SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10Q

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

For quarterly period ended JULY 31, 1997 or

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

Commission file number 1-8551

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

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

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

908-747-7800
(Registrant's telephone number, including area code)
Same
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 14,521,465 Class A Common Shares and 7,765,788 Class B Common Shares were outstanding as of August 29, 1997.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

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

Signatures 20

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

ASSETS	July 31, 1997	October 31, 1996
Homebuilding:		
Cash and cash equivalents	$ 9,058	$ 16,535
Inventories - At cost, not in excess of fair value:		
Sold and unsold homes and lots under development	421,047	314,630
Land and land options held for future development or sale	47,066	61,677
Total Inventories	468,113	376,307
Receivables, deposits, and notes	44,543	26,442
Property, plant, and equipment - net	18,403	18,251
Prepaid expenses and other assets	41,739	31,939
Total Homebuilding	581,856	469,474
Financial Services:		
Cash and cash equivalents	1,157	4,196
Mortgage loans held for sale	21,818	57,812
Other assets	1,900	3,217
Total Financial Services	24,875	65,225
Investment Properties:		
Held for sale:		
Rental property - net	33,994	
Land and improvements	11,954	
Other assets	1,510	
Held for investment:		
Rental property - net	11,447	51,892
Land, improvements and land option		13,502
Other assets	1,774	3,292
Total Investment Properties	60,679	68,686
Collateralized Mortgage Financing:		
Collateral for bonds payable	8,566	9,478
Other assets	370	576
Total Collateralized Mortgage Financing	8,936	10,054
Income Taxes Receivable - Including deferred tax benefits	17,541	672
Total Assets	$693,887	$614,111

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	July 31, 1997	October 31, 1996
Homebuilding:		
Nonrecourse land mortgages	$ 23,674	$ 25,151
Accounts payable and other liabilities	35,385	45,146
Customers' deposits	26,520	12,371
Nonrecourse mortgages secured by operating properties	3,853	3,918
Total Homebuilding	89,432	86,586
Financial Services:		
Accounts payable and other liabilities	998	1,631
Mortgage warehouse line of credit	19,921	55,196
Total Financial Services	20,919	56,827
Investment Properties:		
Accounts payable and other liabilities	1,083	721
Nonrecourse mortgages secured by rental property	30,729	31,071
Total Investment Properties	31,812	31,792
Collateralized Mortgage Financing:		
Accounts payable and other liabilities	10	11
Bonds collateralized by mortgages receivable	8,159	9,231
Total Collateralized Mortgage Financing	8,169	9,242
Notes Payable:		
Revolving credit agreement	174,050	30,000
Subordinated notes	190,000	200,000
Accrued interest	5,209	6,042
Total Notes Payable	369,259	236,042
Total Liabilities	519,591	420,489
Stockholders' Equity:		
Preferred Stock,$.01 par value-authorized 100,000 shares; none issued		
Common Stock,Class A,$.01 par value-authorized 87,000,000 shares; issued 15,601,117 shares (including 1,095,674 shares held in Treasury)	156	155
Common Stock,Class B,$.01 par value-authorized 13,000,000 shares; issued 8,127,684 shares (including 345,874 shares held in Treasury)	81	82
Paid in Capital	33,935	33,935
Retained Earnings	150,053	164,749
Treasury Stock - at cost	(9,929)	(5,299)
Total Stockholders' Equity	174,296	193,622
Total Liabilities and Stockholders' Equity	$693,887	$614,111

See notes to consolidated financial statements.

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1997	1996	1997	1996
Revenues:				
Homebuilding:				
Sale of homes	$186,684	$187,128	$438,034	$439,202
Land sales and other revenues	13,502	2,940	17,357	9,376
Total Homebuilding	200,186	190,068	455,391	448,578
Financial Services	2,577	2,690	6,363	6,358
Investment Properties	2,091	2,240	6,579	8,790

Collateralized Mortgage Financing....	253	814	653	1,689
Total Revenues..................	205,107	195,812	468,986	465,415
Expenses:				
Homebuilding:				
Cost of sales.....................	163,716	159,571	381,628	376,794
Selling, general and administrative	16,346	14,447	38,063	34,507
Inventory impairment loss..........	-	559	13,475	559
Total Homebuilding..............	180,062	174,577	433,166	411,860
Financial Services..................	2,474	2,578	7,274	7,359
Investment Properties:				
Operations........................	1,291	1,310	4,495	4,727
Provision for impairment loss......			14,446	
Total Investment Properties......	1,291	1,310	18,941	4,727
Collateralized Mortgage Financing....	208	764	679	1,685
Corporate General and Administration.	3,228	3,179	10,105	10,375
Interest............................	8,572	7,963	22,080	20,359
Other Operations....................	270	909	1,521	2,619
Total Expenses..................	196,105	191,280	493,766	458,984
Income (Loss) Before Income Taxes......	9,002	4,532	(24,780)	6,431
State and Federal Income Taxes:				
State...............................	748	759	990	1,595
Federal.............................	2,034	663	(11,074)	(22)
Total Taxes.......................	2,782	1,422	(10,084)	1,573
Net Income (Loss).....................	$ 6,220	$ 3,110	$(14,696)	$ 4,858
Earnings (Loss) Per Common Share.......	$ 0.27	$ 0.13	$ (0.64)	$ 0.21

See notes to consolidated financial statements.

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

	A Common Stock		B Common Stock					
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, October 31, 1996.	15,135,348	$155	7,901,705	$82	$33,935	$164,749	$(5,299)	$193,622
Conversion of Class B to Class A Common Stock....	119,895	1	(119,895)	(1)				
Net Income................						(14,696)		(14,696)
Treasury stock purchases..	(749,800)						(4,630)	(4,630)
Balance, July 31, 1997....	14,505,443	$156	7,781,810	$81	$33,935	$150,053	$(9,929)	$174,296

See notes to consolidated financial statements.

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

	Nine Months Ended July 31,	
	1997	1996

Cash Flows From Operating Activities:		
Net Income (Loss)	$ (14,696)	$ 4,858
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	3,848	3,747
Gain(loss) on sale and retirement of property and assets	124	(2,130)
Deferred income taxes	(2,986)	3,548
Impairment losses	27,921	559
Decrease (increase) in assets:		
Escrow cash	2,739	(20)
Receivables, prepaids and other assets	(20,187)	(20,068)
Mortgage notes receivable	29,678	18,418
Inventories	(105,281)	(58,648)
Increase (decrease) in liabilities:		
State and Federal income taxes	(13,883)	(3,609)
Customers' deposits	14,451	6,861
Interest and other accrued liabilities	(1,582)	(5,712)
Post development completion costs	(4,341)	1,675
Accounts payable	(5,231)	(11,436)
Net cash used in operating activities	(89,426)	(61,957)
Cash Flows From Investing Activities:		
Proceeds from sale of property and assets	224	10,032
Purchase of property	(2,593)	(3,914)
Investment in and advances to unconsolidated affiliates	195	3,625
Investment in income producing properties	(8,027)	(2,071)
Net cash provided by (used) in investing activities	(10,201)	7,672
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes	990,429	846,319
Principal payments on mortgages and notes	(884,624)	(805,035)
Principal payments on subordinated debt	(10,000)	
Investment in mortgage notes receivable	918	7,555
Purchase of treasury stock	(4,630)	
Net cash provided by financing activities	92,093	48,839
Net Decrease In Cash	(7,534)	(5,446)
Cash Balance, Beginning Of Period	15,323	11,914
Cash Balance, End Of Period	$ 7,789	$ 6,468

See notes to consolidated financial statements.

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

1. The consolidated financial statements, except for the October 31, 1996 consolidated balance sheets, have been prepared without audit. In the opinion of management, all adjustments for interim periods presented have been made, which include only normal recurring accruals and deferrals necessary for a fair presentation of consolidated financial position, results of operations, and changes in cash flows. Results for the interim periods are not necessarily indicative of the results which might be expected for a full year.

2. 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. The amount reclassified for the three and nine months ended July 31, 1996 was $9,084,000 and $22,496,000, respectively. In addition, the revenues and expenses of the Company's title division have been reclassified out of homebuilding and other operations, respectively, into the financial services section of the consolidated statements of income. The amount of title revenues and expenses reclassified for the three months ended July 31, 1996 was $743,000 and $589,000, respectively, and for the nine months ended July 31, 1996 was $1,961,000 and $1,787,000, respectively.

3. Interest costs incurred, expensed and capitalized were:

	Three Months Ended July 31,	Nine Months Ended July 31,

	1997	1996	1997	1996
	(Dollars in Thousands)			
Interest Incurred (1):				
Residential (3)	$ 6,950	$ 8,093	$ 20,642	$ 22,765
Commercial(4)	1,346	1,300	3,959	4,201
Total Incurred	$ 8,296	$ 9,393	$ 24,601	$ 26,966
Interest Expensed:				
Residential (3)	$ 7,226	$ 6,663	$ 18,121	$ 16,158
Commercial (4)	1,346	1,300	3,959	4,201
Total Expensed	$ 8,572	$ 7,963	$ 22,080	$ 20,359
Interest Capitalized at Beginning of Period	$ 40,902	$ 41,108	$ 39,152	$ 36,182
Plus Interest Incurred	8,296	9,393	24,601	26,966
Less Interest Expensed	8,572	7,963	22,080	20,359
Less Charges to Reserves	7	222	109	473
Less Impairment Adjustments			945	
Interest Capitalized at End of Period	$ 40,619	$ 42,316	$ 40,619	$ 42,316
Interest Capitalized at End of Period (5):				
Residential(3)	$ 33,489	$ 35,818	$ 33,489	$ 35,818
Commercial(2)	7,130	6,498	7,130	6,498
Total Capitalized	$ 40,619	$ 42,316	$ 40,619	$ 42,316

(1) Does not include interest incurred by the Company's mortgage and finance subsidiaries.
(2) Does not include a reduction for depreciation.
(3) Represents acquisition interest for construction, land and development costs which is charged to interest expense when land is not under active development and when homes are delivered.
(4) Represents interest allocated to or incurred on long term debt for investment properties and charged to interest expense.
(5) Commercial interest includes $832,000 reported at October 31, 1996 as capitalized residential interest. This reclassification is a result of the transfer of land and related capitalized interest from homebuilding to investment properties.

4. Homebuilding accumulated depreciation at July 31, 1997 and October 31, 1996 amounted to $15,052,000 and $14,970,000, respectively. Rental property accumulated depreciation at July 31, 1997 and October 31, 1996 amounted to $12,523,000 and $11,108,000, respectively.

5. In accordance with FAS 121, the Company records impairment losses on inventories related to communities under development when events and circumstances indicate that they may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their related carrying amounts. As of July 31, 1997 certain inventory with a carrying amount of $27,510,000 was written down $8,714,000 to its fair value. This writedown is principally attributed to a $5,364,000 writedown of the Company's investment in Florida communities. Management decided to reduce its investment in Florida by accelerating sales through sales price reductions and pricing concessions. The remainder of the writedown was attributable to one community in New Jersey and one in Pennsylvania. The FAS 121 calculations were based on the Company's evaluation of the expected revenue less costs to complete the community including interest and selling costs. In addition, the Company also recorded a $4,761,000 write-off of certain residential land options including approval, engineering and capitalized interest costs for two properties in New Jersey and one in Pennsylvania.

At the end of the second quarter the Company decided to exit from the investment properties business. As a result, all commercial properties are no longer held for use, but are held for sale. This resulted in FAS 121 impairment losses on certain investment properties. The impairment losses were a result of the properties carrying amounts exceeding their fair value less selling costs. As of July 31, 1997, properties with a carrying amount of $33,820,000 were written down to their fair value. The total amount of this writedown was $12,690,000. The Company also recorded a $1,756,000 write-off of a commercial land option including approval, engineering and capitalized interest costs. These writedowns and write-offs were attributable to commercial properties in both New Jersey and Florida.

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

CAPITAL RESOURCES AND LIQUIDITY

The Company's uses for cash during the nine months ended July 31, 1997 were for operating expenses, seasonal increases in housing inventories, construction, income taxes, interest, the reduction of subordinated notes, and the repurchase of common stock. The Company provided for its cash requirements from the revolving credit facility, land purchase notes, and from housing and other revenues. The Company believes that these sources of cash are sufficient to finance its working capital requirements and other needs.

In December 1996 the Board of Directors authorized a stock repurchase program to purchase up to 2 million shares of Class A Common Stock. As of August 29, 1997, 749,800 shares were repurchased under this program.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") that provides a revolving credit line of up to $245,000,000 (the "Revolving Credit Facility") through March 2000. Interest is payable monthly and at various rates of either prime plus 1/8% or Libor plus 1.625%. The Company recently extended the Agreement one year and believes that it will be able either to extend the Agreement beyond March 2000 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement. As of July 31, 1997, borrowings under the Agreement were $174,050,000.

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

The Company's mortgage banking subsidiary borrows under a bank warehousing arrangement. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities, but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of the Company's subsidiaries. As of July 31, 1997, the aggregate principal amount of all such borrowings was $28,080,000.

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

	July 31, 1997	October 31, 1996
Residential real estate inventory..........	$468,113,000	$376,307,000
Residential rental property................	11,449,000	12,190,000
Total Residential Real Estate............	479,562,000	388,497,000
Commercial properties......................	45,946,000	53,204,000
Combined Total..........................	$525,508,000	$441,701,000

Total residential real estate increased $91,806,000 during the nine months ended July 31, 1997 primarily as a result of an inventory increase of $112,424,000, which was partially offset by the reallocation of land and approval costs to commercial properties (see below), the writedown of certain communities under development or land held for sale, and the write-off of optioned parcels of land and related approval, engineering and capitalized interest costs. See "Notes to Consolidated Financial Statements - Note 5." The increase in residential real estate inventory was primarily due to the Company's seasonal increase in construction activities for deliveries in the fourth quarter. Substantially all residential homes under construction or completed and included in real estate inventory at July 31, 1997 are expected to be closed during the next twelve months. Most residential real estate completed or under development is financed through the Company's line of credit and subordinated indebtedness.

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

	(1)	(2)

	Commun-ities	Approved Lots	Homes Deliv-ered	Contracted Not Delivered	Remaining Home Sites Available
July 31, 1997.........	87	16,994	5,547	2,212	9,235
October 31, 1996......	85	12,942	4,613	1,479	6,850

(1) Includes 50 and 274 lots under option at July 31, 1997 and October 31, 1996, respectively.

(2) Of the total home lots available, 627 and 528 were under construction or complete (including 110 and 106 models and sales offices), 3,721 and 1,762 were under option, and 1,020 and 1,280 were financed through purchase money mortgages at July 31, 1997 and October 31, 1996, respectively.

In addition, at July 31, 1997 and October 31, 1996, respectively, in substantially completed or suspended communities, the Company owned or had under option 484 and 448 home lots. The Company also controls a supply of land primarily through options for future development. This land is consistent with anticipated home building requirements in its housing markets. At July 31, 1997 the Company controlled such land to build 8,713 proposed homes, compared to 13,083 homes at October 31, 1996.

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

	July 31, 1997			October 31, 1996		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast Region....	278	67	345	242	71	313
North Carolina......	90	--	90	68	--	68
Florida.............	45	9	54	51	10	61
Virginia............	12	10	22	18	3	21
California..........	54	22	76	67	24	91
Poland..............	38	2	40	2	2	4
Total	517	110	627	448	110	558

The Company's commercial properties represent investments in commercial and retail facilities completed or under development (see "Investment Properties" under "Results of Operations"). At July 31, 1997, the Company had long-term non-recourse financing aggregating $30,729,000 on six commercial facilities, a decrease from October 31, 1996, due to $342,000 in principal amortization. The decrease in commercial properties of $7,258,000 is primarily the result of the writedown of certain facilities and land held for sale to fair value and the write-off of an optioned parcel of land and related approval, engineering and capitalized interest costs totaling $14,446,000. The writedowns and write-off were partially offset by the reallocation of land and approval costs on a multi-use parcel of land. As a result of the reallocation, $7,143,000 was added to investment properties under development from homebuilding land held for future development. See "Notes to Consolidated Financial Statements - Note 5."

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 $21,108,000 and $57,095,000 at July 31, 1997 and October 31, 1996, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of such mortgages is being held as an investment by the Company. The Company may incur risk with respect to mortgages that are delinquent, but only to the extent the losses are not covered by mortgage insurance or resale value of the house. Historically, the Company has incurred minimal credit losses.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED JULY 31, 1997 COMPARED TO THE THREE AND NINE MONTHS ENDED JULY 31, 1996

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

At October 31, 1996, the Company reclassified certain expenses previously reported as selling, general and administration to cost of sales. These costs include sales commissions, buyer concessions, the amortization of prepaid selling expenses, property taxes and condominium association subsidies. The amount of reclassifications for the three and nine months ended July 31, 1996 was $9,084,000 and $22,496,000, respectively. In addition, the Company reclassified its title revenues previously reported as other homebuilding revenues to financial services revenues, and title expenses from other operation expenses to financial service expenses. The amount of title revenues and expenses reclassified for the three months ended July 31, 1996 was $743,000 and $589,000, respectively, and for the nine months ended July 31, 1996 was $1,961,000 and $1,787,000, respectively.

Historically, the Company's first six months of the year have produced substantially fewer deliveries than the last six months. In the third quarter deliveries increase with a disproportionate number of deliveries coming in the fourth quarter. This was true in fiscal 1996 when the Company delivered 33% of its homes during the first six months, 25% in the third quarter and 42% in the fourth quarter. Management believes this will be true for fiscal 1997. During the past few years the Company has been able to produce a profit on this lower volume during the first six months. That was not the case for the first six months of fiscal 1997. In the third quarter of fiscal 1997 the Company produced a profit primarily resulting from increased deliveries, higher gross margins and two land sales. For the nine months ended July 31, 1997 the Company still has a loss which is the result of the writedown of certain assets to their fair values, and the write-off of four options and related approval, engineering and capitalized interest costs. See "Notes to Consolidated Financial Statements - Note 5." Due to the writedowns and write-offs, management believes the Company may not be profitable in fiscal 1997. Management feels operating profits before these adjustments will approximate fiscal 1996 results.

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

	Sales Contracts for the Nine Months Ended July 31,		Contract Backlog as of July 31,	
	1997	1996	1997	1996
	(Dollars in Thousands)			
Northeast Region:				
Dollars	$336,244	$298,294	$305,365	$243,020
Homes	1,748	1,662	1,507	1,281
North Carolina:				
Dollars	$ 97,833	$ 94,215	$ 57,957	$ 58,779
Homes	535	557	302	339
Florida:				
Dollars	$ 46,403	$ 79,986	$ 41,201	$ 59,609
Homes	281	528	238	383
Virginia:				
Dollars	$ 11,518	$ 11,533	$ 6,927	$ 7,802
Homes	51	59	27	38
California:				
Dollars	$ 61,436	$ 42,552	$ 24,234	$ 17,236
Homes	327	224	144	87
Poland:				
Dollars	$ 2,511	$ 437	$ 2,543	$ 437
Homes	33	6	33	6
Totals:				
Dollars	$555,945	$527,017	$438,227	$386,883
Homes	2,975	3,036	2,251	2,134

Reduced sales contracts and below average return on investment in the Florida Division have resulted in Management's decision to decrease the Company's investment in this division by approximately $25.0 million. As a result, certain communities were written down due to reduced sales prices and increased buyer concessions to accelerate sales. In addition, other idle property was written down since it will be offered for sale and not developed. See "Notes to Consolidated Financial Statements - Note 5."

Total Revenues:

Revenues for the three months ended July 31, 1997 increased $9.3 million or 4.7%, compared to the same period last year. This was the result of a $10.6 million increase in land sales and other homebuilding revenues, which was partially offset by a $0.4 million decrease in revenues from the sale of homes, a $0.1 million decrease in financial services revenues, a $0.2 million decrease in investment properties revenues, and a $0.6 million decrease in collateralized mortgage financing revenues.

Revenues for the nine months ended July 31, 1997 increased $3.6 million or 0.7%, compared to the same period last year. This was the result of an $8.0 million increase in land sales and other homebuilding revenues, which was partially offset by a $1.2 million decrease in revenues from the sale of homes, a $2.2 million decrease in investment properties revenues, and a $1.0 million decrease in collateralized mortgage financing revenues.

Homebuilding:

Revenues from the sale of homes decreased $0.4 million or 0.2% during the three months ended July 31, 1997, and decreased $1.2 million or 0.3% during the nine months ended July 31, 1997 compared to the same periods last year. Revenues from sales of homes are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1997	1996	1997	1996
	(Dollars in Thousands)			
Northeast Region:				
Housing Revenues.....	$118,186	$112,665	$252,303	$249,980
Homes Delivered......	543	584	1,218	1,266
North Carolina:				
Housing Revenues.....	$ 35,293	$ 33,506	$ 83,676	$ 79,013
Homes Delivered......	200	199	466	471
Florida:				
Housing Revenues.....	$ 14,325	$ 21,407	$ 45,195	$ 60,175
Homes Delivered......	80	139	260	388
Virginia:				
Housing Revenues.....	$ 2,759	$ 3,614	$ 9,184	$ 11,211
Homes Delivered......	14	16	48	49
California:				
Housing Revenues.....	$ 15,113	$ 15,936	$ 45,935	$ 38,823
Homes Delivered......	77	83	229	204
Poland:				
Housing Revenues.....	$ 1,008	-	$ 1,741	-
Homes Delivered......	14	-	25	-
Totals:				
Housing Revenues.....	$186,684	$187,128	$438,034	$439,202
Homes Delivered......	928	1,021	2,246	2,378

The decreased number of homes delivered for the three and nine months ended July 31, 1997, compared to the prior year, was primarily due to the decreases in the Company's Northeast Region and Florida offset somewhat by increases in California and the addition of Poland. Due to the timing of the opening of new communities in the Northeast Region, fewer homes were delivered during the three months ended July 31, 1997. In Florida, the Company entered the year with a lower backlog of sales contracts at November 1, 1996 than at November 1, 1995. A lower backlog coupled with significantly fewer Florida sales contracts due to a highly competitive market resulted in fewer deliveries.

During the second quarter the Company had written down certain residential communities, and written off certain residential land options including approval, engineering and capitalized interest costs. The writedowns and write-offs amounted to $13,475,000. In Florida the Company's return on investment has been unsatisfactory. As a result, the Company decided to reduce its investment in Florida by $25.0 million. To do so on an accelerated basis, it reduced prices and offered pricing concessions in all Florida residential communities.

The Company also decided to sell all inactive properties in Florida. In the Northeast Region the Company changed the product type to be constructed on a parcel of land it owns. Also in the Northeast the Company decided to sell an optioned property instead of developing it. The result of the above decisions was a reduction in fair values below carrying amounts and, in accordance with FAS 121, the Company recorded an impairment loss on the related inventories. See "Notes to Consolidated Financial Statements - Note 5." The Northeast Region also wrote off three option properties and related approval, engineering and capitalized interest costs. In two cases the Company decided to drop the option due to environmental problems. The third option was dropped because the community's proforma profitability did not produce an adequate return on investment commensurate with the risk.

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1997	1996	1997	1996
	(Dollars in Thousands)			
Sale of Homes................	$186,684	$187,128	$438,034	$439,202
Cost of Sales................	154,701	157,826	371,006	371,126
Housing Gross Margin.........	$ 31,983	$ 29,302	$ 67,028	$ 68,076
Gross Margin Percentage......	17.1%	15.7%	15.3%	15.4%

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1997	1996	1997	1996
Sale of Homes................	100.0%	100.0%	100.0%	100.0%
Cost of Sales:				
Housing, land & development costs....	74.7	75.9	75.9	75.6
Commissions...........	2.0	1.9	2.0	1.8
Financing concessions..	.7	1.0	.9	1.0
Overheads.............	5.5	5.5	5.9	6.2
Total Cost of Sales.........	82.9	84.3	84.7	84.6
Gross Margin................	17.1%	15.7%	15.3%	15.4%

The Company sells a variety of home types in various local communities, each yielding a different gross margin. As a result, depending on the mix of both communities and of home types delivered, consolidated quarterly gross margin will fluctuate up or down and may not be representative of the consolidated gross margin for the year. In addition, gross margin percentages are higher in the Northeast Region compared to the Company's other markets. For the three months ended July 31, 1997 the Company's gross margin increased 1.4% compared to the same period last year. This can be attributed to higher gross margins in the Northeast Region and California which were partially offset by lower margins in Florida and North Carolina. For the nine months ended July 31, 1997, the Company's gross margin decreased 0.1% compared to the same period last year. This small decline is the net of margin decreases in Florida and North Carolina offset by a higher margin in California. In the Northeast Region margins are unchanged for the nine months. In California the three and nine month margins are up primarily due to increased demand resulting in price increases and fewer discounts and the introduction of new higher margined communities. In Florida, the gross margin is lower due to increased pricing concessions to accelerate sales. North Carolina's lower gross margin is primarily attributed to a change in product mix, increased lot costs and concessions on started unsold homes. The geographic product mix between the Northeast Region and other states was almost unchanged for the three and nine months ended July 31, 1997, compared to the same periods last year.

Selling, general, and administrative expenses increased during the three and nine months ended July 31, 1997 $1.9 million and $3.6 million, respectively, compared to the same periods last year. As a percentage of total homebuilding revenues, such expenses increased to 8.2% for the three months ended July 31, 1997 from 7.6% for the prior year three months, and increased to 8.4% for the nine months ended July 31, 1997 from 7.7% for the prior year nine months. The dollar and percentage increase in selling, general and administrative expenses is principally due to increased general and administrative expenses in the Northeast Region.

Land Sales and Other Revenues:

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1997	1996	1997	1996
Land and Lot Sales................	$12,749	$ 1,727	$14,645	$ 6,396
Cost of Sales.....................	9,015	1,745	10,622	5,668
Land and Lot Sales Gross Margin...	$ 3,734	$ (18)	$ 4,023	$ 728

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

Financial Services

Financial services consist primarily of originating mortgages from sales of the Company's homes, and selling such mortgages in the secondary market. In addition, title insurance activities have been reclassified from other housing operations to financial services, as noted above. For the nine months ended July 31, 1997 compared to the nine months ended July 31, 1996, the loss resulting from financial services decreased by $0.1 million. This was a direct result of the Company's wholly-owned mortgage banking subsidiary originating mortgages at a lower cost, as well as higher interest rate spreads.

Investment Properties

Investment Properties consist of rental properties, property management, and gains or losses from the sale of such property. At July 31, 1997, the Company owned and was leasing two office buildings, three office/warehouse facilities, two retail centers, and two senior citizen rental communities in New Jersey. During the first quarter of fiscal 1996 the Company sold a retail center and reported a pretax profit of $1.9 million. Investment Properties expenses do not include interest expense which is reported below under "Interest."

At the end of the second quarter the Company announced that it was planning an orderly exit from the investment properties business. The Company plans to sell its investment properties (except for the two senior citizen rental communities) which after the elimination of debt will net approximately $35.0 million to be redeployed in its residential homebuilding business. Management believes redeployment of this capital will enhance future profitability of the Company. In accordance with FAS 121, the Company reevaluated such properties as held for sale. Since certain investment properties' carrying amounts exceeded the fair value less selling costs, an impairment loss was recorded against the related asset. These writedowns were in New Jersey and Florida. See "Notes to Consolidated Financial Statements - Note 5." In New Jersey the Company also wrote off an option and related approval, engineering and capitalized interest costs. The writedowns and write-offs of investment properties amounted to $14,446,000.

Collateralized Mortgage Financing

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

Corporate General and Administrative

Corporate general and administration expenses includes the operations at the Company's headquarters in Red Bank, New Jersey. Such expenses include the Company's executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, and administration of insurance, quality, and safety. Corporate general and administration expenses were almost unchanged for both the three and nine months ended July 31, 1997 compared to the same periods last year. As a percentage of total revenues such expenses were approximately 2.2% for both the nine months ended July 31, 1997 and 1996.

Interest

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1997	1996	1997	1996
Sale of Homes	$ 6,803	$ 6,339	$17,461	$15,538
Land and Lot Sales	423	324	660	620
Rental Properties	1,346	1,300	3,959	4,201
Total	$ 8,572	$ 7,963	$22,080	$20,359

Housing interest as a percentage of sale of homes revenues amounted to 3.6% and 4.0% for the three and nine months ended July 31, 1997, respectively, and 3.4% and 3.6% for the three and nine months ended July 31, 1996, respectively. The increase in the percentage for the three and nine months ended July 31, 1997 was primarily the result of the Company discontinuing the capitalization of interest on communities in planning which are not under active development. As a result, interest expense increased approximately $1.5 million for the nine months ended July 31, 1997.

Other Operations

Other operations consist primarily of miscellaneous residential housing operations expenses, amortization of prepaid subordinated note issuance expenses and corporate owned life insurance loan interest. The Company's title operation expenses have been reclassified to financial services.

Total Taxes

Total taxes as a percentage of income before taxes amounted to approximately 31% for both the three months ended July 31, 1997 and 1996. Due to the loss for the nine months ended July 31, 1997 net tax credits were accrued amounting to $10.1 million. Deferred federal and state income tax assets primarily represent the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years.

Inflation

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

Inflation has a lesser short-term effect on the Company because the Company generally negotiates fixed price contracts with its subcontractors and material suppliers for the construction of its homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between four to twelve months. Construction costs for residential buildings represent approximately 51% of the Company's total costs and expenses.

SIGNATURES

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

HOVNANIAN ENTERPRISES, INC.
(Registrant)

DATE: September 10, 1997

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

DATE: September 10, 1997

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

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