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 JANUARY 31, 1998 or

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

Commission file number 1-8551

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

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

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

732-747-7800
(Registrant's telephone number, including area code)
Same
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 14,054,297 Class A Common Shares and 7,734,963 Class B Common Shares were outstanding as of March 2, 1998.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

INDEX

	PAGE NUMBER
PART I. Financial Information	
Item l. Consolidated Financial Statements:	
Consolidated Balance Sheets at January 31, 1998 (unaudited) and October 31, 1997	3
Consolidated Statements of Income for the three months ended January 31, 1998 and 1997 (unaudited)	5
Consolidated Statements of Stockholders' Equity for the three months ended January 31, 1998 (unaudited)	6
Consolidated Statements of Cash Flows for the three months ended January 31, 1998 and 1997 (unaudited)	7
Notes to Consolidated Financial Statements (unaudited)	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
PART II. Other Information	
Item 6(b). Exhibit 27 - Financial Data Schedules	

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

Signatures 18

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

ASSETS	January 31, 1998	October 31, 1997
Homebuilding:		
Cash and cash equivalents	$ 9,576	$ 7,952
Inventories - At cost, not in excess of fair value:		
Sold and unsold homes and lots under development	362,808	363,592
Land and land options held for future development or sale	46,285	46,801
Total Inventories	409,093	410,393
Receivables, deposits, and notes	51,549	35,723
Property, plant, and equipment - net	17,680	18,027
Prepaid expenses and other assets	36,515	36,708
Total Homebuilding	524,413	508,803
Financial Services:		
Cash and cash equivalents	1,167	2,598
Mortgage loans held for sale	27,271	48,382
Other assets	1,815	2,518
Total Financial Services	30,253	53,498
Investment Properties:		
Held for sale:		
Rental property - net	4,777	23,920
Land and improvements	18,698	15,026
Other assets	207	1,397
Held for investment:		
Rental property - net	11,075	11,412
Other assets	1,313	1,835
Total Investment Properties	36,070	53,590
Collateralized Mortgage Financing:		
Collateral for bonds payable	7,462	7,999
Other assets	530	627
Total Collateralized Mortgage Financing	7,992	8,626
Income Taxes Receivable - Including deferred tax benefits	10,841	12,565
Total Assets	$609,569	$637,082

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	January 31, 1998	October 31, 1997

Homebuilding:		
Nonrecourse land mortgages	$ 25,375	$ 20,625
Accounts payable and other liabilities	36,392	45,521
Customers' deposits	21,401	22,422
Nonrecourse mortgages secured by operating properties	3,807	3,830
Total Homebuilding	86,975	92,398
Financial Services:		
Accounts payable and other liabilities	1,088	1,522
Mortgage warehouse line of credit	25,514	45,823
Total Financial Services	26,602	47,345
Investment Properties:		
Accounts payable and other liabilities	1,133	502
Nonrecourse mortgages secured by rental property	5,690	19,241
Total Investment Properties	6,823	19,743
Collateralized Mortgage Financing:		
Accounts payable and other liabilities	19	10
Bonds collateralized by mortgages receivable	7,214	7,855
Total Collateralized Mortgage Financing	7,233	7,865
Notes Payable:		
Revolving credit agreement	101,625	95,000
Subordinated notes	190,000	190,000
Accrued interest	6,093	5,969
Total Notes Payable	297,718	290,969
Total Liabilities	425,351	458,320
Stockholders' Equity:		
Preferred Stock,$.01 par value-authorized 100,000 shares; none issued		
Common Stock,Class A,$.01 par value-authorized 87,000,000 shares; issued 15,640,868 shares (including 1,593,274 shares held in Treasury)	156	156
Common Stock,Class B,$.01 par value-authorized 13,000,000 shares; issued 8,087,933 shares (including 345,874 shares held in Treasury)	81	81
Paid in Capital	33,935	33,935
Retained Earnings	163,692	157,779
Treasury Stock - at cost	(13,646)	(13,189)
Total Stockholders' Equity	184,218	178,762
Total Liabilities and Stockholders' Equity	$609,569	$637,082

See notes to consolidated financial statements.

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

	Three Months Ended January 31,	
	1998	1997
Revenues:		
Homebuilding:		
Sale of homes	$204,057	$115,115
Land sales and other revenues	2,485	960
Total Homebuilding	206,542	116,075
Financial Services	3,562	1,858
Investment Properties	3,644	2,227
Collateralized Mortgage Financing	212	193
Total Revenues	213,960	120,353

Expenses:		
Homebuilding:		
Cost of sales......................	169,800	100,217
Selling, general and administrative	15,657	9,896
Inventory write-off................	1,589	-
Total Homebuilding...............	187,046	110,113
Financial Services...................	3,211	2,392
Investment Properties................	1,123	1,562
Collateralized Mortgage Financing....	202	247
Corporate General and Administration.	4,361	3,594
Interest.............................	8,476	5,492
Other Operations.....................	523	808
Total Expenses...................	204,942	124,208
Income (Loss) Before Income Taxes......	9,018	(3,855)
State and Federal Income Taxes:		
State................................	648	365
Federal..............................	2,457	(2,446)
Total Taxes........................	3,105	(2,081)
Net Income (Loss)......................	$ 5,913	$ (1,774)
Basic and Diluted Earnings (Loss) Per Common Share.........................	$ 0.27	$ (.08)

See notes to consolidated financial statements.

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

	A Common Stock		B Common Stock					
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, October 31, 1997.	14,097,841	$156	7,754,812	$81	$33,95	$157,779	($13,189)	$178,762
Conversion of Class B to Class A Common Stock....	12,753		(12,753)					-
Net Income................						5,913		5,913
Treasury stock purchases..	(63,000)						(457)	(457)
Balance, January 31, 1998.	14,047,594	$156	7,742,059	$81	$33,935	$163,692	($13,646)	$184,218

See notes to consolidated financial statements.

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

	Three Months Ended January 31,	
	1998	1997
Cash Flows From Operating Activities:		
Net Income (Loss).................................	$ 5,913	$ (1,774)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation..................................	917	1,351

(Gain)loss on sale and retirement of property and assets	(2,682)	-
Deferred income taxes	1,720	3,597
Provision to reduce inventory to net realizable value	1,589	-
Decrease (increase) in assets:		
Escrow cash	1,008	1,144
Receivables, prepaids and other assets	(14,419)	(14,159)
Mortgage notes receivable	21,517	39,386
Inventories	(289)	(43,481)
Increase (decrease) in liabilities:		
State and Federal income taxes	5	(12,839)
Customers' deposits	(1,031)	5,974
Interest and other accrued liabilities	(1,490)	(2,585)
Post development completion costs	(603)	(1,574)
Accounts payable	(6,679)	(9,216)
Net cash provided by (used) in operating activities	5,476	(34,176)
Cash Flows From Investing Activities:		
Proceeds from sale of property and assets	23,078	-
Purchase of property	(477)	(971)
Investment in and advances to unconsolidated affiliates	393	35
Investment in income producing properties	(4,672)	(44)
Net cash provided by (used) in investing activities	18,322	(980)
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes	129,564	235,077
Principal payments on mortgages and notes	(152,730)	(199,203)
Principal payments on subordinated debt	-	(10,000)
Investment in mortgage notes receivable	587	374
Purchase of treasury stock	(457)	-
Net cash provided by (used) in financing activities	(23,036)	26,248
Net Increase (Decrease) In Cash	762	(8,908)
Cash Balance, Beginning Of Period	8,065	15,323
Cash Balance, End Of Period	$ 8,827	$ 6,415

See notes to consolidated financial statements.

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

1. The consolidated financial statements, except for the October 31, 1997 consolidated balance sheets, have been prepared without audit. In the opinion of management, all adjustments for interim periods presented have been made, which include only normal recurring accruals and deferrals necessary for a fair presentation of consolidated financial position, results of operations, and changes in cash flows. Results for the interim periods are not necessarily indicative of the results which might be expected for a full year.

2. Interest costs incurred, expensed and capitalized were:

	Three Months Ended January 31,	
	1998	1997
	(Dollars in Thousands)	
Interest Incurred (1):		
Residential (3)	$ 6,642	$ 6,584
Commercial(4)	679	1,317
Total Incurred	$ 7,321	$ 7,901
Interest Expensed:		
Residential (3)	$ 7,797	$ 4,175
Commercial (4)	679	1,317
Total Expensed	$ 8,476	$ 5,492
Interest Capitalized at		

Beginning of Period.......	$ 35,950	$ 39,152
Plus Interest Incurred......	7,321	7,901
Less Interest Expensed......	8,476	5,492
Less Charges to Reserves....	-	10
Less Impairment Adjustments.	4,100	-
Interest Capitalized at End of Period............	$ 30,695	$ 41,551
Interest Capitalized at End of Period (5):		
Residential(3)...........	$ 28,189	$ 34,884
Commercial(2)............	2,506	6,667
Total Capitalized.......	$ 30,695	$ 41,551

(1) Does not include interest incurred by the Company's mortgage and finance subsidiaries.
(2) Does not include a reduction for depreciation.
(3) Represents acquisition interest for construction, land and development costs which is charged to interest expense when homes are delivered and when land is not under active development.
(4) Represents interest allocated to or incurred on long term debt for investment properties and charged to interest expense.
(5) Commercial interest includes $184,000 reported at October 31, 1996 as capitalized residential interest. This reclassification is a result of the transfer of land and related capitalized interest from homebuilding to investment properties.

3. Homebuilding accumulated depreciation at January 31, 1998 and October 31, 1997 amounted to $16,138,000 and $15,338,000, respectively. Rental property accumulated depreciation at January 31, 1998 and October 31, 1997 amounted to $2,648,000 and $10,450,000, respectively.

4. During the three months ended January 31, 1998 the Company has written off the costs associated with an option in New Jersey including approval, engineering and capitalized interest. The write off amounted to $1,589,000 and is reported on the Consolidated Statements of Income as "Homebuilding - Inventory Write-Off."

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

CAPITAL RESOURCES AND LIQUIDITY

The Company's uses for cash during the three months ended January 31, 1998 were for operating expenses, increases in housing inventories, construction, income taxes, interest, and the repurchase of common stock. The Company provided for its cash requirements from the revolving credit facility, sales of commercial properties, and from housing and other revenues. The Company believes that these sources of cash are sufficient to finance its working capital requirements and other needs.

In December 1996 the Board of Directors authorized a stock repurchase program to purchase up to 2 million shares of Class A Common Stock. As of March 2, 1998, 1,247,400 shares were repurchased under this program.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") that provides a revolving credit line of up to $245,000,000 (the "Revolving Credit Facility") through March 2000. Interest is payable monthly and at various rates of either prime plus 1/8% or Libor plus 1.625%. The Company 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 January 31, 1998, borrowings under the Agreement were $101,625,000.

The aggregate principal amount of subordinated indebtedness issued by the Company and outstanding as of January 31, 1998 was $190,000,000. Annual sinking fund payments of $10,000,000 and $20,000,000 are required in April 2000 and 2001, respectively, with additional payments of $60,000,000 and $100,000,000 due in April 2002 and June 2005, respectively.

The Company's mortgage banking subsidiary borrows under a bank warehousing arrangement. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities, but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of the Company's subsidiaries. As of January 31, 1998, the aggregate principal amount of all such borrowings was $32,728,000.

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

	January 31, 1998	October 31, 1997
Residential real estate inventory..........	$409,093,000	$410,393,000
Residential rental property................	11,075,000	11,412,000
Total Residential Real Estate............	420,168,000	421,805,000
Commercial properties......................	23,475,000	38,946,000
Combined Total...........................	$443,643,000	$460,751,000

Total residential real estate decreased $1,637,000 during the three months ended January 31, 1998 primarily as a result of a small inventory decrease of $1,300,000. Substantially all residential homes under construction or completed and included in real estate inventory at January 31, 1998 are expected to be closed during the next twelve months. Most residential real estate completed or under development is financed through the Company's line of credit and subordinated indebtedness.

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

	Commun-ities	Approved Lots	Homes Deliv-ered	(1) Contracted Not Delivered	(2) Remaining Home Sites Available
January 31, 1998......	85	16,285	6,202	1,678	8,405
October 31, 1997......	88	16,252	5,817	1,846	8,589

(1) Includes 17 and 24 lots under option at January 31, 1998 and October 31, 1997, respectively.

(2) Of the total home lots available, 472 and 579 were under construction or complete (including 103 and 101 models and sales offices), 3,652 and 3,968 were under option, and 694 and 762 were financed through purchase money mortgages at January 31, 1998 and October 31, 1997, respectively.

In addition, at January 31, 1998 and October 31, 1997, respectively, in substantially completed or suspended communities, the Company owned or had under option 230 and 254 home lots. The Company also controls a supply of land primarily through options for future development. This land is consistent with anticipated home building requirements in its housing markets. At January 31, 1998 the Company controlled such land to build 10,295 proposed homes, compared to 9,736 homes at October 31, 1997.

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

	January 31, 1998			October 31, 1997		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast Region....	226	70	296	279	63	342
North Carolina......	66	--	66	83	--	83
Florida.............	40	10	50	47	11	58
Virginia............	16	10	26	16	10	26
California..........	21	13	34	60	16	76
Poland..............	10	1	11	10	2	12
Total	379	104	483	495	102	597

The Company's commercial properties represent investments in commercial and retail facilities completed or under development (see "Investment

Properties" under "Results of Operations"). At January 31, 1998, the Company had long-term non-recourse financing aggregating $5,690,000 on one commercial facility, a decrease of $13,551,000 from October 31, 1997, due to the sale of four facilities. The book value of the four facilities was $19,585,000 which was the primary reason commercial facilities declined during the quarter.

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 $26,599,000 and $47,660,000 at January 31, 1998 and October 31, 1997, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of such mortgages is being held as an investment by the Company. The Company may incur risk with respect to mortgages that are delinquent, but only to the extent the losses are not covered by mortgage insurance or resale value of the house. Historically, the Company has incurred minimal credit losses.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JANUARY 31, 1998 COMPARED TO THE THREE MONTHS ENDED JANUARY 31, 1997

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprising of New Jersey, southern New York State and eastern Pennsylvania), North Carolina, southeastern Florida, northern Virginia, 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).

Historically, the Company's first quarter produces the least amount of deliveries for the year. The Company's management has made a concerted effort to change this trend using new management tools to focus on delivery evenness and through a new incentive plan. As a result, the first quarter produced approximately 25% of the Company's estimated deliveries for fiscal 1998 compared to 16% in the first quarter of fiscal 1997. By increasing deliveries from 612 in 1997 to 972 in 1998 the Company substantially increased net income from its housing operations. Management is working hard to continue this trend and is trying to ensure future quarters will show similar delivery evenness.

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

	Sales Contracts for the Three Months Ended January 31,		Contract Backlog as of January 31,	
	1998	1997	1998	1997
	(Dollars in Thousands)			
Northeast Region:				
Dollars............	$ 98,814	$ 92,544	$242,604	$232,096
Homes..............	488	472	1,135	1,119
North Carolina:				
Dollars............	$ 23,903	$ 31,506	$ 44,136	$ 53,108
Homes..............	133	174	230	280
Florida:				
Dollars............	$ 7,802	$ 9,708	$ 24,164	$ 34,094
Homes..............	43	60	140	198
Virginia:				
Dollars............	$ 3,866	$ 2,478	$ 5,967	$ 3,472
Homes..............	15	10	22	16
California:				
Dollars............	$ 18,769	$ 16,268	$ 22,115	$ 12,194
Homes..............	93	79	113	68
Poland:				
Dollars............	$ 1,277	$ 1,607	$ 3,673	$ 3,293
Homes..............	16	22	48	46
Totals:				
Dollars............	$154,431	$154,111	$342,659	$338,257
Homes..............	788	817	1,688	1,727

Total Revenues:

Revenues for the three months ended January 31, 1998 increased $93.6 million or 77.8%, compared to the same period last year. This was the result of an $89.0 million increase in revenues from the sale of homes, a $1.5 million increase in land sales and other homebuilding revenues, a $1.7 million increase in financial services revenues, and a $1.4 million increase in investment properties revenues.

Homebuilding:

Revenues from the sale of homes increased $89.0 million or 77.3% during the three months ended January 31, 1998, compared to the same period last year. Revenues from sales of homes are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

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

	Three Months Ended January 31, 1998	Three Months Ended January 31, 1997
	(Dollars in Thousands)	
Northeast Region:		
Housing Revenues.....	$139,011	$ 63,440
Homes Delivered......	640	330
North Carolina:		
Housing Revenues.....	$ 25,676	$ 22,042
Homes Delivered......	135	127
Florida:		
Housing Revenues.....	$ 9,512	$ 13,828
Homes Delivered......	53	79
Virginia:		
Housing Revenues.....	$ 6,118	$ 3,407
Homes Delivered......	20	18
California:		
Housing Revenues.....	$ 23,121	$ 12,333
Homes Delivered......	117	57
Poland:		
Housing Revenues.....	$ 619	$ 65
Homes Delivered......	7	1
Totals:		
Housing Revenues.....	$204,057	$115,115
Homes Delivered......	972	612

The increase in the number of homes delivered was due to the Company's efforts to even out deliveries during the year as noted above. The Company was most successful in achieving evenness in its Northeast Region and California. In Florida, deliveries declined since the Company cut back its operations due to a dissatisfaction with its performance.

During the first quarter of fiscal 1998 the Company has written off approval, engineering and capitalized interest costs associated with an option in New Jersey amounting to $1,589,000. The Company let the option expire because of changes in local market conditions and it was having difficulties obtaining government approvals.

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 January 31, 1998	Three Months Ended January 31, 1997
	(Dollars in Thousands)	
Sale of Homes...............	$204,057	$115,115
Cost of Sales...............	168,528	99,783

Housing Gross Margin	$ 35,529	$ 15,332
Gross Margin Percentage	17.4%	13.3%

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

	Three Months Ended January 31, 1998	1997
Sale of Homes	100.0%	100.0%
Cost of Sales:		
Housing, land & development costs	74.4%	76.8%
Commissions	1.8%	2.0%
Financing concessions	0.7%	1.0%
Overheads	5.7%	6.9%
Total Cost of Sales	82.6%	86.7%
Gross Margin	17.4%	13.3%

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 January 31, 1998 the Company's gross margin increased 4.1% compared to the same period last year. This can be attributed to a higher percentage of Northeast Region deliveries amounting to 68% in 1998 compared to 55% in 1997. In addition, except for Florida gross margins were higher in all the Company's U. S. markets. Higher margins are attributed to the Company being able to increase sales prices and decrease incentives. Also, decreased overheads are the result of higher production levels for the quarter.

Selling, general, and administrative expenses as a percentage of total homebuilding revenues, decreased to 7.6% for the three months ended January 31, 1998 from 8.5% for the prior year three months. Such expenses increased during the three months ended January 31, 1998 $5.8 million compared to the same period last year. The percentage decrease and dollar increase in selling, general and administrative is principally due to increased deliveries.

Land Sales and Other Revenues:

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

	Three Months Ended January 31, 1998	1997
Land and Lot Sales	$ 1,597	$ 544
Cost of Sales	1,272	434
Land and Lot Sales Gross Margin	325	110
Interest Expense	158	103
Land and Lot Sales Profit Before Tax	$ 167	$ 7

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

Financial Services

Financial services consist primarily of originating mortgages from sales of the Company's homes, and selling such mortgages in the secondary market and title insurance activities. For the three months ended January 31, 1998 financial services provided a $0.4 million pretax profit compared to a loss of

$0.5 million in 1997. This was a direct result of the Company's mortgage banking and title subsidiaries originating a higher volume of mortgages and title policies, respectively, due to the housing operations increased volume. The Company recently initiated efforts to originate mortgages from unrelated third parties and expects these third party loans to increase as a percentage of the Company's total loan volume over the next few years.

Investment Properties

Investment Properties consist of rental properties, property management, and gains or losses from the sale of such property. At the end of the second quarter of 1997 the Company announced that it was planning an orderly exit from the investment properties business. The Company is selling its investment properties (except for the two senior citizen rental communities) and during the quarter ended January 31, 1998 sold four facilities. At January 31, 1998 the Company has one retail facility remaining and is a 50% partner in a joint venture also owning a retail facility. Both are under contract and expected to close prior to the end of fiscal 1998. In addition the Company has various parcels of land approved for commercial development. The Company has contracts on all parcels and expects to close all sales by October 31, 1998.

Collateralized Mortgage Financing

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

Corporate General and Administrative

Corporate general and administration expenses includes the operations at the Company's headquarters in Red Bank, New Jersey. Such expenses include the Company's executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, and administration of insurance, quality, and safety. As a percentage of total revenues such expenses decreased to 2.0% for the three months ended January 31, 1998 from 3.0% for the prior year three months. Corporate general and administration expenses increased $0.8 million during the three months ended January 31, 1998 compared to the same period last year. This increase is primarily attributed to increased bonus accruals based on 1998 projected increase in Return on Equity, increased depreciation from the amortization of capitalized process redesign costs in prior years and increased process redesign costs in 1998.

Interest

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

	Three Months Ended January 31, 1998	Three Months Ended January 31, 1997
Sale of Homes..............	$ 7,638	$ 4,072
Land and Lot Sales.........	158	103
Rental Properties..........	680	1,317
Total......................	$ 8,476	$ 5,492

Housing interest as a percentage of sale of homes revenues amounted to 3.8% for the three months ended January 31, 1998 compared to 3.6% for the three months ended January 31, 1997. The increase in the percentage for the three months ended January 31, 1998 was primarily the result of the Company discontinuing the capitalization of interest on communities in planning which are not under active development.

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 3.8% for the three months ended January 31, 1998. Due to the loss for the three months ended January 31, 1998 net tax credits amounted to $2.1 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 56% 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: March 9, 1998

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

DATE: March 9, 1998

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

5
1000

3-mos
OCT-31-1998
JAN-31-1998
10,743
0
51,549
0
409,093
538,829
35,306
17,626
609,569
210,640
206,711
237
0
0
183,981
609,569
205,654
213,960
169,800
196,466
0
0
8,476
9,018
3,105
5,913
0
0
0
5,913
0.27
0.27