994, the Board of Directors approved the acquisition of the 10% minority interest in certain Florida subsidiaries owned by Paul W. Asfahl, then President of the Company's Florida Division. For his 10% interest, the Company issued 45,000 shares of Class A Common Stock to Mr. Asfahl.

On August 2, 1994, the Board of Directors approved the acquisition of the 15% minority interest in the New Fortis Corporation owned primarily by Marvin D. Gentry, President of the New Fortis Corporation. For the 15% interest, the Company issued 135,000 shares of Class A Common Stock to Mr. Gentry and the other owners.

12. STOCK OPTION PLAN

The Company has a stock option plan for certain officers and key employees. Options are granted by a Committee appointed by the Board of Directors. The exercise price of all stock options must be at least equal to the fair market value of the underlying shares on the date of the grant. Stock option transactions are summarized as follows:

	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994
	-----	-----	-----	-----
Options outstanding at beginning of period.....	1,176,000	938,500	938,500	1,004,000

Granted.....	--	270,000	--	--
Exercised.....	--	15,000	--	58,500
Cancelled.....	20,000	17,500	--	7,000
	-----	-----	-----	-----
Options outstanding at end of period.....	1,156,000	1,176,000	938,500	938,500
	=====	=====	=====	=====
Options exercisable at end of period.....	996,000	748,667	598,833	598,833
Price range of options exercised.....	--	\$5.13	--	\$3.00-\$9.44
Price range of options outstanding.....	\$5.13-\$11.50	\$5.13-\$11.50	\$5.13-\$11.50	\$5.13-\$11.50

Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" establishes a fair value based method of accounting for stock-based compensation plans, including stock options. The disclosure requirements of this Statement shall be effective for financial statements for fiscal years beginning after December 15, 1995. However, registrants may elect to continue accounting for stock option plans under Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees," but will be required to provide proforma net income and earnings per share information "as if" the new fair value approach had been adopted. Because the Company intends to continue accounting for its stock option plan under APB 25, there would have been no impact on the Company's financial statements resulting from adoption.

13. COMMITMENTS AND CONTINGENT LIABILITIES

During fiscal 1989, the Company became aware that certain fire-retardant plywood commonly used in the roof construction of multi-family homes may contain a product defect causing accelerated deterioration of the plywood. The Company has determined that such plywood was used principally in 33 of its communities containing approximately 11,750 homes.

Common areas, including roofs, in each of the Company's multi-family condominium developments are governed and controlled by homeowners' associations for each development, rather than by individual homeowners. Certain of the 33 homeowners' associations in the affected developments have asserted claims against the Company. As of October 31, 1994, the Company had entered separate settlement agreements with 31 of the 33 associations, (the "Settling Associations") covering 10,850 homes. In December 1994, the Company entered into a settlement agreement with the two remaining associations on substantially the same terms as the earlier settlements.

In August 1989 the Company brought suit against the plywood material manufacturers, treaters, suppliers and others (the "Defendants") to determine the proper responsibility for damages, to protect its interests and to recover its damages.

In November 1992, the Company and the Settling Associations entered into a settlement agreement with most of the Defendants. Based upon the settlement monies received, the use of the Settling Associations' roof shingle reserves and the actual expenditures in performing the repairs, the Company believes the repair costs will not require it to set aside future reserves for such roof repairs.

In addition, the Company is involved from time to time in litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on the Company.

As of October 31, 1996 and 1995, respectively, the Company is obligated under various performance letters of credit amounting to \$8,433,000 and \$7,397,000.

14. UNAUDITED SUMMARIZED CONSOLIDATED QUARTERLY INFORMATION

Summarized quarterly financial information for the years ended October 31, 1996, October 31, 1995, the eight months ended October 31, 1994, and the year ended February 28, 1994 is as follows:

	Three Months Ended			
	October 31, 1996	July 31, 1996	April 30, 1996	January 31, 1996
	-----	-----	-----	-----
	(In Thousands Except Per Share Data)			
Revenues.....	\$342,049	\$195,812	\$152,464	\$117,139
Expenses.....	\$323,474	\$191,280	\$150,881	\$116,823

Income before income taxes.....	\$ 18,575	\$ 4,532	\$ 1,583	\$ 316
State and Federal income tax.....	\$ 6,146	\$ 1,422	\$ 335	\$ (184)
Net income.....	\$ 12,429	\$ 3,110	\$ 1,248	\$ 500
Earnings per common share.....	\$ 0.54	\$ 0.13	\$ 0.06	\$ 0.02
Weighted average number of common shares outstanding.....	23,037	23,037	23,037	23,037

Three Months Ended

October 31, 1995	July 31, 1995	April 30, 1995	January 31, 1995
---------------------	------------------	-------------------	---------------------

(In Thousands Except Per Share Data)

Revenues.....	\$331,712	\$173,153	\$147,284	\$125,596
Expenses.....	\$314,650	\$170,082	\$146,551	\$124,808
Income before income taxes.....	\$ 17,062	\$ 3,071	\$ 733	\$ 788
State and Federal income tax.....	\$ 6,432	\$ 986	\$ 54	\$ 54
Net income.....	\$ 10,630	\$ 2,085	\$ 679	\$ 734
Earnings per common share.....	\$ 0.46	\$ 0.09	\$ 0.03	\$ 0.03
Weighted average number of common shares outstanding.....	23,037	23,037	23,032	23,022

Two Months Ended October 31, 1994	Three Months Ended August 31, 1994	May 31, 1994
---	--	-----------------

(In Thousands Except Per Share Data)

Revenues.....	\$149,215	\$138,381	\$ 98,989
Expenses.....	\$157,333	\$141,289	\$103,468
Loss before income taxes.....	\$ (8,118)	\$ (2,908)	\$ (4,479)
State and Federal income tax.....	\$ (3,149)	\$ (426)	\$ (1,500)
Net loss.....	\$ (4,969)	\$ (2,482)	\$ (2,979)
Loss per common share.....	\$ (.22)	\$ (.11)	\$ (.13)
Weighted average number of common shares outstanding.....	22,906	22,887	22,849

Three Months Ended

February 28, 1994	November 30, 1993	August 31, 1993	May 31, 1993
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(In Thousands Except Per Share Data)

Revenues.....	\$257,691	\$143,078	\$123,291	\$ 62,950
Expenses.....	\$241,046	\$136,157	\$116,093	\$ 64,563
Income (loss) before income taxes and extraordinary loss.....	\$ 16,645	\$ 6,921	\$ 7,198	\$ (1,613)
State and Federal income tax.....	\$ 5,277	\$ 2,152	\$ 2,426	\$ (626)
Income (loss) before extraordinary loss.....	\$ 11,368	\$ 4,769	\$ 4,772	\$ (987)
Extraordinary loss from extinguishment of debt, net of income taxes.....				\$ (1,277)
Net income (loss).....	\$ 11,368	\$ 4,769	\$ 4,772	\$ (2,264)
Earnings (loss) per common share:				
Income (loss) before extraordinary loss.....	\$.50	\$.21	\$.21	\$ (.05)
Extraordinary loss.....				\$ (.05)
Net income (loss).....	\$.50	\$.21	\$.21	\$ (.10)
Weighted average number of common shares outstanding.....	22,842	22,839	22,818	22,784

SCHEDULE VIII
HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE FEB. 28, 1993	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	DESCRIP- TION	CHARGED TO OTHER ACCOUNTS	DESCRIP- TION	BALANCE FEB 28, 1994
Land and land development costs	\$ 6,436,000		\$3,164,000	Closings	\$2,091,000	Reclass	\$ 5,363,000
Land, land options and costs of comm.							

in planning	4,846,000			(2,091,000)	Reclass	2,755,000
Rental property	2,387,000		1,012,000	Closings		1,375,000
Income producing property under development	98,000					98,000
	<u>\$13,767,000</u>		<u>\$4,176,000</u>		<u>\$0</u>	<u>\$ 9,591,000</u>

DESCRIPTION	BALANCE FEB. 28, 1994	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	DESCRIP-TION	CHARGED TO OTHER ACCOUNTS	DESCRIP-TION	BALANCE OCT. 31, 1994
Land and land development costs	\$ 5,363,000	\$5,762,000	\$3,370,000	Closings			\$ 7,755,000
Land, land options and costs of comm. in planning	2,755,000		1,123,000	Closings			1,632,000
Rental property	1,375,000	595,000	716,000	Closings			1,254,000
Income producing property under development	98,000						98,000
	<u>\$ 9,591,000</u>	<u>\$6,357,000</u>	<u>\$5,209,000</u>				<u>\$10,739,000</u>

DESCRIPTION	BALANCE OCT. 31, 1994	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	DESCRIP-TION	CHARGED TO OTHER ACCOUNTS	DESCRIP-TION	BALANCE OCT. 31, 1995
Land and land development costs	\$ 7,755,000		\$2,796,000	Closings	\$4,959,000	FASB 121	\$0
Land, land options and costs of comm. in planning	1,632,000				1,632,000	FASB 121	0
Rental property	1,254,000		1,089,000	Closings	165,000	FASB 121	0
Income producing property under development	98,000				98,000	FASB 121	0
	<u>\$10,739,000</u>		<u>\$3,885,000</u>		<u>\$6,854,000</u>		<u>\$0</u>

SCHEDULE X
HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
SUPPLEMENTAL INCOME STATEMENT INFORMATION

Charged To Cost And Expenses

	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994
Advertising.....	\$11,513,000	\$12,899,000	\$ 6,368,000	\$ 8,587,000
Depreciation.....	\$ 5,246,000	\$ 4,095,000	\$ 2,508,000	\$ 3,035,000
Maintenance guarantee reserves.	\$ 682,000	\$ 1,248,000	\$ 669,000	\$ 1,237,000

SCHEDULE XI
HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
OCTOBER 31, 1996

Gross Amounts (A)(B)(C)(D)

Description	Land	Building/Improvements	Total	Tax Basis	Accumulated Depreciation
1 Society Hill Florida Lake Worth, FL Condominiums	0	\$ 258,000	\$ 258,000	\$ 258,000	0
2.North Center Drive North Brunswick, NJ	\$ 636,000	7,394,000	8,030,000	7,735,000	\$ 1,336,000

3	Flex Building K.Hovnanian Corp.Center West Palm Beach, FL Office Building	541,000	5,232,000	5,773,000	5,773,000	1,343,000
4	Hovnanian Corp.Center North Brunswick, NJ Retail	1,000,000	4,752,000	5,752,000	5,568,000	1,284,000
5	Piscataway Retail Piscataway, NJ Retail Center	1,743,000	10,540,000	12,283,000	12,083,000	2,166,000
6	Hovnanian Corp. Center North Brunswick, NJ Office/Warehouse	616,000	8,682,000	9,298,000	9,298,000	3,419,000
7	Cypress Plaza Jacksonville, FL Retail Center	1,504,000	7,028,000	8,532,000	8,350,000	838,000
8	Hidden Meadows Ocean Twp, NJ Senior Rentals	544,000	5,740,000	6,284,000	6,284,000	480,000
9	North Brunswick V North Brunswick, NJ Retail/Land Under Development	238,000	692,000	930,000	930,000	13,000
10	Norfolk Village Mahwah, NJ Senior Rentals	640,000	5,462,000	6,102,000	6,102,000	230,000
11	Miscellaneous New Jersey Leasehold Improvements	0	33,000	33,000	33,000	0
12	Hovnanian Corp. Center North Brunswick, NJ Land/Land Improvement Approval & Flex Building Under Construction	2,591,000	5,216,000	7,807,000	6,985,000	0
13	Newark Shopping Center Newark, NJ Land Improvement and Approval Costs	0	1,496,000	1,496,000	1,495,000	0
14	Merrimack Commercial Merrimack, NH Land/Land Improvement Costs	75,000	100,000	175,000	175,000	0
15	Cypress Plaza Jacksonville, FL Land/Land Improvement and Approval Costs	1,104,000	417,000	1,521,000	1,521,000	0
16	Jensen Beach Club Jensen Beach, FL Land/Land Improvement and Approval Costs	190,000	0	190,000	190,000	0
17	North Brunswick V North Brunswick, NJ Retail/Land Under Development	975,000	785,000	1,760,000	1,540,000	0
18	NB Theatre North Brunswick, NJ Land/Land Improvement	3,000	199,000	202,000	202,000	0
19	Allaire Wall, NJ Land/Land Improvement	50,000	26,000	76,000	76,000	0
		\$12,450,000	\$64,052,000	\$76,502,000	\$74,598,000	\$11,109,000
		=====	=====	=====	=====	=====

(A) Fiscal Year Construction Completed:

- 1 - 1985
- 2 through 3 - 1987
- 4 through 7 - 1990
- 8 through 9 - 1993
- 10 - 1995
- 11 through 19 - not completed

(B) Depreciable Life:

40 years - Depreciation expense was \$2,665,000 for the year ended October 31, 1996.
 Depreciation expense was \$1,973,000 for the year ended October 31, 1995.
 Depreciation expense was \$1,175,000 for the eight months ended October 31, 1994, and \$1,408,000 for the twelve months ended February 28, 1994.

(C) Items marked 11 through 19 consist of land improvement, building construction, and approval costs on land held for future development.

Balance - February 28, 1994	\$ 83,807,000
Additions: Improvements	2,249,000
Transfers from inventories	145,000
Deletions: Cost of rental condominiums sold	(1,806,000)
Cost of commercial center sold	(1,243,000)
Cost of mini storage sold	(3,892,000)

Balance - October 31, 1994	79,260,000

Additions: Improvement	840,000
Construction	5,779,000
Deletions: Cost of rental condominiums sold	(1,760,000)

Balance - October 31, 1995	84,119,000

Additions: Improvements	1,115,000
Deletions: Cost of rental condominiums sold	(152,000)
Cost of commercial center sold	(8,457,000)
Cost of commercial land sold	(114,000)
Cost of inventory sold	(9,000)

Balance - October 31, 1996	\$ 76,502,000
	=====

Balance at October 31, 1996 is reported on the consolidated balance sheet as rental and income producing properties under development.

EXHIBIT 21
SUBSIDIARY LISTING

K. Hovnanian Equities, Inc.
EXC, Inc.
K. Hovnanian Companies of North Carolina, Inc.
KHL, Inc.
Hovnanian Texas, Inc.
Hovnanian Georgia, Inc.
Hovnanian Financial Services III, Inc.
K. Hovnanian Mortgage USA, Inc.
Hovnanian Financial Services IV, Inc.
K. Hovnanian Developments of New Jersey, Inc.
KHE Finance, Inc.
K. Hov International, Inc.
Hovnanian Financial Services II, Inc.
New Fortis Investment
Hovnanian Financial Services I, Inc.
K. Hovnanian Enterprises, Inc.
Hovnanian Pennsylvania, Inc.
Recreational Development Co., Inc.
K. Hovnanian Marine, Inc.
K. Hovnanian Aviation, Inc.
K. Hovnanian Companies of North Jersey, Inc.
K. Hovnanian at Montville, Inc.
K. Hovnanian at Wayne, Inc.
K. Hovnanian at Mahwah IV, Inc.
K. Hovnanian at Morris II, Inc.
K. Hovnanian at Mahwah II, Inc.
K. Hovnanian at Mahwah III, Inc.
K. Hovnanian @ Northern Westchester, Inc.
K. Hovnanian at Hanover, Inc.
K. Hovnanian at Montville II, Inc.
K. Hovnanian @ Newark Urban Renewal Corp.I, Inc.
K. Hovnanian @ Newark I, Inc.
K. Hovnanian @ Newark Urban Renewal Corp.II, Inc.
Jersey City Danforth CSO
K. Hovnanian @ Newark Urban Renewal Corp.III, Inc.
K. Hovnanian @ Newark Urban Renewal Corp. IV, Inc.
K. Hovnanian @ Newark Urban Renewal Corp. V, Inc.
K. Hovnanian at Jersey City I, Inc.
K. Hovnanian at Jersey City II, Inc.(Phase 2A)
K. Hovnanian at Jersey City III, Inc.
K. Hovnanian at Mahwah VI, Inc.
K. Hovnanian at Jersey City II, Inc.(Phase 2B)
K. Hovnanian at Mahwah VII, Inc.
K. Hovnanian at Montclair, N.J., Inc.
K. Hovnanian at Horizon Heights, Inc.
K. Hovnanian at Reservoir Ridge, Inc.
K. Hovnanian at Mahwah V, Inc.
K. Hovnanian at Mahwah VIII, Inc.
K. Hovnanian of North Jersey, Inc. (Hudson River)
Montego Bay I Acquisition Corp., Inc.
Montego Bay Associates Limited I, LP (MBAI)
Montego Bay II Acquisition Corp., Inc.
Montego Bay Associates Limited II, LP (MBAII)
0515 Co., Inc.
K. Hovnanian at North Brunswick IV, Inc.
K. Hovnanian Properties of North Brunswick IV, Inc.
Arrow Properties, Inc.
KHIPE, Inc.
Pine Brook Company, Inc.
K. Hovnanian Properties of North Brunswick II, Inc.
K. Hovnanian Properties of Galloway, Inc.
K. Hovnanian @ Cedar Grove I, Inc.
K. Hovnanian @ Cedar Grove II, Inc.
K. Hovnanian Properties of Piscataway, Inc.
K. Hovnanian Properties of North Brunswick I, Inc.
Molly Pitcher Renovations, Inc.
K. Hovnanian Properties of East Brunswick II, Inc.
K. Hovnanian Investment Properties of N.J., Inc.
K. Hovnanian Investment Properties, Inc.
Hovnanian Properties of Atlantic County, Inc.
K. Hovnanian Properties of Newark Urban Renewal Corporation, Inc.
K. Hovnanian Properties of Hamilton, Inc.
K. Hovnanian Properties of Franklin, Inc.
K. Hovnanian Properties of North Brunswick III, Inc.
K. Hovnanian Properties of Franklin II, Inc.
K. Hovnanian at Jacksonville, Inc.
K. Hovnanian Properties of North Brunswick V, Inc.
K. Hovnanian Properties of Wall, Inc.
K. Hovnanian at Pompano Beach, Inc.

Hovnanian Properties of Lake Worth, Inc.
Landarama, Inc.
K. Hovnanian Companies Northeast, Inc.
Parthenon Group
Minerva Group
K. Hovnanian Companies of Central Jersey, Inc.
K. Hovnanian Real Estate Investment, Inc.
K. Hovnanian at Princeton, Inc.
K. Hovnanian at South Brunswick III, Inc.
K. Hovnanian at South Brunswick IV, Inc.
K. Hovnanian at Plainsboro I, Inc.
K. Hovnanian at Plainsboro II, Inc.
K. Hovnanian at Klockner Farms, Inc.
K. Hovnanian at South Brunswick II, Inc.
K. Hovnanian at Hopewell III, Inc.
K. Hovnanian at Hopewell I, Inc.
K. Hovnanian at South Brunswick, Inc.
K. Hovnanian at East Windsor I, Inc.
K. Hovnanian at North Brunswick II, Inc.
K. Hovnanian at North Brunswick III, Inc.
K. Hovnanian at Hopewell II, Inc.
K. Hovnanian at Somerset VIII, Inc.
K. Hovnanian at Lawrence Square, Inc.
Dryer Associates, Inc.
K. Hovnanian at East Brunswick V, Inc.
K. Hovnanian at Bernards II, Inc.
K. Hovnanian at Bridgewater III, Inc.
K. Hovnanian at Plainsboro III, Inc.
K. Hovnanian at Somerset V, Inc.
K. Hovnanian at Somerset VI, Inc.
Eastern Title Agency, Inc.
K. Hovnanian Mortgage, Inc.
Governors Abstract
Eastern National Title Insurance Agency, Inc.
Founders Title Agency, Inc.
K. Hovnanian Companies North Central Jersey, Inc.
K. Hovnanian at Bedminster, Inc.
K. Hovnanian at Bridgewater IV, Inc.
K. Hovnanian at Branchburg III, Inc.
K. Hovnanian at Spring Ridge, Inc.
K. Hovnanian at Bridgewater V, Inc.
K. Hovnanian at Readington, Inc.
K. Hovnanian at Branchburg II, Inc.
K. Hovnanian at Bridgewater II, Inc.
K. Hovnanian at Branchburg I, Inc.
K. Hovnanian Companies Jersey Shore, Inc.
K. Hovnanian at Wall Township, Inc.
K. Hovnanian at Galloway VIII, Inc.
K. Hovnanian at Dover Township, Inc.
K. Hovnanian at Galloway VII, Inc.
K. Hovnanian at Tinton Falls II, Inc.
K. Hovnanian at Ocean Township, Inc.
K. Hovnanian at Wall Township II, Inc.
K. Hovnanian at Wall Township III, Inc.
K. Hovnanian at Holmdel Township, Inc.
K. Hovnanian at Wall Township IV, Inc.
K. Hovnanian at Wall Township V, Inc.
K. Hovnanian at Atlantic City, Inc.
K. Hovnanian at Ocean Township II, Inc.
K. Hovnanian at Ocean Township, Inc.
K. Hovnanian at Marlboro Township, Inc.
K. Hovnanian at Howell Township, Inc.
K. Hovnanian at Howell Township II, Inc.
K. Hovnanian at Woodbury Oaks, Inc.
K. Hovnanian at Freehold Township, Inc.
K. Hovnanian at Lakewood, Inc.
K. Hovnanian Companies of the Delaware Valley, Inc.
K. Hovnanian Co. of Delaware Valley, Inc. Brokerage Company
K. Hovnanian at Lower Saucon, Inc.
K. Hovnanian at Perkiomen I, Inc.
K. Hovnanian at Montgomery I, Inc.
K. Hovnanian at Upper Merion, Inc.
K. Hovnanian at Perkiomen II, Inc.
K. Hovnanian Companies of South Jersey, Inc.
K. Hovnanian at Valleybrook, Inc.
Kings Grant Evesham Corp.
K. Hovnanian at Burlington, Inc.
K. Hovnanian at Medford I, Inc.
K. Hovnanian at The Reserve @ Medford, Inc.
K. Hovnanian at Kings Grant I, Inc.
K. Hovnanian at Valleybrook II, Inc.
K. Hovnanian Real Estate of Florida, Inc.
Hovnanian Developments of Florida, Inc.

K. Hovnanian Companies of Florida, Inc.
Hovnanian of Palm Beach II, Inc.
Hovnanian of Palm Beach III, Inc.
Hovnanian of Palm Beach IV, Inc.
Hovnanian of Palm Beach V, Inc.
Hovnanian of Palm Beach VI, Inc.
Hovnanian of Palm Beach VII, Inc.
Hovnanian of Palm Beach VIII, Inc.
Hovnanian of Palm Beach IX, Inc.
Hovnanian at Tarpon Lakes I, Inc.
Hovnanian at Tarpon Lakes II, Inc.
Hovnanian at Tarpon Lakes III, Inc.
K. Hovnanian at Pasco I, Inc.
K. Hovnanian at Ft. Myers I, Inc.
K. Hovnanian at Palm Beach XI, Inc.
K. Hovnanian at Jensen Beach, Inc.
Hovnanian of Palm Beach X, Inc.
K. Hovnanian at Martin Downs I, Inc.
K. Hovnanian at Jacksonville I, Inc.
K. Hovnanian at Ft. Myers II, Inc.
K. Hovnanian at Lawrence Grove, Inc.
K. Hovnanian at Jacksonville II, Inc.
K. Hovnanian of Palm Beach XIII, Inc.
Hovnanian of Palm Beach, Inc.
K. Hovnanian at Half Moon Bay, Inc.
K. Hovnanian at Woodridge Estates, Inc.
Pike Utilities, Inc.
Tropical Service Builders, Inc.
K. Hovnanian at Embassy Lakes, Inc.
K. Hovnanian at Delray Beach II, Inc.
K. Hovnanian at Orlando I, Inc.
K. Hovnanian at Orlando II, Inc.
K. Hovnanian at Orlando III, Inc.
K. Hovnanian at Martin Downs II, Inc.
K. Hovnanian at Orlando IV, Inc.
K. Hovnanian Properties of Orlando, Inc.
K. Hovnanian at Delray Beach I, Inc.
K. Hovnanian at Pasco II, Inc.
K. Hovnanian at Port St. Lucie I, Inc.
K. Hovnanian at Delray Beach, Inc.
Eastern National Title Insurance Agency, Inc.
K. Hovnanian Mortgage of Florida, Inc.
South Florida Residential Title Agency, Inc.
Eastern National Title Insurance Agency I, Inc.
Western Financial Services, Inc.
r. e. Scott Mortgage co. of Florida, Inc.
New K. Hovnanian Developments of Florida, Inc.
New K. Hovnanian Companies of Florida, Inc.
K. Hovnanian at Fairway Views, Inc.
K. Hovnanian at Lake Charleston, Inc.
K. Hovnanian at Carolina Country Club I, Inc.
K. Hovnanian at Chapel Trail, Inc.
K. Hovnanian at Winston Trails, Inc.
K. Hovnanian at Lakes of Boca Raton, Inc.
K. Hovnanian at Lake Charleston II, Inc.
K. Hovnanian at Lake Charleston III, Inc.
K. Hovnanian at Carolina Country Club II, Inc.
K. Hovnanian at Winston Trails, Inc.
K. Hovnanian at Pembroke Isles, Ins.
K. Hovnanian at Carolina Country Club III, Inc.
K. Hovnanian at Coconut Creek, Inc.
K. Hovnanian at Polo Trace, Inc.
K. Hovnanian Companies of New York, Inc.
K. Hovnanian at Westchester, Inc.
K. Hovnanian at Peekskill, Inc.
K. Hovnanian at Washingtonville, Inc.
K. Hovnanian at Mahopac, Inc.
K. Hovnanian at Carmel, Inc.
K. Hovnanian Developments of New York, Inc.
Cedar Hill Water Corporation
Cedar Hill Sewer Corporation
R.C.K. Community Management Co., Inc.
K. Hovnanian Companies of Massachusetts, Inc.
K. Hovnanian at Merrimack, Inc.
K. Hovnanian at Merrimack II, Inc.
K. Hovnanian at Taunton, Inc.
New England Community Management Co., Inc.
K. Hovnanian Cos. of Metro Washington, Inc.
K. Hovnanian at Ashburn Village, Inc.
K. Hovnanian at Woodmont,, Inc.
K. Hovnanian at Sully Station, Inc.
K. Hovnanian at Bull Run, Inc.
K. Hovnanian at Montclair, Inc.

K. Hovnanian at River Oaks, Inc.
K. Hovnanian at Holly Crest, Inc.
K. Hovnanian at Woodmont, Inc.
K. Hovnanian at Montclair, Inc.(Montclair Condos)
K. Hovnanian at Fair Lakes, Inc.
K. Hovnanian at Ashburn Village, Inc.
K. Hovnanian at Park Ridge, Inc.
K. Hovnanian at Belmont, Inc.
K. Hovnanian at Fair Lakes Glen, Inc.
K. Hovnanian Developments of Metro Washington, Inc.
K. Hovnanian at River Oaks, Inc.
K. Hovnanian at Montclair, Inc. (Montclair Laing)
K. Hovnanian Companies of California, Inc.
K. Hovnanian at Clarkstown, Inc.
K. Hovnanian at West Orange, Inc.
K. Hovnanian at Wayne III, Inc.
K. Hovnanian at Wayne IV, Inc.
K. Hovnanian at Wayne V, Inc.
K. Hovnanian at Hackettstown, Inc.
K. Hovnanian at Spring Mountain, Inc.
K. Hovnaian at East Windsor II, Inc.
K. Hovnanian Treasure Coast, Inc.
K. Hovnanian at La Terraza, Inc.
K. Hovnanian at Highland Vineyards, Inc.
K. Hovnanian Companies of Southern California II, Inc.
K. Hovnanian at Vail Ranch, Inc.
K. Hovnanian at Carmel Del Mar, Inc.
K. Hovnanian at Calabria, Inc.
K. Hovnanian Developments of California, Inc.
K. Hovnanian at Ballantrae, Inc.
Ballantrae Home Sales, Inc.
K. Hovnanian at Hunter Estates, Inc.
K. Hovnanian Developments of Maryland, Inc.
K. Hovnanian Companies of Maryland, Inc.
K. Hovnanian at Seneca Crossing, Inc.
K. Hovnanian at Exeter Hills, Inc.
K. Hovnanian Southeast Florida, Inc.
K. Hovnanian Florida Region, Inc.
K. Hovnanian at East Brunswick VI, Inc.
K. Hovnanian at Berlin, Inc.
K. Hovnanian at Bedminster II, Inc.
K. Hovnanian at Marlboro Township II, Inc.
K. Hovnanian at Inverrary I, Inc.
K. Hovnanian at Mahwah IX, Inc.
K. Hovnanian at Hopewell IV, Inc.
K. Hovnanian at Northlake, Inc.
K. Hovnanian at Castile, Inc.
K. Hovnanian at Tierrasanta, Inc.
K. Hovnaian at Bridgewater VI, Inc.
K. Hovnanian at Preston, Inc.
K. Hovnanian at Bernards III, Inc.
K. Hovnanian at Wayne VI, Inc.
K. Hovnanian at Rancho Cristianitos, Inc.
K. Hovnanian at La Trovata, Inc.
K. Hovnanian at Watchung Reserve, Inc.
K. Hovnanian at Windsong East Brunswick, Inc.
K. Hovnanian at South Brunswick V, Inc.
K. Hovnanian at Wall Township III, Inc.
K. Hovnanian at Tannery Hill, Inc.
K. Hovnanian at Upper Freehold Township I, Inc.
K. Hovnanian at Jefferson, Inc.
K. Hovnanian at Hershey's Mill, Inc.
K. Hovnanian at Bernards VI, Inc.
K. Hovnanian at Port Imperial North, Inc.
K. Hovnanian at Hopewell V, Inc.
K. Hovnanian at Hopewell VI, Inc.
K. Hovnanian at Manalapan II, Inc.
K. Hovnanian at Union Township, Inc.
K. Hovnanian at Wayne VII, Inc.
K. Hovnanian at Scotch Plains II, Inc.
K. Hovnanian at Thornbury, Inc.
K. Hovnanian at Cameron Chase, Inc.
K. Hovnanian at Marlboro Township IV, Inc.
K. Hovnanian at Port Imperial Urban Renewal, Inc.

12-MOS
OCT-31-1996
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20,731
0
26,442
0
376,307
520,802
33,221
14,970
614,111
176,269
244,220
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0
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17,287
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0.75