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Shares of the home builder tumbled 7.5% on Thursday after it swung to a loss in its most recent quarter. DANIEL ACKER/ BLOOMBERG NEWS

Weak Housing Market Hits Hovnanian

BY CONNOR HART

Hovnanian Enterprises

continues to cope with a stagnant housing market, plagued by cautious consumers who are too anxious to buy new homes.

"World events, as well as high mortgage rates, high gas prices, inflation and other factors have caused potential home buyers to hesitate," Chief Executive Ara Hovnanian said on a call with analysts Thursday.

The hesitancy has forced the home builder to offer expensive incentives to spur sales, cutting into its bottom line and prompting the company to post its second con secutive quarterly loss. Contracts also declined, hurting its top line as well.

Shares tumbled 7.5% to $118.13 in Thursday's trading. Despite the drop, the stock is up 21% in the year to date.

Other home builders are feeling the pressure, too. **Toll Brothers,** a luxury home builder, earlier this week reported lower sales in the latest quarter as it delivered fewer homes. And **Lennar** in June cut its full-year deliveries outlook after it similarly reported declining revenue.

Hovnanian said underlying demand for housing remains strong, noting that the company's website continues to see solid traffic and that consumers continue to tour its communities. However, Hovnanian Enterprises is having a hard time converting interest into home sales.

"Compared with last year's third quarter, our results continue to reflect the reality of a housing market operating under substantially higher mortgage rates, elevated incentives and concern about global instability," Hovnanian said.

Quarterly contracts declined roughly 4% to 1,359 homes. The decrease in contracts weighed on revenue, which fell 12% to $705.7 million.

The company swung to a loss of $1.8 million for its three months ended July 31, from a profit of $16.6 million a year earlier. On a per-share basis, the company reported a loss of 70 cents a share, compared with earnings of $1.99 a share the year prior.

While the housing market by and large is still heavily reliant on incentives to push new-home contracts, the incentives are starting to come down.

Note

Incentive levels have declined sequentially for the past two quarters, Hovnanian said, even though mortgage rates have increased over the same period.