SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-9977

MONTEREY HOMES CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	86-0611231 (I.R.S. Employer Identification No.)
6613 North Scottsdale Road, Suite 200 Scottsdale, Arizona (Address of Principal Executive Offices)	85250 (Zip Code)

(602) 998-8700
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes X No .

As of August 13, 1997; 5,247,278 shares of Monterey Homes Corporation common stock were outstanding.

MONTEREY HOMES CORPORATION
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 1997
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MONTEREY HOMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 1997	December 31, 1996
ASSETS		
Cash and cash equivalents	$ 7,262,648	$ 15,567,918
Short-term investments	0	4,696,495
Real estate loans and other receiveables	1,571,530	2,623,502
Real estate under development (Notes 2 & 4)	45,106,664	35,991,142
Option deposits	1,319,241	546,000
Residual interests	3,855,755	3,909,090
Other assets	799,947	940,095
Deferred tax asset	6,783,000	6,783,000
Goodwill (Note 5)	1,719,581	1,763,488
	$ 68,418,366	$ 72,820,730
LIABILITIES		
Accounts payable and accrued liabilities	$ 7,344,153	$ 10,569,872
Home sale deposits	7,697,170	4,763,518
Notes payable (Note 3)	23,838,847	30,542,276
Total liabilities	38,880,170	45,875,666
STOCKHOLDERS' EQUITY (Note 5)		
Common stock, par value $.01 per share; 50,000,000 shares authorized; issued and outstanding - 4,580,611 shares	45,806	45,806
Additional paid-in capital	92,990,384	92,643,658
Accumulated deficit	(63,087,711)	(65,334,117)
Treasury stock - 53,046 shares	(410,283)	(410,283)
Total Stockholder's Equity	29,538,196	26,945,064
	$ 68,418,366	$ 72,820,730

See accompanying notes to consolidated financial statements.

MONTEREY HOMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended June 30, 1997	Three Months Ended June 30, 1996	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
REVENUES				
Home sales (Notes 1 and 5)	$ 24,544,107	$ --	$ 37,116,944	$ --
Residual interest and real estate loan interest income	790,818	452,868	1,150,112	890,950
Other income	130,432	182,637	305,748	379,250
	25,465,357	635,505	38,572,804	1,270,200
COSTS AND EXPENSES				
Cost of home sales (Notes 1 and 5)	20,882,044	--	31,828,546	--
Commissions and other sales costs (Notes 1 and 5)	1,243,662	--	1,998,710	--
General, administrative and other	1,183,783	262,761	2,275,469	650,834
Interest	--	75,656	--	237,945
	23,309,489	338,417	36,102,725	888,779

Income before income tax expense and extraordinary loss from early extinguishment of debt	2,155,868	297,088	2,470,079	381,421
Income tax expense	197,800	--	223,673	--
Income before extraordinary loss from early extinguishment of debt	1,958,068	297,088	2,246,406	381,421
Extraordinary loss from early extinguishment of debt	--	(148,433)	--	(148,433)
Net income	$ 1,958,068	$ 148,655	$ 2,246,406	$ 232,988
EARNINGS PER SHARE				
Income before extraordinary loss from early extinguishment of debt	$ .42	$ .09	$ .48	$ .12
Extraordinary loss from early extinguishment of debt	--	(.05)	--	$ (.05)
Net income	$ .42	$ .04	$ .48	$ .07
Weighted average common shares outstanding	4,657,723	3,317,298	4,644,448	3,295,208

</TABLE>

See accompanying notes to consolidated financial statements

MONTEREY HOMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Six Months Ended June 30, 1997 and 1996
(Unaudited)

<TABLE>
<CAPTION>

<S>	1997 <C>	1996 <C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,246,406	$ 232,988
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Increase in real estate under development	(9,115,522)	--
Depreciation and amortization	431,224	89,020
Amortization of residual interests	53,335	832,605
Increase in other assets	(669,440)	(154,704)
Decrease in accounts payable and accrued liabilities	(97,737)	(186,705)
Net cash provided by (used in) operating activities	(7,151,734)	813,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments received on real estate loans	1,476,000	498,402
Real estate loans funded	(428,272)	(302,275)
(Increase) decrease in short-term investments	4,696,495	(18,900)
Decrease in funds held by Trustee	--	5,637,948
Net cash provided by investing activities	5,744,223	5,815,175
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	20,940,662	--
Repayment of borrowings	(27,644,091)	(7,818,824)
Distributions to stockholders	(194,330)	(291,496)
Net cash used in financing activities	(6,897,759)	(8,110,320)
Net decrease in cash and cash equivalents	(8,305,270)	(1,481,941)
Cash and cash equivalents at beginning of period	15,567,918	3,347,243

Cash and cash equivalents at end of period	$ 7,262,648	$ 1,865,302

</TABLE>

See accompanying notes to consolidated financial statements.

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Monterey Homes Corporation (previously Homeplex Mortgage Investments Corporation), the Company, commenced operations in July 1988. Prior to the Merger (see Note 5), the Company's main line of business was investing in mortgage certificates securing collateralized mortgage obligations (CMOs), interests relating to mortgage participation certificates (MPCs) (collectively residual interests) and loans secured by real estate.

Since January 1, 1997, the operation of the Company has focused on homebuilding, and the combined entities intend to continue with Monterey Homes' building operations as its main line of business. These operations are currently conducted primarily in the Phoenix, Scottsdale and Tucson, Arizona markets.

Basis of Presentation

The consolidated financial statements include the accounts of Monterey Homes Corporation and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to be consistent with current financial statement presentation. In the opinion of Management, the unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the Company's financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results to be expected for a full fiscal year.

Upon consummation of the Merger a one-for-three reverse stock split of the Company's issued and outstanding common stock, $.01 par value per share, was effected. Except as otherwise indicated, the share information contained herein reflects the one-for-three reverse stock split.

NOTE 2 - REAL ESTATE UNDER DEVELOPMENT

The components of real estate under development at June 30, 1997 and December 31, 1996 are as follows:

<TABLE>
<CAPTION>

	(Unaudited) June 30, 1997	December 31, 1996
<S>	<C>	<C>
Homes in production	$27,095,194	$22,839,500
Finished lots and lots under development	18,011,470	13,151,642
	$45,106,664	$35,991,142

</TABLE>

NOTE 3 - NOTES PAYABLE

Notes payable consist of the following at June 30, 1997 and December 31, 1996:

<TABLE>
<CAPTION>

	(Unaudited) June 30, 1997	December 31, 1996
<S>	<C>	<C>
Construction line of credit to bank, interest payable monthly approximating prime (8.5% at June 30, 1997) plus .25%, payable at the earlier of close of escrow or maturity date of individual homes within the line or June 19, 2000	$11,576,606	$ 7,251,958

</TABLE>

<TABLE>
<S> <C> <C>

Guidance line of credit to bank for acquisition and development, interest payable monthly approximating prime plus .5%, payable at the earlier of funding of construction financing, the maturity date of individual projects within the line or June 19, 2000...........	3,791,295	9,628,993
Short-term credit facility to bank, paid in full, June 1997..	0	5,552,500
Senior subordinated notes payable, maturing October 15, 2001, annual interest of 13%, payable semi-annually, principal payable at maturity date with a put to the Company at June 30, 1998, unsecured.........	8,000,000	8,000,000
Other..	470,946	108,825
Total..	$23,838,847	$30,542,276

</TABLE>

A provision of the senior subordinated bond indenture provides the bondholders with the option, at June 30, 1998, to require the Company to buy back the bonds at 101% of face value. Approximately $2,700,000 of the bonds were held equally by the Chairman and President of the Company at June 30, 1997.

NOTE 4 - CAPITALIZED INTEREST

The Company capitalizes interest costs incurred on homes in production and lots under development. This capitalized interest is allocated to unsold lots, and included in cost of home sales in the accompanying statements of earnings when the units are delivered. The following tables summarize interest capitalized and interest expensed (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
Beginning unamortized capitalized interest.........	$ 599	$ N/A	$ -	$ N/A
Interest capitalized.............................	894	N/A	1,586	N/A
Amortized - cost of home sales....................	(327)	N/A	(420)	N/A
Ending unamortized capitalized interest...........	$ 1,166	$ N/A	$ 1,166	$ N/A
Interest incurred................................	$ 894	$ 76	$ 1,586	$ 238
Interest capitalized.............................	894	N/A	1,586	N/A
Interest expense.................................	$ -	$ 76	$ -	$ 238

</TABLE>

Had the Merger not occurred, interest capitalized by the Monterey Entities (See Note 5) would have been $894,000 and $746,000 for the three months ended June 30, 1997 and 1996, respectively. Interest amortized through cost of home sales would have been $972,000 and $530,000 for the same periods, respectively. For the six months ended June 30,1997 and 1996, interest capitalized would have been $1,586,0000 and $1,567,000, respectively, while interest amortized through cost of home sales would have been $1,506,000 and $960,000, respectively.

NOTE 5 - HOMEPLEX / MONTEREY MERGER

On December 23, 1996, the stockholders of Homeplex Mortgage Investments Corporation, now known as Monterey Homes Corporation (the "Company"), approved the Merger (the "Merger") of Monterey Homes Construction II, Inc. and Monterey Homes Arizona II, Inc., both Arizona corporations (collectively, the "Monterey Entities" or "Monterey"), with and into the Company. The Merger was effective on December 31, 1996, and the Company will focus on homebuilding as its primary business. Also, ongoing operations of the Company will be managed by the two previous stockholders of Monterey, who at the time of the Merger became Co-Chief Executive Officers, with one serving as Chairman and the other as President. At consummation of the Merger, 1,288,726 new shares of common stock, $.01 par value per share, were issued equally to the Chairman and President.

Monterey, in connection with an $8,000,000 subordinated debt private placement that occurred during October 1994, issued warrants to the bondholders to purchase approximately 16.48% of Monterey. Accordingly, of the 1,288,726 shares issued in the Merger, 212,398 are held by the Company on behalf of the Chairman and President, to be delivered to the warrantholders upon payment of the warrant exercise price to the Chairman and President. Upon expiration of the warrants, any of the remaining 212,398 will be delivered to the Chairman and President.

In addition, up to 266,667 shares of contingent stock will be issued equally to the Chairman and President provided that certain stock trading price thresholds are met and that the Officer is still an employee of the Company at the time of issuance. The price thresholds are $5.25, $7.50 and $10.50 for dates after the first, second and third anniversaries of the Merger, respectively, and the prices must be maintained for 20 consecutive trading days. The number of contingent shares issued would be 44,943, 88,889 and 88,889, respectively, and as of August 14, 1997, the first two price thresholds have been met. Included in the above mentioned 266,667 contingent shares are 43,947 shares (approximately 16.48%) issuable to the Company's warrantholders, upon exercise of the warrants. Such shares are not subject to meeting certain stock trading price thresholds or employment of the Chairman and President. Upon expiration of unexercised warrants, any of the remaining 43,947 contingent shares will be issued to the Chairman and President.

The total consideration paid by the Company for the net assets of Monterey Homes was $9,323,353. This amount included 1,288,726 shares of the Company's common stock valued at $8,544,256 and $779,097 of transaction costs. The purchase method of accounting was used by the Company, and the purchase price was allocated among the Monterey net assets based on their estimated fair market value at the date of acquisition, resulting in goodwill of $1,763,488 which will be amortized over 20 years.

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company as if the Merger had occurred at January 1, 1996, with pro forma adjustments together with related income tax effects. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would actually have resulted had the combination been in effect on the date indicated.
<TABLE>
<CAPTION>

	Three Months ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
	Actual	Pro forma	Actual	Pro forma
<S>	<C>	<C>	<C>	<C>
Total revenues............................	$ 25,465,357	$ 18,308,709	$ 38,572,804	$ 33,714,234
Net income................................	$ 1,958,068	$ 1,331,704	$ 2,246,406	$ 1,600,097
Net earnings per share....................	$ .42	$ .29	$ .48	$ .34

</TABLE>

NOTE 6 - INCOME TAXES

Deferred tax assets of approximately $6.8 million have been recorded in the June 30,1997 and December 31, 1996 balance sheet due to temporary differences and carryforwards. For federal and state income tax purposes at June 30, 1997 and at December 31, 1996, the Company had a net operating loss carryforward of approximately $53 million that expires beginning in 2007.

Income tax expense for the three months ended June 30, 1997 was $197,800 and $223,673 for the six months ended June 30, 1997. No income tax was recorded in the first two quarters of 1996, due to the Company's status as a real estate investment trust in that year.

NOTE 7 - SUBSEQUENT EVENTS

Legacy Homes Acquisition

On May 29, 1997, the Company signed a definitive agreement with Legacy Homes, Ltd., Legacy Enterprises, Inc., and John and Eleanor Landon (together, "Legacy Homes"), to acquire the homebuilding and related mortgage service business of Legacy Homes, Ltd. and its affiliates. This transaction was effective on July 1, 1997. Legacy Homes is a builder of entry-level and move-up homes headquartered in the Dallas/Fort Worth metropolitan area and was founded in 1988 by its current President, John Landon. In 1996 Legacy Homes had pre-tax income of $8.8 million on sales of $84 million, compared to pre-tax income of $5.7 million on sales of $62 million in 1995. Legacy Homes closed escrow on 623 homes in 1996, a 32% increase over 1995, a year in which Legacy was recognized as one of the top ten homebuilders in the Dallas/Fort Worth area.

The consideration for the approximately $23 million in assets and stock acquired consisted of approximately $1.6 million in cash, 666,667 shares of the Company's Common Stock and deferred contingent payments for the four years following the close of the transaction. The deferred contingent payments will be equal to 12% of the pre-tax income of the Company and 20% of the pre-tax income of the Texas division of the Company. In no event will the total deferred contingent payments exceed $15 million. In addition, the Company assumed substantially all of the liabilities of Legacy Homes, including indebtedness that was incurred prior to the closing of the transaction to fund distributions to the stockholders of Legacy Homes that reduced its book value to less than $200,000.

In connection with the transactions, John Landon entered into a four-year employment agreement with the Company. He was appointed Chief Operating Officer and Co-Chief Executive Officer of the Company and President and Chief Executive Officer of the Company's Texas division. Mr. Landon was also granted an option to purchase 166,667 shares of the Company's common stock. In addition, the Company has agreed to use reasonable best efforts to cause Mr. Landon to be elected to its Board of Directors.

Sale of Residual Interests

On July 31, 1997, the Company sold one of its Mortgage Securities for $3.1 million, creating a gain of $2.7 million. The security sold was a Series I - - Collateralized Bond issued by Westam Mortgage Financial Corporation, and was one of eight mortgage assets obtained by the Company in its December 31, 1996 merger with Homeplex Mortgage Corporation. The cash proceeds from the sale will be reinvested in the Company's homebuilding business.

NOTE 8 - IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share," (Statement 128), which establishes standards for computing and presenting earnings per share (EPS). It replaces the presentation of primary and fully diluted EPS with a presentation of basic and diluted EPS. Statement 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997. Earlier application is not permitted. After adoption, all prior period EPS dates should be restated to conform to Statement 128.

The Company will adopt Statement 128 in the fourth quarter of 1997. The pro forma impact of Statement 128 on the three months ended June 30, 1997 would have been basic and diluted EPS of $.43 and $.40 respectively. The pro forma impact on the six months ended June 30, 1997, would have been basic and diluted EPS of $.50 and $.47, respectively.

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements. The words "believe," "expect," "anticipate," and "project" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1993, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may include, but are not limited to, projections of revenues, income or loss, capital expenditures, plans for future operations, financing needs or plans, the impact of inflation, the impact of changes in interest rates, plans relating to products or services of the Company, potential real property acquisitions, and new or planned development projects, as well as assumptions relating to the foregoing.

Statements in Exhibit 99 to this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K, including the Notes to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations," describe factors, among others, that could contribute to or cause such differences. Additional factors that could cause actual results to differ materially from those expressed in such forward-looking statements are set forth in "Business" and "Market for the Registrant's Common Stock and Related Stockholder Matters" in the Company's Annual Report on Form 10-K.

Historical Results Of Operations For The Three and Six Months Ended June 30, 1997 Compared To 1996

The Company had net income of $1,958,068 or $.42 per share and $2,246,406 or $.48 per share, respectively, for the three and six months ended June 30, 1997 compared to net income of $148,655, or $.04 per share and

$232,988, or $.07 per share for the comparable periods in 1996. The increases in 1997 for both periods were caused by the addition of the homebuilding operations during 1997. Results for the three and six months ended June 30, 1996, include an extraordinary loss from the early extinguishment of debt of $148,433, or a $.05 per share. Home sales revenue, cost of home sales, commissions and other sales costs all increased in 1997, as the Company had no homebuilding operations prior to the Merger in December of 1996.

Residual and real estate loan income was higher in the three months ended June 30, 1996 than in the same quarter of the previous year due to a change in the estimated Bloomberg prepayment speed and a second quarter correction of residual income booked in the first quarter of 1997. For the six months ended June 30, 1997, residual income is higher in 1997 than in 1996, again due to the prepayment speed.

General, administrative and other costs were $1,183,783 and $262,761 in the three months ended June 30, 1997 and 1996 respectively. These costs were $2,275,469 for the first half of 1997 and $650,834 for the first half of 1996. The increases for both periods are caused mainly by higher corporate costs, including compensation expense relating to stock options and contingent stock. All interest incurred was capitalized in 1997 with $420,000 amortized through cost of home sales, and not expensed directly as in 1996.

Liquidity And Capital Resources

The Company uses a combination of borrowings and funds generated by operations to meet its working capital requirements. At June 30, 1997, the Company had a committed $30 million short-term, secured, revolving construction loan facility and a $20 million acquisition and development guidance facility, of which $11.6 million and $3.8 million were outstanding, respectively. The Company also had outstanding $8.0 million at June 30, 1997 in unsecured, senior subordinated notes due October 15, 2001 (the "Notes"), which were issued in October 1994. The Company had available but unborrowed funds under its credit facilities of $7.9 million at June 30, 1997.

The Indenture governing the Notes and the Company's various loan agreements contain restrictions which could, depending on the circumstances, affect the Company's ability to obtain additional financing in the future. If the Company at any time is not successful in obtaining sufficient capital to fund its then-planned development and expansion costs, some or all of its projects may be significantly delayed or abandoned. Any such delay or abandonment could result in cost increases or the loss of revenues and could have a material adverse effect on the Company's results of operations and ability to repay its indebtedness.

The cash flow for each of the Company's communities can differ substantially from reported earnings, depending on the status of the development cycle. The early stages of development or expansion require significant cash outlays for, among other things, land acquisition, obtaining plat and other approvals, construction of amenities which may include community tennis courts, swimming pools and ramadas, model homes, roads, certain utilities and general landscaping. Because these costs are capitalized, income reported for financial statement purposes during a development's early stages may significantly exceed cash flow. In later stages of development and expansion, cash flow can significantly exceed income reported for financial statement purposes, as cost of home sales includes charges for substantial amounts of previously expended costs.

Pro Forma Results Of Operations For The Three and Six Months Ended June 30, 1997 And 1996

As a result of the Homeplex Merger, the primary business of the Company has shifted from the making of real estate loans and holding residual interests to homebuilding. Due to this change, Management believes that comparison of operations for quarters in a prior year with the current quarter operations is not as meaningful as the pro forma results. Accordingly, Management has prepared pro forma condensed combined operating results for the three months ended June 30, 1996 and the six months ended June 30, 1996, which reflect the impact of combining the pre-merger companies as though the Homeplex acquisition had taken place on January 1, 1996.

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
	Actual	Pro Forma	Actual	Pro Forma
	(Dollars in thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Home sales revenue	$ 24,544	$ 16,725	$ 37,117	$ 31,492
Cost of home sales	20,882	15,039	31,829	27,963

Gross profit	3,662	1,686	5,288	3,529
Selling, general and administrative	2,427	1,774	4,274	3,954
Operating income(loss)	1,235	(88)	1,014	(425)
Other income	921	1,585	1,456	2,223
Earnings before income taxes	2,156	1,497	2,470	1,798
Income tax expense	198	165	224	198
Net earnings	$ 1,958	$ 1,332	$ 2,246	$ 1,600
Earnings per share	$ .42	$ .29	$ .48	$ .34

</TABLE>

The key assumptions in the pro forma results of operations relate to the following:

(1) The transaction was consummated on January 1, 1996.

(2) Compensation expense was adjusted to add the new employees' cost and to deduct the terminated employees' cost.

(3) The net operating loss was utilized to reduce the maximum amount of taxable income possible.

Results Of Operations

The following discussion and analysis provides information regarding the combined financial position of the Company and its subsidiaries as of June 30, 1997 and December 31, 1996 and their results of operations for the three and six months ended June 30, 1997 and pro forma operations for the three and six months ended June 30, 1996. All material balances and transactions between Monterey Homes Corporation and its subsidiaries have been eliminated. This discussion should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1996. In the opinion of Management, the unaudited interim data reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the Company's financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results to be expected for a full fiscal year.

Home Sales Revenue

Home sales revenue for any period is the product of the number of units closed during the period and the average sales price per unit. The following table presents comparative second quarter and first six months 1997 and 1996 housing revenues (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended June 30, 1997	Quarter Ended June 30, 1996	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Dollars	$24,544	$ 16,725	$ 7,819	46.8%	$ 37,117	$ 31,492	$ 5,625	17.9%
Units closed	65	72	(7)	(9.7%)	105	125	(20)	(16%)
Average Sales Price	$ 377.6	232.3	$ 145.3	62.6%	$ 353.5	$ 251.9	$ 101.6	40.3%

</TABLE>

The increase in revenues of $7.8 million during the second quarter of 1997 over the previous year's second quarter was caused primarily by a substantial increase in the average sales price, offset in part by fewer units closed. The lower average sales price and higher unit number in 1996 was due to sales of lower priced condominiums. There were no condominium closings in 1997, as this project was sold out in 1996.

The revenue increase of $5.6 million during the first half of 1997 over the previous years' first half was again caused primarily by an average sales price that was approximately 40% higher than that of the previous year offset in part by fewer units sold.

Gross Profit

Gross profit equals home sales revenue, net of housing cost of sales, which include developed lot costs, units construction costs, amortization of common community costs (such as the cost of model complex and architectural, legal and zoning costs), interest, sales tax, warranty, construction overhead and closing costs. The following table presents comparative second quarter and first half 1997 and 1996 housing gross profit (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended June 30, 1997	Quarter Ended June 30, 1996	Increase	Percentage Increase	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996	Increase (Decrease)	Increase (Decrease)
Dollars	$ 3,662	$ 1,686	$ 1,976	117.3%	$ 5,288	$ 3,529	$ 1,759	49.9%
Percent of housing revenues	14.9%	10.1%	4.8%	48.1%	14.2%	10.0%	4.2%	42.3%

</TABLE>

The increase in gross profit in the quarter ended June 30, 1997 over the same quarter of the previous year is primarily attributable to a 46.8% increase in home sales dollar revenue and a corresponding increase in the gross profit margin. The gross profit margin increased mainly due to a larger number of home closings occurring in more profitable subdivisions.

For the first half of 1997, the increase in gross profit over 1996 is primarily due to a 17.9% increase in revenues along with a 42.3% increase in gross profit margin.

Selling, General And Administrative Expenses

Selling, general and administrative expenses (SG&A), which include advertising, model and sales office, sales administration, commissions and corporate overhead costs, were $2.4 million for the second quarter of 1997, as compared to $1.8 million for the same period in 1996, an increase of 33%. SG&A expenses were 4.3 million for the first six months of 1996, as compared to 1996 costs of $4.0 million for the same period, an increase of 7.5%. These changes were caused mainly by increased advertising and model home expenses, and higher administrative, corporate and public company costs paid in 1997 than in 1996.

Development Projects

At June 30, 1997, the Company had 14 subdivisions under various stages of development. The Company was actively selling in 11 subdivisions, was sold out in one subdivision, and was in various stages of preparation to open for sales in one subdivision. The Company owns the underlying land in seven subdivisions subject to bank acquisition financing and the underlying land in two subdivisions free from any acquisition financing. The lots in the remaining five subdivisions are purchased from developers on a rolling option basis. The Company purchased one new subdivision in the first quarter of 1997, and entered into one new rolling lot option contract to increase the lots available to the Company in one existing subdivision. Depending on market conditions, Management may elect to make additional selective property acquisitions throughout the remainder of the current year.

Net Orders

Net orders for any period represent the number of units ordered by customers (net of units canceled) multiplied by the average sales price per units ordered. The following table presents comparative second quarter and first half 1997 and 1996 net orders (dollars in thousands):

<TABLE>
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	Quarter Ended June 30, 1997	Quarter Ended June 30, 1996	Dollar/Unit Increase (Decrease)	Percentage Increase	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996	Dollar/Unit Increase	Percentage Increase
Dollars	$ 26,073	$ 22,061	$ 4,012	18.2%	$ 53,941	$ 38,091	$ 15,850	41.6%
Units ordered	88	74	14	18.9%	169	133	36	

							27.1%
Average sales price .	$ 296.3	$ 298.1	$ (1.8)	*.1%	$ 319.2	$ 286.4	$ 32.8	11.4%

* less than
</TABLE>

The second quarter dollar volume of net orders increased by 18.2% over the 1996 second quarter due primarily to higher unit sales, slightly offset by a decrease in the average sales price of units ordered.

The dollar volume of net orders for the first half of 1997 increased by 41.6% over the first half of 1996 due to an increase in average sales prices and also by a higher number of units ordered. The increase in average sales price was due to activity in higher priced subdivisions than in 1996, which included a condominium project.

Monterey does not include sales which are contingent on the sale of the customer's existing home as orders until the contingency is removed. Historically, Monterey has experienced a cancellation rate of less than 16% of gross sales.

Net Sales Backlog

Backlog represents net orders of Monterey which have not closed. The following table presents comparative June 30, 1997 and 1996 net sales backlog (dollars in thousands):

<TABLE>
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	June 30 1997	June 30 1996	Dollar/Unit Increase	Percentage Increase
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Dollars	$ 67,177	$ 45,985	$ 21,192	46.1%
Units in backlog	184	152	32	21.1%
Average sales price	$ 365.1	$ 302.5	$ 62.6	20.7%

</TABLE>

Dollar backlog increased 46.1% over the prior year due to an increase in units in backlog and by an increase in average sales price. Average sales price has increased due to the 1996 sell out of the lower priced Vintage Condominium subdivision and sales in a higher priced semi-custom subdivision, Lincoln Place. Units in backlog have increased 21.1% over the prior year due to the increase in net orders.

Seasonality

Monterey has historically closed more units in the second half of the fiscal year than in the first half, due in part to the slightly seasonal nature of the market for their semi-custom, luxury product homes. Management expects that this seasonal trend will continue in the future, but may change slightly as operations expand within the move-up segment of the market.

PART II. OTHER INFORMATION

Item 2. Changes in Securities

(c) On July 1, 1997, in connection with the Legacy Homes acquisition described in Note 7 to the Unaudited Financial Statements included in this Report, the Company issued 466,667 shares of Monterey Homes Corporation (MHC) common stock to Legacy Homes, Ltd., and 200,000 shares of MHC common stock to John R. Landon and Eleanor D. Landon as Tenants-in-Common. Exemption from registration for the issuance of the MHC common stock is claimed pursuant to Section 4(2) of the Securities Act of 1933, as amended, regarding transactions by an issuer not involving any public offering. Also in connection with the transaction, Mr. Landon was granted an option to purchase 166,667 shares of MHC common stock at an exercise price of $5.25 per share, exercisable in equal annual increments over three years commencing July 1, 1998.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit 27 - Financial Data Schedule

Exhibit 99 - Private Securities Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements

(b) Reports on Form 8-K - A Current Report on Form 8-K, dated May 29, 1997 was filed with the Securities and Exchange Commission on June 9, 1997, and a Current Report on Form 8-K, dated July 1, 1997, was filed with the Securities and Exchange Commission on July 14, 1997. Both of these Form 8-K's relate to the Legacy Homes acquisition.

MONTEREY HOMES CORPORATION

SIGNATURES

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

MONTEREY HOMES CORPORATION
A Maryland Corporation

August 14, 1997

By: \ LARRY W. SEAY

Larry W. Seay
Vice President of Finance & Chief Financial Officer

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EXHIBIT 99

Private Securities Litigation Reform Act of 1995
Safe Harbor Compliance Statement for Forward-Looking Statements

In passing the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), Congress encouraged public companies to make "forward-looking statements" by creating a safe-harbor to protect companies from securities law liability in connection with forward-looking statements. Monterey Homes Corporation (the "Company" or "Monterey") intends to qualify both its written and oral forward-looking statements for protection under the PSLRA.

To qualify oral forward-looking statements for protection under the PSLRA, a readily available written document must identify important factors that could cause actual results to differ materially from those in the forward-looking statements. Monterey provides the following information in connection with its continuing effort to qualify forward-looking statements for the safe harbor protection of the PSLRA.

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, the following: (i) changes in national and local economic and other conditions, such as employment levels, availability of mortgage financing, interest rates, consumer confidence, and housing demand; (ii) risks inherent in homebuilding activities, including delays in construction schedules, cost overruns, changes in government regulation, increases in real estate taxes and other local government fees; (iii) changes in costs or availability of land, materials, and labor; (iv) fluctuations in real estate values; (v) the timing of home closings and land sales; (vi) the Company's ability to continue to acquire additional land or options to acquire additional land on acceptable terms; (vii) lack of geographic diversification of the Company's operation, especially when (A) real estate analysts are predicting that new home sales in the Phoenix, Arizona metropolitan area will slow significantly during 1997 and 1998 and (B) new home sales in the Tucson, Arizona metropolitan area are expected to remain relatively flat during 1997; (viii) limited product diversification in that the Company derives most of its revenue from sales of semi-custom luxury homes; (ix) the inability of the Company to obtain sufficient capital on terms acceptable to the Company to fund its planned capital and other expenditures; (x) changes in local, state and federal rules and regulations governing real estate developing and homebuilding activities and environmental matters, including "no growth" or "slow growth" initiatives, building permit allocation ordinances and building moratoriums; (xi) expansion by the Company into new markets in which the Company has no operating experience; (xii) the inability of the Company to identify acquisition candidates that will result in successful combinations; (xiii) the failure of the Company to make acquisitions on terms acceptable to the Company; (xiv) the loss of key employees of the Company, including William W. Cleverly and Steven J. Hilton; and (xv) factors that may affect the Company's mortgage assets, including general conditions in the financial markets, changes in prepayment rates and changes in interest rates.

Forward-looking statements express expectations of future events. All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties which could cause actual events or results to differ materially from those projected. Due to these inherent uncertainties, the investment community is urged not to place undue reliance on forward-looking statements. In addition, Monterey undertakes no obligations to update or revise forward-looking statements to reflect changed assumptions, the occurrence of anticipated events or changes to projections over time.

(1) "Forward-looking statements" can be identified by use of words such as "expect," "believe," "estimate," "project," "forecast," "anticipate," "plan," and similar expressions.