FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-12** | Period of Report: **1993-11-30**
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FILER

HOVNANIAN ENTERPRISES INC

CIK:**357294**| IRS No.: **221851059** | State of Incorp.:**DE** | Fiscal Year End: **0228**
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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 NOVEMBER 30, 1993 or

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

For the transition period from to

Commission file number 1-8551

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

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

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)
Same
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 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. 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. 14,329,670 Class A Common Shares and 8,512,379 Class B Common Shares were outstanding as of December 31, 1993.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

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<TABLE>
HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)
<CAPTION>

ASSETS	November 30, 1993	February 28, 1993
<S>	<C>	<C>
Cash:		
Demand deposits................................	$4,784	$10,211
Escrow accounts................................	5,270	6,854
Total cash................................	10,054	17,065
Receivables:		
Customer accounts and other.....................	15,655	11,010
Escrow and deposits............................	9,045	6,968
Related parties................................	1,926	803
Total receivables..........................	26,626	18,781
Mortgages and Notes Receivable:		

Collateralized mortgages receivable............	33,187	40,355
Residential mortgages receivable...............	19,316	34,108
Other mortgages and notes receivable...........	4,432	4,390
Total Mortgages and notes receivable-net....	56,935	78,853
Inventories- At cost, not in excess of market:		
Real estate under development:		
Accumulated cost of construction:		
Finished.....................................	34,391	31,994
In progress..................................	39,888	19,955
Land and land development costs................	188,940	128,888
Land, land options, and costs of projects in planning................................	73,933	62,554
Total inventories..........................	337,152	243,391
Property - At cost:		
Operating property.............................	20,508	19,296
Less accumulated depreciation..................	10,840	10,800
Net operating property.......................	9,668	8,496
Rental property................................	58,642	49,923
Less accumulated depreciation..................	6,797	5,748
Net rental property..........................	51,845	44,175
Income producing properties under development.....	18,612	18,015
Property net...............................	80,125	70,686
Investment In and Advances To Unconsolidated Affiliate and Joint Venture..................	4,373	4,565
Prepaid Expenses and Other Assets................	41,709	31,688
Total Assets.....................................	$556,974	$465,029

See notes to consolidated financial statements.
</TABLE>
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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)
<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	November 30, 1993	February 28, 1993
<S>	<C>	<C>
Mortgage and Notes Payable:		
Nonrecourse land mortgages.....................	$11,895	$13,431
Revolving credit agreement.....................	53,400	15,000
Mortgage warehouse line of credit..............	11,248	16,691
Nonrecourse mortgages secured by building, land, and land improvements..................	21,488	21,577
Total Mortgages and Notes Payable............	98,031	66,699
Bonds Collateralized By Mortgages Receivable	32,985	39,914
Subordinated Notes...............................	202,159	152,157
Accounts Payable.................................	14,773	12,532

Customers' Deposits	20,052	8,129
Accrued Liabilities:		
State income taxes	289	705
Federal income taxes:		
Current	(718)	3,188
Deferred	(1,990)	(5,522)
Interest	6,795	6,056
Post development completion costs	10,972	8,979
Other	13,993	20,255
Total accrued liabilities	29,341	33,661
Total liabilities	397,341	313,092
Stockholders' Equity:		
Preferred Stock, $.01 par value-authorized 100,000 shares; none issued		
Common Stock,Class A,$.01 par value authorized 87,000,000 shares; issued 14,654,637 shares (including 345,874 shares held in Treasury)	147	137
Common Stock,Class B,$.01 par value authorized 13,000,000 shares; issued 8,879,160 shares (including 345,874 shares held in Treasury)	88	98
Paid in Capital	32,301	31,882
Retained Earnings	132,396	125,119
Treasury Stock - at cost	(5,299)	(5,299)
Total stockholders' equity	159,633	151,937
Total Liabilities and Stockholders' Equity	$556,974	$465,029

See notes to consolidated financial statements.
</TABLE>
<TABLE>
HOVNANIAN ENTERPRISES, INC. AND SUBS
CONSOLIDATED STATEMENTS OF INCOME
AND RETAINED EARNINGS
(In Thousands Except Per Share Data)
<CAPTION>

	Three Mos Ended November 30,		Nine Mos Ended November 30,	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
Revenues:				
Housing sales	$136,231	$109,435	$310,222	$220,378
Land and lot sales	760	638	2,121	9,069
Rental program	1,863	1,364	5,386	4,341
Mortgage banking and finance ops.	2,462	2,399	6,931	6,138
Other operations	1,762	1,758	4,659	4,439
Total revenues	143,078	115,594	329,319	244,365
Costs and Expenses:				
Construction, land, interest and operations	110,765	89,786	255,063	189,714
Provision to reduce inventory to estimated net realizable value		3,100		3,100
Selling, general and admin	19,322	13,921	44,799	33,418
Rental operations	2,496	2,452	6,955	7,145
Mortgage banking and finance ops.	2,534	2,214	7,528	6,482

Other operations	1,040	1,013	2,468	2,717
Total costs and expenses	136,157	112,486	316,813	242,576
Income Before Income Taxes and Extraordinary Loss	6,921	3,108	12,506	1,789
State and Federal Income Taxes:				
State	97	409	730	582
Federal:				
Current	1,867	812	(310)	(3,135)
Deferred	188	(69)	3,532	2,844
Total taxes	2,152	1,152	3,952	291
Income Before Extraordinary Loss	4,769	1,956	8,554	1,498
Extraordinary Loss from Extinguishment of Debt, Net of Income Taxes			(1,277)	
Net Income	4,769	1,956	7,277	1,498
Retained Earnings, Beg of Period	127,627	114,871	125,119	115,329
Retained Earnings, End of Period	$132,396	$116,827	$132,396	$116,827
Income Per Common Share:				
Income before extraordinary loss	$0.21	$0.09	$0.38	$0.07
Extraordinary loss			(0.06)	
Net income	$0.21	$0.09	$0.32	$0.07
Weighted Average Number of Shares Outstanding	22,839	22,779	22,814	22,773

See notes to consolidated financial statements.
</TABLE>
<TABLE>
HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars In Thousands)
<CAPTION>

	A Common Stock		B Common Stock					
	Shares Issued and Outstanding	Dollars	Shares Issued and Outstanding	Dollars	Paid-In Capital	Retained Earnings	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
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	958,759	10	(958,757)	(10)				
Net Income						7,277		7,277

Balance, November 30, 1993..	14,308,763	$147	8,533,286	$88	$32,301	$132,396	($5,299)	$159,633
	==========	====	===========	=====	=======	========	=========	========

</TABLE>
<TABLE>
HOVNANIAN ENTERPRISES, INC. AND
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
<CAPTION>

	Nine Months Ended November 30,	
	1993	1992
<S>	<C>	<C>
Cash Flows From Operating Activities:		
Net Income	$7,277	$1,498
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation................................	2,161	1,800
Loss (gain) on sale and retirement of property and assets................................	387	(512)
Deferred income taxes........................	3,532	2,843
Loss from unconsolidated affiliates..........	56	183
Decrease (increase) in assets:		
Receivables, prepaids and other assets.....	(17,866)	(22,701)
Mortgages receivable......................	13,875	3,804
Inventories...............................	(93,761)	(70,445)
Increase (decrease) in liabilities:		
State and Federal income taxes............	(4,322)	(3,012)
Customers' deposits.......................	11,923	6,793
Interest and other accrued liabilities.....	(5,523)	5,530
Post development completion costs..........	1,993	(3,700)
Accounts payable..........................	2,241	7,794
Amortization of debenture discounts........	2	7
	--------	--------
Net cash used by operating activities....	(78,025)	(70,118)
	--------	--------
Cash Flows From Investing Activities:		
Proceeds from sales of property and assets.......	2,755	2,878
Investment in property and assets...............	(2,560)	(2,658)
Purchase of property...........................	(2,138)	(2,529)
Investment in and advances to unconsolidated affiliates..................................	136	(350)
Investment in incoming producing properties......	(10,044)	(3,159)
Investment in loans from sale of subsidiaries....	50	(86)
	--------	--------
Net cash used by investing activities....	(11,801)	(5,904)
	--------	--------
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes...............	366,879	159,604
Proceeds from subordinated debt.................	96,870	97,000
Principal payments on mortgages and notes........	(339,346)	(189,482)
Principal payments on subordinated debt.........	(50,000)	(5,590)
Investment in mortgages receivable..............	7,993	8,528
Proceeds from sale of stock.....................	419	155
	--------	--------
Net cash provided by financing activities	82,815	70,215
	--------	--------
Net Decrease In Cash.............................	(7,011)	(5,807)
Cash Balance, Beginning of Period.................	17,065	15,889
	--------	--------
Cash Balance, End of Period.......................	$10,054	$10,082
	========	========

See notes to consolidated financial statements.
</TABLE>

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

1. The consolidated financial statements, except for the February 28, 1993 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		Nine Months Ended	
	11/30/93	11/30/92	11/30/93	11/30/92
Interest Incurred (1):				
Residential (3)	$ 4,454	$ 4,777	$14,574	$12,241
Commercial(4)	1,369	1,558	3,948	4,682
Total Incurred	$ 5,823	$ 6,335	$18,522	$16,923
Interest Expensed:				
Residential (3)	$ 3,769	$ 4,761	$10,576	$10,989
Commercial (4)	1,291	1,466	3,710	4,366
Total Expensed	$ 5,060	$ 6,227	$14,286	$15,355
Interest Capitalized at Beginning of Period	$26,553	$25,161	$23,365	$24,062
Plus Interest Incurred	5,823	6,335	18,522	16,923
Less Interest Expensed	5,060	6,227	14,286	15,355
Less Charges to Reserves	84	272	329	633
Less Sale of Assets			40	
Interest Capitalized at End of Period	$27,232	$24,997	$27,232	$24,997
Interest Capitalized at End of Period (5):				
Residential(3)	$21,030	$17,399	$21,030	$17,399
Commercial(2)	6,202	7,598	6,202	7,598
Total Capitalized	$27,232	$24,997	$27,232	$24,997

(1) Does not include interest incurred by the Company's mortgage and finance subsidiaries.
(2) Does not include a reduction for depreciation.
(3) Represents acquisition interest for construction, land and development costs which is charged to cost of sales.
(4) Represents interest charged to rental operations.
(5) Capitalized residential interest at November 30, 1993 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 intended use to residential

housing.

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

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 November 30, 1993 were for operating expenses, seasonal increases in housing inventories, construction, acquisition of commercial facilities, income taxes, interest and the redemption of Subordinated Notes. The Company provided for its cash requirements from outside borrowings, including the Revolving Credit Facility and Subordinated Notes as well as from housing 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 line of up to $115,000,000 (the "Revolving Credit Facility") through July 1996. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement. As of November 30, 1993, borrowings under the Agreement were $53,400,000.

On June 7, 1993 the Company issued $100,000,000 9 3/4% Subordinated Notes due 2005. There are no sinking fund payments prior to maturity. 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 aggregate principal amount of all subordinated indebtedness issued by the Company and outstanding as of November 30, 1993 was $202,160,000.

The Company's mortgage banking subsidiary borrows under a bank warehousing arrangement. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of the Company's subsidiaries. As of November 30, 1993, the aggregate principal amount of all such borrowings was $44,233,000.

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

	November 30, 1993	February 28, 1993
Residential real estate inventory............	$337,152,000	$243,391,000
Residential rental condominiums.............	3,465,000	3,973,000
Total Residential Real Estate.............	340,617,000	247,364,000
Commercial properties.......................	66,992,000	58,217,000
Combined Total............................	$407,609,000	$305,581,000

Total residential real estate increased $93,253,000 during the nine months ended November 30, 1993 as a result of an inventory increase of $93,761,000, and a rental condominium decrease of $508,000. The increase in residential real estate inventory was primarily due to the Company's seasonal increase in construction activities for deliveries later this year, the Company's overall increase in housing volume and the expansion into the metro Washington D.C. area. The Company's rental condominiums declined due to the Company's continued liquidation of such property. Substantially all residential homes under construction or completed and included in real estate inventory at November 30, 1993 are expected to be sold and closed during the next twelve months. Most residential real estate completed or under development is financed through the Company's line of credit and subordinated indebtedness.

The following table summarizes housing lots in the Company's active communities under development:

	Commun. Under Develop.	Home Lots Owned/ Approved	Homes Closed	Contracted Not Closed	Remaining Lots Available (1)
November 30, 1993...	82	10,113	4,978	2,264	2,871
February 28, 1993...	70	9,543	3,620	1,335	4,588

(1) Of the total home lots available, 400 and 403 were under construction or complete (including 93 and 104 models and sales offices) at November 30, 1993 and February 28, 1993, respectively.

In addition, in substantially completed or suspended developments the Company had 813 and 943 home lots at November 30, 1993 and February 28, 1993, respectively. The Company also controls a supply of land primarily through options for future development. This land is consistent with anticipated home building requirements in its housing markets. At November 30, 1993 the Company controlled such land to build 12,695 proposed homes, compared to 11,902 homes at February 28, 1993.

The Company's commercial properties represent long-term investments in commercial and retail facilities completed or under development (see "Rental Program" and "Other Operations" under "Results of Operations"). During the first nine months of fiscal 1994, the increase in commercial properties was primarily the result of the acquisition of a 116,000 sq. ft. retail center in Wall Township, New Jersey. When individual facilities are completed and substantially leased, the Company will have the ability to obtain long-term financing on such properties. At November 30, 1993, the Company had long-term non-recourse financing aggregating $18,506,000 on three commercial facilities, a decrease of $66,000 from February 28,1993, due to principal amortization.

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

	November 30, 1993	February 28, 1993
Collateralized mortgages receivable........	$33,187,000	$40,355,000
Residential mortgages receivable...........	19,316,000	34,108,000
Land and lot mortgages receivable..........	1,395,000	1,343,000
Notes from the sale of subsidiaries........	3,037,000	3,047,000

Total Mortgages and Notes Receivable	$56,935,000	$78,853,000

The collateralized mortgages receivable are pledged against non-recourse collateralized mortgage obligations. Residential mortgages receivable amounting to $11,971,000 and $25,868,000 at November 30, 1993 and February 28, 1993, 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 loan is greater than the fair market value of the mortgaged home and losses are not covered by mortgage insurance. Historically, the Company has incurred minimal credit losses. Land and lot mortgages are usually short term (5 years or less) and not subject to construction loan subordination. Notes from the sale of subsidiaries are secured by the assets and/or stock of the subsidiaries and amortized over ten years.

RESULTS OF OPERATIONS FOR THE THREE AMD NINE MONTHS ENDED NOVEMBER 30, 1993 COMPARED TO THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 1992

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprising primarily of New Jersey and eastern Pennsylvania), North Carolina, southeastern Florida and metro Washington, D.C. In addition, the Company develops and acquires commercial properties as long-term investments in New Jersey, and, to a lesser extent, Florida. During the first nine months of fiscal 1994, the Company had net income before an extraordinary loss amounting to $8.6 million. The Northeast Region, North Carolina, and metro Washington D. C. generated profits which were partially offset by losses from the Company's other operations. An important indication of future profits for the Company is net contracts signed and its contract backlog. For the first nine months of fiscal 1994, the Company's net contracts signed amounted to $487.1 million compared to $307.5 million for the same period last year. At November 30, 1993 the Company's home contract backlog for future delivery was 2,625 homes with an aggregate sales value of $391.2 million compared to 1,829 homes with an aggregate sales value of $244.5 million at the same time last year. As a result of the increased contracts and backlog and future project openings, the Company expects to report higher operating profits and net income for the year ending February 28, 1994.

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	1993	1992	1993	1992
Total Revenues	100.0%	100.0%	100.0%	100.0%
Costs and Expenses:				
Construction, land, interest and operations	77.4	77.7	77.4	77.6
Provision to reduce inventory to estimated net realizable value		2.7		1.3
Selling, general and administrative	13.5	12.0	13.6	13.7
Mortgage banking and finance operations	1.8	1.9	2.3	2.7
Rental and other operations	2.5	3.0	2.9	4.0
Total costs and expenses	95.2	97.3	96.2	99.3

Income Before Income Taxes and Extraordinaty Loss....................	4.8	2.7	3.8	.7
Total Income Taxes......................	1.5	1.0	1.2	.1
Income Before Extraordinary Loss.........	3.3	1.7	2.6	.6
Extraordinary Loss From Extinguishment of Debt, Net of Income Taxes...........			(.4)	
Net Income..............................	3.2%	1.7%	2.2%	.6%

Total Revenues:

Revenues for the third quarter of fiscal 1994 increased $27.5 million, or 23.8% , compared to the third quarter of fiscal 1993. This was primarily a result of increased housing revenues of $26.8 million. Revenues from rental and other operations increased $.5 million primarily due to the addition of a of a retail center and related rentals. Mortgage banking and finance operations increased $.1 million and land and lot sales increased $.1 million.

Revenues for the first nine months of fiscal 1994 increased $85.0 million, or 34.8%, compared to the first nine months of fiscal 1993. This was primarily the result of increased housing sales of $89.8 million partially offset by a decrease in land and lot sales of $6.9 million. Mortgage banking and finance operations increased $.8 million primarily resulting from increased mortgage origination and sale of servicing fees. Rental and other operations increased $1.3 million for the reason noted above and the sale of a retail center in the second quarter of fiscal 1994.

Housing Operations:

Housing revenues increased $26.8 million, or 24.5%, and $89.8 million, or 40.8%, in the third quarter and first nine months of fiscal 1994, respectively, compared to the same periods of the previous year. Housing revenues are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	1993	1992	1993	1992
	(Dollars in Thousands)			
Northeast Region(1):				
Housing Revenues..........	$ 92,643	$ 88,013	$196,298	$163,360
Homes Delivered...........	583	630	1,332	1,167
North Carolina:				
Housing Revenues..........	$ 20,284	$ 14,324	$ 49,233	$ 41,499
Homes Delivered...........	157	124	392	365
Florida:				
Housing Revenues..........	$ 13,355	$ 6,087	$ 31,232	$ 12,491
Homes Delivered...........	111	54	261	118
Metro Washington, D.C.:				

Housing Revenues..........	$ 9,511	$ 142	$ 32,038	$ 142
Homes Delivered...........	58	1	216	1
Other:				
Housing Revenues..........	$ 438	$ 869	$ 1,421	$ 2,886
Homes Delivered...........	7	12	23	37
Totals:				
Housing Revenues..........	$136,231	$109,435	$310,222	$220,378
Homes Delivered...........	916	821	2,224	1,688

(1) Excludes suspended operations in New York for fiscal 1993 which are included with New Hampshire in "Other".

The third quarter and first nine months of fiscal 1994 housing revenue increase (compared to fiscal 1993) was due to increased homes delivered and increased average sales prices in all the Company's markets. In the Northeast Region one reason average sales prices are increasing is because of the Company's diversified product mix of more detached single family homes and larger townhouses with garages designed for the move-up buyer. In Florida, the Company's performance is improving as a result of the addition of new single family developments. In the Company's new Metro Washington D. C. Division, homes began to be delivered at the end of fiscal 1993. In addition, the Company has raised sales prices in all its markets as demand for its products becomes stronger.

The Company's contract backlog by market area is set forth below:

	November 30,	
	1993	1992
	(Dollars in Thousands)	
Northeast Region:		
Aggregate Base Sales Price..........	$280,279	$187,217
Number of Homes.....................	1,806	1,353
North Carolina:		
Aggregate Base Sales Price..........	$ 53,045	$ 32,439
Number of Homes.....................	407	277
Florida:		
Aggregate Base Sales Price..........	$ 40,078	$ 15,736
Number of Homes.....................	314	130
Metro Washington, D. C.:		
Aggregate Base Sales Price..........	$ 17,046	$ 8,425
Number of Homes.....................	84	58
Other:		
Aggregate Base Sales Price..........	$ 790	$ 708
Number of Homes.....................	14	11
Totals:		
Aggregate Base Sales Price..........	$391,238	$244,525
Number of Homes.....................	2,625	1,829

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

Three Months Ended Nine Months Ended

	November 30,		November 30,	
	1993	1992	1993	1992
	(Dollars in Thousands)			
Housing sales...................	$136,231	$109,435	$310,222	$220,378
Construction, land and operations expenses...........	106,188	84,549	242,600	171,670
Interest expense................	3,745	4,663	10,438	10,195
Total expenses................	109,933	89,212	253,038	181,865
Housing gross margin............	$ 26,298	$ 20,223	$ 57,184	$ 38,513
Gross margin percentage.........	19.3%	18.5%	18.4%	17.5%

Construction, land and operating expenses as a percentage of housing sales increased .3% to 78.2% for the first nine months of fiscal 1994 from 77.9% for the same period last year. This increase is primarily the result of the decreased percentage of home revenues coming from the Northeast Region where gross margins are greater. The Northeast Region has declined to 63.2% of the Company's housing revenues for the first nine months of fiscal 1994 from 74.1% for the same period last year. The Company's other markets are more competitive which keeps prices and gross margins down. The increase was also caused by sharply raising material costs (primarily lumber) as demand for such materials is greater than current supplies.

Housing interest has declined 1.2% as a percentage of housing sales to 3.4 % for the first nine months of fiscal 1994, from 4.6% for the same period last year. This decrease is primarily the result of the Company's increased inventory turnover and a continued reduction in the Company's consolidated interest rate. Interest is capitalized during construction and expensed as houses are delivered.

Selling, general and administrative expenses increased $11.4 million, or 34.1%, in the first nine months of fiscal 1994 compared to the same period last year. The increase in the dollar amount of such expenses was primarily due to a 40.8% increase in housing revenues. As a percentage of housing revenues such expenses decreased .8% to 14.4% for the first nine months of fiscal 1994, from 15.2% for the same period last year.

Land and Lot Operations:

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	1993	1992	1993	1992
	(Dollars in Thousands)			
Land and lot sales...........	$ 760	$ 638	$ 2,121	$ 9,069
Construction, land and operations expenses........	808	476	1,887	7,055
Interest expense.............	24	98	138	794
Total expenses.............	832	574	2,025	7,849

Land and lot sales				
Gross margin...............	$ (72)	$ 64	$ 96	$ 1,220

Land and lot sales are incidental to the Company's residential housing operations and are expected to continue in the future but will significantly fluctuate up or down. During fiscal 1994 land and lot sales consisted primarily of scattered lot sales in the Northeast Region and two small land sales, one in New Jersey and one in Florida.

Mortgage Banking and Finance Operations:

Mortgage banking and finance operations consist primarily of originating mortgages from sales of the Company's homes and selling such mortgages in the secondary market. Such operations also include interest income and expense from the Company's collateralized mortgages receivable and related bonds payable. Such operations are expected to operate at a slight profit for fiscal 1994. Servicing rights on new mortgages originated by the Company are sold as the loans are closed.

Rental Program:

At November 30, 1993 the Company owned and was leasing three office buildings, four office/warehouse facilities, three retail centers and one mini-storage facility. During the first nine months of fiscal 1994 compared to the same period last year, rental operations increased due to increased occupancy levels and the addition of one retail center. Rental operations include interest amounting to $3.7 million and $4.4 million for the first nine months of fiscal 1994 and 1993, respectively. The Company is also renting condominium homes in New Hampshire but is liquidating these rentals through a reduced house price sales program. The Company expects such operations to operate at a loss after deducting interest and depreciation.

Other Operations:

Other operations consisted primarily of title insurance, investment properties, sale of assets and other income from residential housing operations including interest income, contract deposit forfeitures and low and moderate income housing subsidies. All such operations, except investment properties and sale of assets, relate to the Company's residential real estate activities. The investment properties division supervises the construction of commercial properties and manages completed properties for the Company. Such properties, when completed, result in additional rental operations for the Company. During the second quarter of fiscal 1994 the Company sold a 10,000 sq. ft. retail center in Galloway Township, N. J. Included in other revenues is the pretax profit from this sale amounting to $538,000.

Extraordinary Item:

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

Inflation:

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

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

SIGNATURES

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

HOVNANIAN ENTERPRISES, INC.
(Registrant)

DATE 1/12/94

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

DATE 1/12/94

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