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, 1999

OR

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

Commission File Number 1-9977

MERITAGE 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)

(480) 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 10, 1999; 5,462,906 shares of Meritage Corporation common stock were outstanding.

MERITAGE CORPORATION
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 1999
TABLE OF CONTENTS

	PAGE NO.
PART I. FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS:	
Consolidated Balance Sheets as of June 30, 1999 and December 31, 1998	3
Consolidated Statements of Earnings for the Three and Six Months ended June 30, 1999 and 1998	4
Consolidated Statements of Cash Flows for the Six Months ended June 30, 1999 and 1998	5
Notes to Consolidated Financial Statements	6
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	10
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	15
PART II. OTHER INFORMATION	
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	15
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K	15

SIGNATURES S-1

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERITAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	JUNE 30, 1999	DECEMBER 31, 1998
ASSETS		
Cash and cash equivalents	$ 7,084,225	$ 12,386,806
Real estate under development	147,191,665	104,758,530
Deposits on real estate under option or contract	11,726,728	7,338,406
Other receivables	1,774,219	2,460,966
Deferred tax asset	2,382,163	6,935,000
Goodwill	19,275,181	14,640,712
Property and equipment, net	3,803,921	2,566,163
Other assets	1,413,349	1,163,737
Total Assets	$194,651,451	$152,250,320
LIABILITIES		
Accounts payable and accrued liabilities	$ 29,918,011	$ 34,068,178
Home sale deposits	12,113,269	8,587,245
Notes payable	72,666,108	37,204,845
Minority interest in consolidated joint ventures	152,710	110,922
Total Liabilities	114,850,098	79,971,190
STOCKHOLDERS' EQUITY		
Common stock, par value $.01 per share; 50,000,000 Shares authorized; issued and outstanding - 5,470,906 Shares at June 30, 1999, and 5,334,942 shares at December 31, 1998	54,709	53,349
Additional paid-in capital	100,087,648	99,319,669
Accumulated deficit	(20,228,042)	(27,093,888)
Less cost of shares held in treasury (10,000 shares)	(112,962)	--
Total Stockholders' Equity	79,801,353	72,279,130
Total Liabilities and Stockholders' Equity	$194,651,451	$152,250,320

See accompanying notes to consolidated financial statements

MERITAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Home sales revenues	$ 76,646,871	$ 55,608,159	$ 127,953,068	$ 92,121,503
Cost of home sales	(60,810,073)	(45,698,437)	(102,132,361)	(75,324,372)
Gross profit	15,836,798	9,909,722	25,820,707	16,797,131
Commissions and other sales costs	(4,492,042)	(2,553,903)	(7,907,859)	(4,894,388)
General and administrative expense	(3,678,297)	(2,273,598)	(6,824,344)	(4,182,056)
Interest expense	(1,844)	(115,279)	(2,679)	(195,594)
Other income, net	669,889	246,619	1,033,721	286,407
Residual interest and real estate loan interest income	--	2,028,908	--	5,232,667
Earnings before income taxes	8,334,504	7,242,469	12,119,546	13,044,167

Income taxes	3,793,701	546,000	5,253,701	896,000
Net earnings	$ 4,540,803	$ 6,696,469	$ 6,865,845	$ 12,148,167
Basic earnings per share	$ .83	$ 1.26	$ 1.26	$ 2.29
Diluted earnings per share	$ .75	$ 1.10	$ 1.14	$ 1.99

</TABLE>

See accompanying notes to consolidated financial statements.

MERITAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 6,865,845	$ 12,148,167
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,009,513	597,518
Deferred tax expense	4,552,837	--
Stock option compensation expense	296,658	690,884
Gain on sales of residual interests	--	(5,180,046)
Increase in real estate under development	(42,433,135)	(23,970,178)
Increase in deposits on real estate under option or contract	(4,388,322)	(1,739,951)
(Increase) decrease in other receivables and other assets	437,135	(259,921)
Decrease in accounts payable and accrued liabilities	(9,276,403)	(6,289,779)
Increase in home sale deposits	3,526,024	3,922,390
Net cash used in operating activities	(39,409,848)	(20,080,916)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,713,715)	(274,288)
Proceeds from sales of residual interest	--	6,600,000
Net cash provided by (used in) investing activities	(1,713,715)	6,325,712
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	128,447,739	65,373,666
Repayment of borrowings	(92,986,476)	(54,949,383)
Purchase of treasury shares	(112,962)	--
Stock options exercised	472,681	304,796
Net cash provided by financing activities	35,820,982	10,729,079
Net decrease in cash and cash equivalents	(5,302,581)	(3,026,125)
Cash and cash equivalents at beginning of period	12,386,806	8,245,392
Cash and cash equivalents at end of period	$ 7,084,225	$ 5,219,267

See accompanying notes to consolidated financial statements

MERITAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

We develop, construct and sell new high-quality, single family homes in the semi-custom luxury, move-up and entry-level markets. Our operations in the Phoenix and Tucson, Arizona metropolitan markets are under the Monterey Homes and Meritage Homes of Arizona brand names, in the Dallas/Fort Worth, Austin and Houston, Texas markets we use the Legacy Homes name and in the San Francisco Bay and Sacramento, California markets we are known as Meritage Homes of Northern California. We have recently undergone significant growth and are pursuing a strategy of expanding our operations.

BASIS OF PRESENTATION. The consolidated financial statements include the accounts of Meritage Corporation and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidation and certain prior period amounts have been reclassified to be consistent with current financial statement presentation. First half 1998 results do not include the operations of Meritage Homes of Northern California, which was acquired on July 1, 1998. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present our 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.

NOTE 2 - REAL ESTATE UNDER DEVELOPMENT AND CAPITALIZED INTEREST

The components of real estate under development follow (in thousands):

	JUNE 30, 1999	DECEMBER 31, 1998
Homes under contract, in production	$ 64,696	$ 44,186
Finished lots and lots under development	60,920	46,558
Model homes and homes held for resale	21,576	14,015
	$147,192	$104,759

We capitalize certain interest costs incurred during development and construction. Capitalized interest is allocated to real estate under development and charged to cost of home sales when the units are delivered. Summaries of interest capitalized and interest expensed follow (in thousands):

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
Beginning unamortized capitalized interest	$ 2,260	$2,074	$ 1,982	$ 1,890
Interest capitalized	1,510	856	2,599	1,484
Interest amortized in cost of home sales	(1,117)	(800)	(1,928)	(1,244)
Ending unamortized capitalized interest	$ 2,653	$2,130	$ 2,653	$ 2,130
Interest incurred	$ 1,512	$ 971	$ 2,602	$ 1,679
Interest capitalized	(1,510)	(856)	(2,599)	(1,484)
Interest expensed	$ 2	$ 115	$ 3	$ 195

NOTE 3 - NOTES PAYABLE

Notes payable consist of the following (in thousands):

	JUNE 30, 1999	DECEMBER 31, 1998
$60 million bank construction line of credit, interest payable monthly approximating prime (7.75% at June 30, 1999) or LIBOR (30 day LIBOR 5.2% at June 30, 1999), plus 2.25% payable at the earlier of close of escrow, maturity date of individual homes within the line or June 9, 2000, secured by first deeds of trust on homes	$23,155	$ 4,641
$80 million bank construction line of credit, interest payable monthly approximating prime or LIBOR plus 2.25%, payable at the earlier of close of escrow, maturity date of individual homes within the line or July 31, 2000, secured by first deeds of trust on homes	25,268	10,925
$20 million bank acquisition and development credit facility, interest payable monthly approximating prime or LIBOR plus 2.25%, payable at the earlier of funding of construction financing, the maturity date of individual projects within the line or June 19, 2000, secured by first deeds of trust on land	5,908	3,314

Other acquisition and development credit facilities with commitments totaling $4.5 million, interest payable monthly, ranging from prime to prime plus .25%; payable at the earlier of funding of construction financing or the maturity date of the individual projects, secured by first deeds of trust on land	2,424	2,407
Senior unsecured notes, maturing September 15, 2005, annual interest of 9.10% payable quarterly, principal payable in three equal installments on September 15, 2003, 2004 and 2005	15,000	15,000
Other	911	918
Total	$ 72,666	$ 37,205

NOTE 4 - EARNINGS PER SHARE

A summary of the reconciliation from basic earnings per share to diluted earnings per share for the three and six months ended June 30, 1999 and 1998 follows (in thousands, except per share amounts):

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
Net earnings	$4,541	$6,696	$6,866	$12,148
Weighted average shares outstanding - basic	5,456	5,316	5,441	5,311
Basic earnings per share	$ .83	$ 1.26	$ 1.26	$ 2.29
Basic EPS - Weighted average shares outstanding	5,456	5,316	5,441	5,311
Effect of dilutive securities:				
Contingent shares	70	132	77	141
Stock options	494	652	519	662
Weighted average shares outstanding - dilutive	6,020	6,100	6,037	6,114
Diluted earnings per share	$ .75	$ 1.10	$ 1.14	$ 1.99

NOTE 5 - TREASURY STOCK

In June 1999, we began acquiring shares of our common stock in connection with a stock repurchase program announced in April 1999. The program authorizes us to purchase up to $6 million of common stock from time to time on the open market or in privately negotiated transactions at price levels we consider attractive. We purchased 10,000 shares of common stock in June at an aggregate cost of $112,962. The purpose of the stock repurchase program is to help us achieve our long-term goal of enhancing stockholder value.

NOTE 6 - STERLING COMMUNITIES ACQUISITION

On June 15, 1998, we signed a definitive agreement with Sterling Communities, S.H. Capital, Inc., Sterling Financial Investments, Inc., Steven W. Hafener and W. Leon Pyle (together, the Sterling Entities), to acquire substantially all of the assets of Sterling Communities. The transaction was effective as of July 1, 1998. Assets acquired principally consist of real property and other residential homebuilding assets located in the San Francisco Bay and Sacramento areas of California. We are continuing the operations of the Sterling Entities under the name Meritage Homes of Northern California.

Consideration paid for the assets and stock acquired, and various liabilities assumed, consisted of $6.9 million in cash and additional consideration to be paid for up to four years after the transaction date. We used the purchase method of accounting and the purchase price was allocated among our net assets based on their estimated fair market value at the transaction date. Goodwill of approximately $2.2 million was recorded, which is being amortized over 20 years. The additional consideration will be equal to 20%

of the pre-tax income of Meritage's California division and will be expensed as earned.

NOTE 7 - INCOME TAXES

Components of income tax expense are as follows(in thousands):

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
Current taxes:				
Federal	$ 157	$ 281	$ 240	$ 370
State	296	265	459	526
	453	546	699	896
Deferred taxes:				
Federal	3,254	--	4,467	--
State	87	--	88	--
	3,341	--	4,555	--
Total	$3,794	$ 546	$5,254	$ 896

CARRYFORWARDS

At June 30, 1999, we had a federal net operating loss carryforward of approximately $1.1 million. Any unused carryforward will expire beginning in 2007.

NOTE 8 - SEGMENT INFORMATION

We classify our operations into three primary geographic segments: Arizona, Texas and California. These segments generate revenues through the sale of homes to external customers. We are not dependent on any one major customer.

Operational information relating to the different business segments follows. 1998 information has not been included for the California operations which were acquired July 1, 1998. Certain information has not been included by segment due to the immateriality of the amount to the segment or in total. We evaluate segment performance based on several factors, of which the primary financial measure is earnings before interest and taxes (EBIT). The accounting policies of the business segments are the same as those described in Notes 1 and 2 for the Company. There are no significant transactions between segments.

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
	(in thousands)			
HOME SALES REVENUE:				
Texas	$42,461	$36,171	$ 72,795	$58,847
Arizona	30,056	19,437	49,684	33,275
California	4,130	--	5,474	--
Total	$76,647	$55,608	$127,953	$92,122
EBIT:				
Texas	$ 5,819	$ 5,005	$ 9,554	$ 8,016
Arizona	3,815	1,865	5,705	2,772
California	1,195	--	773	--
Corporate and other	(1,378)	1,275	(1,984)	3,683
Total	$ 9,451	$ 8,145	$ 14,048	$14,471
AMORTIZATION OF CAPITALIZED INTEREST:				
Texas	$ 367	$ 304	$ 667	$ 502
Arizona	688	496	1,191	742
California	62	--	70	--
Total	$ 1,117	$ 800	$ 1,928	$ 1,244

	AT JUNE 30, 1999	AT DECEMBER 31, 1998

ASSETS:		
Texas	$ 92,024	$ 64,448
Arizona	69,026	58,758
California	29,749	12,321
Corporate	3,852	16,723
Total	$194,651	$152,250

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 1933, 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 our products or services, 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 our Annual Report on Form 10-K for the year ended December 31, 1998, 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 our December 31, 1998 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

The following discussion and analysis provides information regarding the results of operations of Meritage and its subsidiaries for the three and six months ended June 30, 1999 and June 30, 1998. All material balances and transactions between Meritage and its subsidiaries have been eliminated. This discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 1998. In management's opinion, the data reflects all adjustments, consisting of only normal recurring adjustments, necessary to fairly present our financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results expected for a full fiscal year. Comparative information for June 30, 1998 has not been included for the California operations, which were acquired in July 1998.

HOME SALES REVENUE

Home sales revenue is the product of the number of units closed during the period and the average sales price per unit. Comparative 1999 and 1998 housing revenues follow (dollars in thousands):

<TABLE>
<CAPTION>

	QUARTER ENDED JUNE 30,		DOLLAR/UNIT INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)	SIX MONTHS ENDED JUNE 30,		DOLLAR/UNIT INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)
	1999	1998			1999	1998		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
TOTAL								
Dollars	$76,647	$55,608	$21,039	37.8%	$127,953	$92,122	$35,831	38.9%
Units closed	374	323	51	15.8%	631	528	103	19.5%
Average sales price	$ 204.9	$ 172.2	$ 32.7	19.0%	$ 202.8	$ 174.5	$ 28.3	16.2%
TEXAS								
Dollars	$42,461	$36,171	$ 6,290	17.4%	$ 72,795	$58,847	$13,948	23.7%
Units closed	275	266	9	3.4%	475	426	49	11.4%
Average sales price	$ 154.4	$ 136.0	$ 18.4	13.5%	$ 153.3	$ 138.1	$ 15.2	11.0%
ARIZONA								
Dollars	$30,056	$19,437	$10,619	54.6%	$ 49,684	$33,275	$16,409	49.3%
Units closed	88	57	31	54.4%	141	102	39	38.2%
Average sales price	$ 341.5	$ 341.0	$ .5	*	$ 352.4	$ 326.2	$ 26.2	8.0%
CALIFORNIA								
Dollars	$ 4,130	N/A	N/A	N/A	$ 5,474	N/A	N/A	N/A

Units closed	11	N/A	N/A	N/A	15	N/A	N/A	N/A
Average sales price	$ 375.5	N/A	N/A	N/A	$ 364.9	N/A	N/A	N/A

</TABLE>

* - less than 1%

The increase in revenues and number of units closed in 1999 compared to 1998 resulted mainly from our strong market performance in Arizona and Texas, the addition of the California operations and an increase in closings of homes in higher priced communities.

GROSS PROFIT

Gross profit is home sales revenue, net of housing cost of sales. Housing cost of sales includes developed lot costs, unit construction costs, amortization of common community costs (such as the cost of model complexes and architectural, legal and zoning costs), interest, sales tax, warranty, construction overhead and closing costs. Comparative 1999 and 1998 housing gross profit follows (dollars in thousands):

	QUARTER ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	1999	1998	INCREASE	1999	1998	INCREASE
Dollars	$15,837	$9,910	$5,927	$25,821	$16,797	$9,024
Percentage of housing revenues	20.7%	17.8%	2.9%	20.2%	18.2%	2.0%

The dollar increase in gross profit for the three and six months ended June 30, 1999 over the prior year's periods is attributable to the increase in number of units closed. The gross profit margin increased due to the continued strong market performance in Texas and Arizona, along with increased closings in more profitable Arizona communities.

COMMISSIONS AND OTHER SALES COSTS

The increase in commissions and other sales costs in the second quarter and first half of 1999 compared with the same periods of 1998 is based on higher sales volume. Comparative 1999 and 1998 commissions and other sales costs follows (dollars in thousands):

	QUARTER ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	1999	1998	INCREASE	1999	1998	INCREASE
Total						
Dollars	$4,492	$2,554	$1,938	$7,908	$4,894	$3,014
Percentage of housing revenues	5.9%	4.6%	1.3%	6.2%	5.3%	.9%

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were approximately $3.7 million (4.8% of revenue) in the second quarter of 1999, as compared with approximately $2.3 million (4.1% of revenue) in 1998. The increase for the six months ended June 30, 1999 includes approximately $600,000 related to an employment agreement buyout of a former managing director. Operating costs in the first half of 1999 are also higher as a percentage of revenue due to the increase in overhead incurred related to expanding into California, and the start-up of our new Meritage Division in Phoenix, Arizona.

OTHER INCOME

The increase in other income for the three and six month periods ended June 30, 1999, primarily is due to management fees earned by the California division and an increase in revenue from the mortgage operations in Texas.

RESIDUAL INTEREST AND REAL ESTATE LOAN INTEREST INCOME

In the second quarter of 1998, the remainder of our mortgage security portfolio was sold for a gain of approximately $2.0 million. There will be no residual interest or real estate loan interest income in 1999.

INCOME TAXES

The increase in income taxes to $3.8 million for the quarter ended June 30, 1999 from $546,000 in the prior year's period resulted from a higher effective tax rate in the current year due to the utilization of the net operating loss ("NOL") carryforward for accounting purposes in 1998. In future periods we expect to have an effective tax rate approximating the statutory federal and state tax rates as our NOL carryforward is used or expires.

SALES CONTRACTS

Sales contracts for any period represent the number of homes ordered by customers (net of cancellations) multiplied by the average sales price per unit ordered. Comparative 1999 and 1998 sales contracts follow (dollars in thousands):

<TABLE>
<CAPTION>

	QUARTER ENDED JUNE 30, 1999	QUARTER ENDED JUNE 30, 1998	DOLLAR/UNIT INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)	SIX MONTHS ENDED JUNE 30, 1999	SIX MONTHS ENDED JUNE 30, 1998	DOLLAR/UNIT INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
TOTAL								
Dollars	$92,304	$74,158	$ 18,146	24.5%	$191,722	$160,141	$ 31,581	19.7%
Units ordered	495	382	113	29.6%	1,050	887	163	18.4%
Average sales price	$ 186.5	$ 194.1	$ (7.6)	(3.9)%	$ 182.6	$ 180.5	$ 2.1	1.2%
TEXAS								
Dollars	$53,285	$39,686	$ 13,599	34.3%	$116,967	$ 98,446	$ 18,521	18.8%
Units ordered	346	275	71	25.8%	777	700	77	11.0%
Average sales price	$ 154.0	$ 144.3	$ 9.7	6.7%	$ 150.5	$ 140.6	$ 9.9	7.0%
ARIZONA								
Dollars	$26,249	$34,472	$ (8,223)	(23.9)%	$ 53,595	$ 61,695	$ (8,100)	(13.1)%
Units ordered	113	107	6	5.6%	212	187	25.0	13.4%
Average sales price	$ 232.3	$ 322.2	$ (89.9)	(27.9)%	$ 252.8	329.9	$ (77.1)	(23.4)%
CALIFORNIA								
Dollars	$12,770	N/A	N/A	N/A	$ 21,160	N/A	N/A	N/A
Units Ordered	36	N/A	N/A	N/A	61	N/A	N/A	N/A
Average sales price	$ 354.7	N/A	N/A	N/A	$ 346.9	N/A	N/A	N/A

</TABLE>

We do not include sales contingent upon the sale of a customer's existing home as a sales contract until the contingency is removed. Historically, we have experienced a cancellation rate of less than 20% of gross sales. Total sales contracts increased in 1999 compared to 1998 due mainly to the expansion into California and the economic strength of all of our operating markets, particularly Texas. Average sales prices in Arizona are decreasing as the percentage of lower-priced homes sold by our new Meritage Homes of Arizona division increases.

NET SALES BACKLOG

Backlog represents net sales contracts that have not closed. Comparative 1999 and 1998 net sales backlog follows (dollars in thousands):

	AT JUNE 30, 1999	AT JUNE 30, 1998	DOLLAR/UNIT INCREASE (DECREASE)	PERCENTAGE (DECREASE)
TOTAL				
Dollars	$219,355	$166,982	$ 52,373	31%
Units in backlog	1,107	831	276	33%
Average sales price	$ 198.2	$ 200.9	$ (2.7)	(1)%
TEXAS				
Dollars	$123,999	$ 81,617	$ 42,382	52%
Units in backlog	805	578	227	39%
Average sales price	$ 154.0	$ 141.2	$ 12.8	9%
ARIZONA				
Dollars	$ 77,933	$ 85,365	$ (7,432)	(9)%
Units in backlog	251	253	(2)	(1)%
Average sales price	$ 310.5	$ 337.4	$ (26.9)	(8)%
CALIFORNIA				
Dollars	$ 17,423	N/A	N/A	N/A
Units in backlog	51	N/A	N/A	N/A
Average sales price	$ 341.6	N/A	N/A	N/A

Total dollar backlog at June 30, 1999 increased 31% over the prior 1998 period due to a corresponding increase in units in backlog. Units in backlog at June 30, 1999 increased 33% over the same period in the prior year due to the increase in net orders caused by expansion into California and strong housing markets in which we operate. The average sales price of homes in backlog in Arizona is decreasing as the percentage of lower-priced homes sold by our new Meritage Homes of Arizona division increases.

LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of working capital are land purchases, lot development and home construction. We use a combination of borrowings and funds generated by operations to meet our working capital requirements.

At June 30, 1999 we had short-term secured revolving construction loan facilities totaling $130 million and had $24.5 million in acquisition and development facilities, of which approximately $48.4 and $8.3 million were outstanding, respectively. An additional $14.6 million of unborrowed funds supported by approved collateral were available under our credit facilities at that date. We also have $15 million outstanding in unsecured, senior subordinated notes due September 15, 2005, which were issued in October 1998.

Management believes that the current borrowing capacity, cash on hand at June 30, 1999 and anticipated cash flows from operations are sufficient to meet our liquidity needs for the foreseeable future. There is no assurance, however, that future amounts available from our sources of liquidity will be sufficient to meet future capital needs. The amount and types of indebtedness that we incur may be limited by the terms of the indenture governing our senior subordinated notes and by the covenants and other terms of our credit agreements.

YEAR 2000 COMPLIANCE

The year 2000 presents potential concerns for business computing due to calculation problems from the use of a two-digit format as the year changes from 1999 to 2000. The problem affects certain computer software, hardware, and other systems containing processors and embedded chips. Consequently, information technology ("IT") systems and non-IT systems (collectively, "business systems") may not be able to accurately process certain transactions before, during, or after January 1, 2000. As a result, business and governmental agencies are at risk for potential disruption from business systems malfunctions or failures. This is commonly referred to as the Year 2000 ("Y2K") issue. We could be impacted by failures of our own business systems as well as those of our suppliers and business partners, and we have implemented our Y2K compliance program that consisted of business systems identification, testing and remediation, assessments of critical suppliers, and contingency planning.

The compliance program's first component was the identification of our business systems for purposes of evaluating which systems are Y2K compliant and which will be replaced or remediated. This phase is complete.

The second part of the program is the evaluation and replacement or remediation of our business systems that are not Y2K compliant. We have converted to new versions of substantially all of our homebuilding database systems and our replacement or remediation program is substantially complete.

We have identified critical suppliers and business partners ("key business partners") and we are taking steps to determine their Y2K readiness. These steps include interviews and other types of inquiries. Because of the number of business systems used by key business partners and the varying levels of Y2K readiness, it is difficult to assess the likelihood and impact of a malfunction due to this issue. We are not currently aware of any business relationships with key business partners that we believe will likely result in a significant disruption of our business. However, a Y2K failure could occur and have an adverse impact on us. Management currently believes that our greatest risk is with suppliers, banking and financial institutions, and suppliers of telecommunications services, all of which are operating within the United States. Potential consequences of Meritage or its key business partners having business systems that are not Y2K compliant include delays in receiving homebuilding components and supplies.

Concurrent with the remediation and evaluation of our business systems and those of our key business partners, we have developed contingency plans to decrease the risks that could occur in the event of a Y2K related business disruption. Contingency plans include increasing the level of homebuilding components, securing additional financing or other actions management deems advisable. Estimated costs associated with developing and implementing contingency measures are expected to be minimal.

The remediation and testing of our business systems has cost approximately $160,000. These costs have been expensed in the period incurred and funded through cash flows from operations. The future financial impact is not expected to be material to our financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not trade in derivative financial instruments and at June 30, 1999 had no significant derivative financial instruments. We do have other financial instruments in the form of notes payable and senior debt, which are at fixed interest rates. Our lines of credit and credit facilities are at variable interest rates and are subject to market risk in the form of interest rate fluctuations.

PART II OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 19, 1999, we held our 1999 Annual Meeting of Shareholders, at which John R. Landon, Robert G. Sarver and C. Timothy White were elected as Class II Directors to serve for a two-year term which expires at the Annual Meeting of Shareholders in 2001. Voting results for these nominees are summarized as follows:

	VOTES FOR	VOTES WITHHELD
John R. Landon	5,159,091	22,950
Robert G. Sarver	5,158,791	23,250
C. Timothy White	5,157,715	24,326

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION	PAGE OR METHOD OF FILING
27	Financial Data Schedule	Filed herewith
99	Private Securities Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements	Filed herewith

(b) REPORTS ON FORM 8-K

No reports on form 8-K were filed during the quarter ended June 30, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly cause this report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, this 16th day of August 1999.

MERITAGE CORPORATION,
a Maryland Corporation

By /s/ Larry W. Seay

Larry W. Seay
Chief Financial Officer and Vice
President-Finance (Principal Financial
Officer and Duly Authorized 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"(1) by creating a safe-harbor to protect companies from securities law liability in connection with forward-looking statements. Meritage 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. Meritage 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 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) Meritage's ability to continue to acquire additional land or options to acquire additional land on acceptable terms; (vii) a relative lack of geographic diversification of Meritage's operations, especially when real estate analysts are predicting that new home sales in certain markets may slow during 1999; (viii) Meritage's inability to obtain sufficient capital on terms acceptable to Meritage to fund its planned capital and other expenditures; (ix) changes in local, state and federal rules and regulations governing real estate development and homebuilding activities and environmental matters, including "no growth" or "slow growth" initiatives, building permit allocation ordinances and building moratoriums; (x) expansion by Meritage into new geographic or product markets in which Meritage has little or no operating experience; (xi) the inability of Meritage to identify acquisition candidates that will result in successful combinations; (xii) the failure of Meritage to make acquisitions on terms acceptable to Meritage, or to successfully integrate acquired operations, into Meritage; and (xiii) the loss of key employees of the Company, including Steven J. Hilton and John R. Landon.

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, Meritage 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.