FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
(Mark one)

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

For quarterly period ended September 30, 2002

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: 000-32227

America First Real Estate Investment Partners, L.P.
(Exact name of registrant as specified
in its Agreement of Limited Partnership)

Delaware	39-1965590
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Suite 400, 1004 Farnam Street, Omaha, Nebraska	68102
(Address of principal executive offices)	(Zip Code)

(402) 444-1630
(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

AMERICA FIRST REAL ESTATE INVESTMENT PARTNERS, L.P.
INDEX

Part I. Financial Information

Item 1. Financial Statements

AMERICA FIRST REAL ESTATE INVESTMENT PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Sept. 30, 2002 (Unaudited)	Dec. 31, 2001
Assets		
Cash and cash equivalents	$ 11,935,282	$ 5,386,206
Restricted cash and cash equivalents	2,874,223	230,886
Investment in GNMA Certificates, at fair value	15,174,008	42,614,238
Investment in corporate equity securities, at fair value	4,545,799	2,498,970
Investment in real estate, net of accumulated depreciation	102,588,807	25,046,607
Investment in Operating Partnerships	1,108,817	23,016,520
Interest and dividends receivable	196,275	353,074
Other assets	3,576,170	749,820
Goodwill, net of accumulated amortization of $35,971	863,307	863,307
	$ 142,862,688	$ 100,759,628
Liabilities and Partners' Capital		
Liabilities		
Accounts payable and accrued expenses	$ 2,054,701	$ 668,734
Distribution payable	1,115,678	1,029,857
Notes payable	3,499,008	3,499,008
Bonds and mortgages payable	42,991,218	18,520,000
Borrowings under repurchase agreements	38,325,000	20,325,000
Interest payable	221,335	308,334
	88,206,940	44,350,933
Partners' Capital (deficit)		
General Partner	(13,484)	1,936
Unit holders ($8.04 per Unit in 2002 and $8.30 per Unit in 2001)	54,669,232	56,406,759
	54,655,748	56,408,695
Liabilities and Partners' Capital (deficit)	$ 142,862,688	$ 100,759,628

The accompanying notes are an integral part of the consolidated financial statements.

AMERICA FIRST REAL ESTATE INVESTMENT PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	For the Three Months Ended Sept. 30, 2002	For the Three Months Ended Sept. 30, 2001	For the Nine Months Ended Sept. 30, 2002	For the Nine Months Ended Sept. 30, 2001
Income				
Rental income	$ 4,237,050	$ 165,378	$ 12,109,035	$ 165,378
Equity in earnings (losses) of Operating Partnerships	(15,932)	308,660	(42,767)	376,972
Mortgage-backed securities income	329,983	1,181,621	993,705	3,900,861
Interest income on cash and cash equivalents	49,271	77,494	87,029	244,008
Dividend income	107,478	37,203	248,987	77,723
Other income	-	-	3,289	5,847
	4,707,850	1,770,356	13,399,278	4,770,789
Expenses				
Real estate operating expenses	2,291,605	41,925	6,103,439	41,925
Depreciation expense	811,920	36,795	2,317,657	36,795
Amortization expense	16,521	4,131	86,789	4,131
Interest expense	753,590	276,720	1,913,447	622,432
General and administrative expenses	362,970	388,930	1,172,951	1,114,739
	4,236,606	748,501	11,594,283	1,820,022
Net income	471,244	1,021,855	1,804,995	2,950,767
Other comprehensive income				
Unrealized gains on securities				
Unrealized holding gains (losses) arising during the period	(242,888)	55,671	(210,776)	125,397
	(242,888)	55,671	(210,776)	125,397
Net comprehensive income	$ 228,356	$ 1,077,526	$ 1,594,219	$ 3,076,164
Net income allocated to:				
General Partner	$ 4,712	$ 10,219	$ 18,050	$ 29,508
Unit holders	466,532	1,011,636	1,786,945	2,921,259
	$ 471,244	$ 1,021,855	$ 1,804,995	$ 2,950,767
Net income, basic and diluted, per Unit	$ 0.07	$ 0.15	$ 0.26	$ 0.42
Weighted average number of Units outstanding, basic and diluted	6,797,055	6,807,131	6,797,055	6,945,414

The accompanying notes are an integral part of the consolidated financial statements.

AMERICA FIRST REAL ESTATE INVESTMENT PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL (DEFICIT)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
(UNAUDITED)

	General Partner	Unit Holders # of Units	Unit Holders Amount	Total
Partners' Capital (deficit) (excluding accumulated other comprehensive income)				
Balance at December 31, 2001	-	6,797,055	56,215,041	56,215,041
Net income	18,050	-	1,786,945	1,804,995
Cash distributions paid or accrued	(33,470)	-	(3,313,565)	(3,347,035)
Balance at September 30, 2002	(15,420)	6,797,055	54,688,421	54,673,001
Accumulated Other Comprehensive Income				
Balance at December 31, 2001	1,936	-	191,587	193,523
Other comprehensive income, net	-	-	(210,776)	(210,776)
Balance at September 30, 2002	1,936	-	(19,189)	(17,253)
Balance at September 30, 2002	$ (13,484)	6,797,055	$ 54,669,232	$ 54,655,748

The accompanying notes are an integral part of the consolidated financial statements.

AMERICA FIRST REAL ESTATE INVESTMENT PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended Sept. 30, 2002	For the Nine Months Ended Sept. 30, 2001
Cash flows from operating activities		
Net income	$ 1,804,995	$ 2,950,767
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in (earnings) losses of Operating Partnerships	42,767	(376,972)
Amortization of goodwill	-	26,978
Depreciation expense	2,317,657	36,795
Amortization expense	86,789	4,131
Other amortization	(859)	(1,495)
Gain on the sale of corporate equity securities	-	(5,847)
Increase in restricted cash	(1,289,221)	-
(Increase) decrease in dividends and interest receivable	(46,001)	125,788
(Increase) decrease in other assets	499,077	(197,243)
(Decrease) increase in accounts payable and accrued expenses	391,742	(885,000)
(Decrease) increase in interest payable	(45,489)	270,511
Net cash provided by operating activities	3,761,457	1,948,413
Cash flows from investing activities		
FHA Loan and GNMA principal payments received	126,174	15,625,767
Proceeds from sale of corporate equity securities	-	150,711
Distributions from Operating Partnerships	180,473	336,767
Investments in Operating Partnerships	-	(15,383,200)
Cash acquired in Operating Partnerships general partners acquisition	1,120,224	-
Acquisition of investment in real estate	(9,598,321)	(2,822,393)
Purchase of corporate equity securities	(2,274,026)	(1,825,944)
Purchase of goodwill	-	(10,000)
Net cash used in investing activities	(10,445,476)	(3,928,292)
Cash flows from financing activities		
Borrowings under repurchase agreements	34,475,000	20,325,000
Principal payments on repurchase agreements	(16,475,000)	-
Principal payments on bonds and mortgages payable	(192,024)	-
Distributions paid	(3,261,345)	(12,356,894)
Purchase of Units	-	(3,522,668)
Cash paid in lieu of fractional Units and Notes	-	(117,486)
Debt financing costs paid	(1,313,536)	(285,044)
Principal payments on Notes payable	-	(509,024)
Net cash provided by financing activities	13,233,095	3,533,884
Net increase in cash and cash equivalents	6,549,076	1,554,005
Cash and cash equivalents at beginning of period	5,386,206	8,543,561
Cash and cash equivalents at end of period	$ 11,935,282	$ 10,097,566
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 2,000,446	$ 141,026

AMERICA FIRST REAL ESTATE INVESTMENT PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(UNAUDITED)

Supplemental disclosure of non-cash investing and financing activities:

On January 1, 2002, the Company acquired the general partner interests in eight of the Operating Partnerships. As a part of this transaction the Company recorded the following, including consolidation eliminations.

Restricted cash and cash equivalents	1,354,116
GNMA Certificates	(27,331,336)
Investment in Operating Partnerships	(21,684,463)
Investment in real estate	51,786,536
Interest and dividends receivable	(202,800)
Other assets	2,098,680
Accounts payable and accrued expenses	994,225
Bonds and mortgages payable	6,188,242
Interest payable	(41,510)

On March 26, 2002, the Company assumed bonds payable of $8,865,000 in connection with the acquisition of investment in real estate (The Glades Apartments).

On September 19, 2002, the Company assumed bonds payable of $9,610,000 in connection with the acquisition of investment in real estate (The Lakes of Northdale Apartments).

The accompanying notes are an integral part of the consolidated financial statements.

1. Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

The accompanying interim unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. In the opinion of management, all normal and recurring adjustments necessary to present fairly the financial position at September 30, 2002, and the results of operations for all periods presented have been made. Certain amounts from the prior period have been reclassified to conform to the current period presentation. The results of operations for the three and nine month periods ended September 30, 2002 are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Business Combinations

On January 1, 2002, the Company acquired the general partner interests in eight of the ten Operating Partnerships from its General Partner for no consideration. As a result of this acquisition, the Company now owns 100% of the eight Operating Partnerships, and presents the results of the eight Operating Partnership's on a consolidated basis as a wholly owned investment in real estate subsidiary from the date of acquisition. Prior to the acquisition, the Company owned only the limited partnership interests of the eight Operating Partnerships, which ranged from 98.99%-99.99%.

The acquisition of the general partner interests of each of the eight Operating Partnerships was accounted for as a step acquisition in accordance with purchase accounting, and each was recorded at its estimated fair market value. The estimated fair value was calculated by discounting the estimated future cash flows of each real estate property using current capitalization and market discount rates, and multiplying the general partner ownership percentage (ranging from .01% to 1%) by the estimated fair value of the net assets in each of the eight Operating Partnerships. The aggregate estimated fair value of the general partner interests acquired on January 1, 2002 was approximately $315,000, which is allocated 100% as a reduction of the Company's investment in real estate and is depreciated on a straight line basis over 27.5 years.

The following presents the unaudited consolidated pro forma results of operations of the Company for the three and nine months ended September 30, 2001 as if the Company had acquired the general partner interests on January 1, 2001.

	For the Three Months Ended Sept. 30, 2001	For the Nine Months Ended Sept. 30, 2001
Income		
Rental income	$ 2,935,970	$ 8,415,856
Mortgage-backed securities income	610,298	2,067,181
Interest and dividend income	123,675	354,202
Equity in earnings (losses) of Operating Partnerships	(6,557)	84,989
Other income	-	5,847
	3,663,386	10,928,075
Expenses		
Real estate operating expenses	1,473,338	4,041,765
Depreciation expense	335,968	934,264
Interest expense	656,186	2,090,675
General and administrative expenses	388,930	1,114,739
	2,854,422	8,181,443
Net income	$ 808,964	$ 2,746,632
Net income, basic and diluted, per Unit	$ 0.12	$ 0.39
Weighted average number of Units outstanding during the period	6,807,131	6,945,414

3. Investment in Real Estate

The Company's investment in real estate is comprised of the following:

Property	Location	Number of Units	Land	Net Building and Improvements	Net Carrying Value at Sept. 30, 2002
Bluff Ridge Apartments	Jacksonville, NC	108	203,050	3,168,770	3,371,820
Brentwood Oaks Apartments	Nashville, TN	262	2,000,000	11,697,113	13,697,113
Delta Crossing	Charlotte, NC	178	1,540,554	5,518,236	7,058,790
Fox Hollow Apartments	High Point, NC	184	285,622	5,307,897	5,593,519
Highland Park Apartments	Columbus, OH	252	208,403	8,291,001	8,499,404
Huntsview Apartments	Greensboro, NC	240	1,844,500	8,946,111	10,790,611
Lakes of Northdale	Tampa, FL	216	1,220,285	11,135,101	12,355,386
Misty Springs Apartments	Daytona Beach, FL	128	741,587	3,219,417	3,961,004
Monticello Apartments	Southfield, MI	106	976,743	4,993,769	5,970,512
The Ponds at Georgetown	Ann Arbor, MI	134	571,500	5,916,344	6,487,844
The Glades Apartments	Jacksonville, FL	360	2,268,807	12,757,297	15,026,104
Waterman's Crossing	Newport News, VA	260	1,122,322	8,654,378	9,776,700
			$ 12,983,373	$ 89,605,434	$ 102,588,807

A reconciliation of investment in real estate is as follows:

Investment in real estate December 31, 2001	$ 25,046,607
Investment in real estate acquired through acquisition of their general partner interests [(1)]	(314,645)
Investment in real estate acquired from Operating Partnerships [(1)]	30,416,718
Reclassification to investment in real estate from investment in Operating Partnerships through acquisition of their general partner interests [(1)]	21,684,463
Investment in real estate acquired through acquisition of The Glades Apartments	15,225,199
Investment in real estate acquired through acquisition of Lakes of Northdale Apartments	12,355,386
Real estate capital improvements	492,736
Depreciation expense	(2,317,657)
Investment in real estate September 30, 2002	$ 102,588,807

[(1)] See note 2 to the interim consolidated financial statements, Business Combinations, which describes this transaction.

On March 26, 2002, the Company acquired the Glades Apartments, a 360 unit apartment property located in Jacksonville, Florida. The $15.2 million acquisition was financed through the assumption of bonds payable of $8.8 million and cash of approximately $6.4 million.

On September 19, 2002, the Company acquired the Lakes of Northdale Apartments, a 216 unit apartment property located in Tampa, Florida. The $12.4 million acquisition was financed through the assumption of bonds payable of $9.6 million and cash of approximately $2.8 million.

4. Bonds and Mortgage Payable

Bonds and mortgages payable at September 30, 2002 consisted of the following:

Collateral	Effective Interest Rate	Final Maturity Date	Payment Schedule	Carrying Amount
Bonds Payable:				
Brentwood Oaks Apartments	2.25% (1)	07/15/2031	monthly payments of interest due on the 12th of each month	$ 11,320,000
Lakes of Northdale Apartments	2.25% (2)	08/15/2012	monthly payments of interest due each month	9,610,000
The Glades Apartments	2.25% (3)	10/01/2032	monthly payments of interest due each month	8,775,000
				29,705,000
Mortgages Payable:				
Fox Hollow Apartments	6.91%	03/01/2011	monthly payments of principal and interest due on the 1st of each month	6,142,966
Huntsview Apartments	5.83%	01/01/2012	monthly payments of principal and interest due on the 1st of each month	7,143,252
				13,286,218
				$ 42,991,218

(1) Bonds payable bear interest at a weekly reset, highly rated bond composite variable rate capped at 9.27%. Such rate averaged 2.19% and 2.25% for the three and nine month periods ended September 30, 2002.

(3) Bonds payable bear interest at a weekly reset, highly rated bond composite variable rate capped at 7.3%. The bonds payable were assumed on September 19, 2002, therefore the rate above is an estimate based on other similar variable rate debt.

(2) Bonds payable bear interest at a weekly reset, highly rated bond composite variable rate capped at 7.5%. The bonds payable were refinanced on September 29, 2002, therefore the rate above is an estimate based on other similar variable rate debt.

5. Borrowings Under Repurchase Agreements

The Company has borrowed against certain of its GNMA Certificates using repurchase agreements. The following table shows the terms of the borrowings outstanding at September 30, 2002.

Collateral	Interest Rate	Maturity Date	Payment Schedule	Carrying Amount
Waterman's Crossing GNMA Certificate	1.82%	10/15/2002	interest and principal due at maturity	$ 10,000,000
Water's Edge GNMA Certificate	1.81%	10/17/2002	interest payments due monthly, principal due at maturity	3,000,000
Misty Springs Apartments GNMA Certificate	1.78%	11/06/2002	interest payments due monthly, principal due at maturity	3,850,000
Crane's Landing GNMA Certificate	2.28%	01/21/2003	interest payments due quarterly, principal due at maturity	9,500,000
Monticello Apartments GNMA Certificate	2.83%	03/12/2003	interest payments due quarterly, principal due at maturity	5,000,000
The Ponds at Georgetown GNMA Certificate	2.28%	06/26/2003	interest payments due quarterly, principal due at maturity	6,975,000
				$ 38,325,000

The GNMA Certificates, backed by first mortgage loans on Monticello Apartments, The Ponds at Georgetown, Waterman's Crossing and Misty Springs Apartments, are eliminated in the consolidation process of the Company's consolidated financial statements. The GNMA Certificates provide the Company with the guarantee by GNMA as to the full and timely payment of principal and interest on the underlying loans.

6. Transactions with Related Parties

Substantially all of the Company's general and administrative expenses and certain costs capitalized by the Company are paid by the General Partner or an affiliate and reimbursed by the Company.

The Company pays the General Partner an administrative fee in connection with the ongoing administration of the business of the Company in an amount equal to 0.50%, per annum, of the sum of: (i) the fair market value on the date the Company was formed from the merger of the previous limited partnerships of the original assets that are still owned by the Company; plus (ii) the purchase price paid by the Company for new assets that are then held by the Company. The first $100,000 of the administrative fee is payable each year, with the balance payable only during years that funds from operations ("FFO"), calculated before administrative fees, exceeds 7% of the Unit holders' average capital for that year. FFO represents net income (or loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets) and after adjustments for unconsolidated partnerships and joint ventures. Such administrative fees are paid on a monthly basis and were $152,030 and $434,742 for the three and nine months ended September 30, 2002, respectively.

An affiliate of the General Partner was retained to provide property management services for the multifamily properties owned or financed by the Company. The fees for services provided represent the lower of: (i) costs incurred in providing management of the property; or (ii) customary fees for such services determined on a competitive basis and amounted to $169,530 and $486,398 for the three and nine months ended September 30, 2002, respectively.

The Company pays the General Partner an acquisition fee in connection with the identification, evaluation and acquisition of new assets and the financing thereof in an amount equal to 1.25% of the aggregate purchase price paid by the Company for such new assets. The acquisition fee with respect to an acquisition of a new asset is payable at the time of the closing of the acquisition and is capitalized as a cost of the investment in real estate. The General Partner received acquisition fees of $152,536 and $338,733 during the three and nine months ending September 30, 2002 in connection with the acquisition of The Glades Apartments in March 2002 and the Lakes of Northdale Apartments in September 2002.

7. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents, which is legally restricted as to use, is comprised of resident security deposits, required maintenance reserves and escrowed funds.

8. Segment Reporting

The Company defines each of its multifamily apartment properties as an individual operating segment, including the properties owned by the Operating Partnerships. It has also determined that all properties have similar economic characteristics and also meet the other criteria which permit the multifamily properties to be aggregated into one reportable segment; that being the acquiring, holding, operating and selling of multifamily apartment properties. The Company's chief operating decision-makers assess and measure segment operating results based on a performance measure referred to as net operating income at the individual operating segment. Net operating income for each multifamily apartment property represents its net rental revenues less its real estate operating expenses.

The revenues, net operating income and assets for the Company's reportable segment as of and for the three and nine month periods ending September 30, 2002 and 2001 are summarized as follows:

	For the Three Months Ended Sept. 30, 2002	For the Three Months Ended Sept. 30, 2001	For the Nine Months Ended Sept. 30, 2002	For the Nine Months Ended Sept. 30, 2001
Multifamily real estate segment revenues	$ 4,221,118	$ 474,038	$ 12,066,268	$ 542,350
Reconciling items:				
Mortgage-backed securities income	329,983	1,181,621	993,705	3,900,861
Interest and dividend income	156,749	114,697	336,016	321,731
Other income	-	-	3,289	5,847
Consolidated revenues	$ 4,707,850	$ 1,770,356	$ 13,399,278	$ 4,770,789
Consolidated net income	$ 471,244	$ 1,021,855	$ 1,804,995	$ 2,950,767
Reconciling items:				
General and administrative expenses	362,970	388,930	1,172,951	1,114,739
Interest on Notes payable and repurchase agreements	211,286	254,092	641,559	599,804
Interest and dividend income	(156,749)	(114,697)	(336,016)	(321,731)
Mortgage backed securities income	(329,983)	(1,181,621)	(993,705)	(3,900,861)
Other income	-	-	(3,289)	(5,847)
Net income from multifamily real estate segment	$ 558,768	$ 368,559	$ 2,286,495	$ 436,871
Reconciling items:				
Depreciation	811,920	36,795	2,317,657	36,795
Amortization of debt financing costs	16,521	4,131	86,789	4,131
Interest expense	542,304	22,628	1,271,888	22,628
Net operating income from multifamily real estate segment	$ 1,929,513	$ 432,113	$ 5,962,829	$ 500,425
Multifamily real estate segment assets	$ 110,751,779	$ 34,039,807	$ 110,751,779	$ 34,039,807
Reconciling items:				
Cash and cash equivalents	11,280,350	9,695,531	11,280,350	9,695,531
Investment in corporate equity securities	4,545,799	1,800,980	4,545,799	1,800,980
Investment in GNMA Certificates	15,174,008	42,739,714	15,174,008	42,739,714
Investment in FHA Loans	-	3,413,094	-	3,413,094
Other assets	1,110,752	1,525,489	1,110,752	1,525,489
Consolidated assets	$ 142,862,688	$ 93,214,615	$ 142,862,688	$ 93,214,615

The Company does not derive any of its consolidated revenues from foreign countries and does not have any major customers that individually account for 10% or more of the Company's consolidated revenues.

9. Investment in Operating Partnerships

The Company's investment in Operating Partnerships consists of interests in limited partnerships which own multifamily properties financed by certain GNMA Certificates owned by the Company.

As described in note 2 to the consolidated interim financial statements, the Company acquired the general partner interests of eight of the Operating Partnerships on January 1, 2002. As a result, the multifamily properties in the eight operating partnership's are now consolidated in the consolidated financial statements of the Company.

Effective August 1, 2002, the general partner of Water's Edge Ltd. was removed, to be replaced by the Company. The general partner is contesting the matter and refuses to acknowledge the removal. The matter is presently in litigation. As a result, the Company has continued to account for Water's Edge as an equity method investment at September 30, 2002, and not has a fully-owned consolidated real estate investment, until such matter is resolved.

At September 30, 2002, the Company continues to own limited partnership interests in two Operating Partnerships, Crane's Landing Partners, Ltd., and Water's Edge Limited Partnership, which continue to be accounted for using the equity method.

A reconciliation of the Company's investment in Operating Partnership's is as follows:

		For the Nine Months Ended Sept. 30, 2002		For the Nine Months Ended Sept. 30, 2001
Balance at beginning of period	$	23,016,520	$	3,809,948
Reclassified to investment in real estate in connection with the acquisition of the general partner interests in eight of the Operating Partnerships		(21,684,463)		-
Equity in earnings (losses) of Operating Partnerships		(42,767)		376,972
Investment in Operating Partnerships		-		15,383,200
Distributions from Operating Partnerships		(180,473)		(336,767)
Balance at end of period	$	1,108,817	$	19,233,353

10. New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards (FAS) No. 141, "Business Combinations" and FAS No. 142, "Goodwill and Other Intangible Assets" which provide guidance on how entities are to account for business combinations and for the goodwill and other intangible assets that arise from those combinations or are acquired otherwise. The adoption of this standard on January 1, 2002 did not have an impact on the Company's consolidated financial statements. FAS 142 requires that goodwill no longer be amortized, but instead be tested for impairment at least annually. As of the date of adoption, the company had unamortized goodwill of approximately $899,000. Amortization expense related to such goodwill was approximately $36,000 for the year ended December 31, 2001.

The following presents the prior year results as if the provisions of FAS 141 had been adopted in 2001:

	For the Three Months Ended Sept. 30, 2002	For the Three Months Ended Sept. 30, 2001	For the Nine Months Ended Sept. 30, 2002	For the Nine Months Ended Sept. 30, 2001
Net income				
As reported	$ 471,244	$ 1,021,855	$ 1,804,995	$ 2,950,767
Goodwill amortization	-	8,993	-	26,978
As adjusted net income	$ 471,244	$ 1,030,848	$ 1,804,995	$ 2,977,745
Basic and diluted net income per unit				
As reported	$ 0.07	$ 0.15	$ 0.26	$ 0.42
Goodwill amortization	-	-	-	-
As adjusted	$ 0.07	$ 0.15	$ 0.26	$ 0.42

In October 2001, the FASB issued FAS No. 144, "Accounting for the Impairment of Long-Lived Assets", which provides guidance on the accounting of long-lived assets to be held and used or to be disposed of and the reporting of discontinued operations. The adoption of this standard on January 1, 2002 did not have an impact on the consolidated financial statements of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with all of the consolidated financial statements and notes thereto included in Item 1 of this report as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

General

The Company was formed on June 18, 1999 under the Delaware Revised Uniform Limited Partnership Act for the purpose of acquiring, holding, operating, selling and otherwise dealing primarily with multifamily residential properties, including the acquisition of debt and equity securities of entities engaged in similar activities.

The Company began operations on December 31, 2000 when it merged with two prior limited partnerships, with the Company being the surviving entity. The Company's business objectives are to: (i) provide increased cash distributions to investors; (ii) provide a potential for an increase in net asset value; and (iii) provide enhanced liquidity and market value of its units. Management's strategy to meet these objectives includes acquiring investments in multifamily residential properties and acquiring securities of other entities engaged in similar real estate business.

Since the date of the merger of the Company from the prior limited partnerships, the Company continues to implement its growth strategy of acquiring additional real estate investments. Since such date, the Company has acquired four multifamily real estate properties containing 1,078 units and has acquired control of eight of the ten Operating Partnerships.

On January 1, 2002, the Company acquired full ownership and control of the eight Operating Partnerships. As a result of this acquisition, the Company now owns 100% of the eight Operating Partnerships and presents the results of each as a wholly owned subsidiary from the date of acquisition. Prior to the acquisition, the Company owned only the limited partnership interests of the eight Operating Partnerships, which ranged from 98.99%-99.99%. The presentation of the real estate operations on a consolidated basis provides a more meaningful understanding of the Company's business and financial results, and the pro forma effects of this transaction for the prior year comparable period are also discussed herein to facilitate a complete understanding of the Company's financial results.

Effective August 1, 2002, the general partner of Water's Edge Ltd. was removed, to be replaced by the Company. The general partner is contesting the matter and refuses to acknowledge the removal. The matter is presently in litigation. As a result, the Company has continued to account for Water's Edge as an equity method investment at September 30, 2002, and not has a fully-owned consolidated real estate investment, until such matter is resolved.

As a result of the acquisition of the general partner interests of the Operating Partnerships, and the property acquisitions described below, the Company directly owned 12 multifamily residential properties at September 30, 2002 and continued to own 99% limited partnership interests in two Operating Partnerships, Crane's Landing and Water's Edge Apartments, for a total of 14 multifamily residential properties.

On March 26, 2002, the Company acquired the Glades Apartments, a 360 unit apartment property located in Jacksonville, Florida. The $15.2 million acquisition was financed through the assumption of bonds payable of $8.8 million and cash of approximately $6.4 million.

On September 19, 2002, the Company acquired the Lakes of Northdale Apartments, a 216 unit apartment property located in Tampa, Florida. The $12.4 million acquisition was financed through the assumption of bonds payable of $9.6 million and cash of approximately $2.8 million.

The following table sets forth certain information regarding the Company's investment in real estate at September 30, 2002:

Property Name	Location	Number of Units	Number of Units Occupied	Percentage of Units Occupied	Economic Occupancy (1)
Bluff Ridge Apartments	Jacksonville, NC	108	108	100%	98%
Brentwood Oaks Apartments	Nashville, TN	262	250	95%	89%
Crane's Landing (3)	Winter Park, FL	252	242	96%	92%
Delta Crossing	Charlotte, NC	178	158	89%	73%
Fox Hollow Apartments	High Point, NC	184	179	97%	80%
Highland Park Apartments	Columbus, OH	252	236	94%	83%
Huntsview Apartments	Greensboro, NC	240	228	95%	82%
Lakes of Northdale	Tampa, FL	216	203	94%	(4)
Misty Springs Apartments	Daytona Beach, FL	128	127	99%	97%
Monticello Apartments	Southfield, MI	106	102	96%	95%
The Ponds at Georgetown	Ann Arbor, MI	134	116	87%	84%
The Glades Apartments	Jacksonville, FL	360	330	92%	81%
Waterman's Crossing	Newport News, VA	260	256	98%	96%
Water's Edge Apartments (3)	Lake Villa, IL	108	98	91%	(2)
		2,788	2,633	94%	87%

(1) Economic occupancy is presented for the nine months ended September 30, 2002, and is defined as the net rental income for the period divided by the maximum amount of rental income which could be derived from each property if 100% occupied at current lease rental rates. This statistic is reflective of vacancy losses, rental concessions, delinquent rents and non-revenue units such as model units and employee units.

(2) Information is not available to the Company.

(3) Company owns 99% of this property via its 99% ownership of the Operating Partnership.

(4) Information is not available to the Company due to the recent acquisition of this property.

Results of Operations

The Company's operating results depend primarily on the net operating income generated by its multifamily properties. Net operating income represents rental revenues less real estate operating expenses and is substantially influenced by supply of and demand for apartment units and operating expenses. Starting in 2001, the national economy, as well as markets in which certain of the Company's properties operate, experienced a general downturn. This downturn has had an effect on the net rental revenue and occupancy levels of the Company's properties. The Company has also experienced an increase in operating expenses due to significant increases in insurance costs and increased costs to rent vacant apartments. In addition, home ownership has become a reality to many of the Company's prospective tenants due to record low mortgage interest rates causing additional tenant competition. As a result of these factors, the Company has experienced an overall net decline in rental income and a net increase in rental expenses, although low interest rates have had a positive effect on interest expense incurred on short term and variable-rate borrowings.

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001

The Company earned rental income of $4,237,050 during the three months ended September 30, 2002, which is attributable to: (i) the 2001 acquisitions of Brentwood Oaks Apartments and Huntsview Apartments; (ii) the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (iii) the January 1, 2002 acquisition of the general partner interests in eight of the Operating Partnerships. The Company directly owned one property during the comparable period of 2001 and earned $165,378 of rental income during this period. On a pro forma basis, the Company's rental income increased $1,301,080 or 44% for the third quarter of 2002 compared to the third quarter of 2001. This is primarily attributable to the 2001 acquisition of Huntsview Apartments and the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments.

Equity in the earnings of Operating Partnerships decreased $324,592 for the three months ended September 30, 2002 compared to the three months ended September 30, 2001. This decrease is primarily due to the acquisition of the general partner interests in eight of the Operating Partnerships on January 1, 2002, the results of which are now consolidated in the financial results of the Company. On a pro forma basis, equity in earnings of operating partnerships decreased $9,375 for the three months ended September 30, 2002 compared to the same period in 2001.

Mortgage-backed securities income decreased $851,638 or 72% for the third quarter of 2002 compared to the third quarter of 2001 as a result of the acquisition of the general partners of eight of the Operating Partnerships and the related elimination entries during consolidation. The GNMA Certificates and the related interest income and interest expense, backed by first mortgage loans on Monticello Apartments, The Ponds at Georgetown, Waterman's Crossing and Misty Springs Apartments, are eliminated in the consolidation process of the Company's consolidated financial statements. The GNMA Certificates provide the Company with the guarantee by GNMA as to the full and timely payment of principal and interest on the underlying loans. On a pro forma basis, mortgage-backed securities income decreased $280,315 or 46% for the third quarter of 2002 compared to the third quarter of 2001, due to the repayment of the FHA loans during 2001.

Interest income on cash and cash equivalents decreased $28,223 or 36% for the third quarter of 2002 compared to the same period in 2001 due to a decrease in the average balance of such investments and the decrease in interest rates earned thereon. The average annualized interest rate earned on cash and cash equivalents was 1.74% for the third quarter of 2002, compared to 3.4% for the third quarter of 2001.

Dividend income from the Company's investment in corporate equity securities increased $70,275 for the quarter ended September 30, 2002 compared to the third quarter of 2001 due to additional acquisitions during the last quarter of 2001 and the first three quarters of 2002.

The Company incurred real estate operating expenses of $2,291,605 during the third quarter of 2002, which is attributable to: (i) the 2001 acquisitions of Brentwood Oaks Apartments and Huntsview Apartments; (ii) the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (iii) the January 1, 2002 acquisition of the general partner interests in eight of the Operating Partnerships which allowed the Company to consolidate their operations with the Company. The Company directly owned only one property (Brentwood Oaks Apartments) during the quarter ended September 30, 2001 and incurred real estate operating expenses of $41,925 during this period. On a pro forma basis, real estate operating expenses increased $818,267 or 56% for the third quarter of 2002 compared to the third quarter of 2001. This increase is primarily due to the acquisitions Huntsview Apartments during 2001, and the acquisitions of The Glades Apartments and the Lakes of Northdale Apartments during 2002.

The Company incurred depreciation expense of $811,920 during the third quarter of 2002, which is attributable to: (i) the 2001 acquisitions of Brentwood Oaks Apartments and Huntsview Apartments; (ii) the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (iii) the January 1, 2002 acquisition of the general partner interests in eight of the Operating Partnerships. On a pro forma basis, depreciation expense increased $475,952 during the third quarter of 2002 compared to the third quarter of 2001. This increase is attributable to the 2001 acquisition of Huntsview Apartments and the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments.

The Company incurred amortization expense on debt financing costs of $16,521 for the three months ended September 30, 2002. During the three months ended September 30, 2001, the Company directly owned only one property and incurred amortization expense of $4,131 during the period. On a pro forma basis, amortization expense decreased $8,077 during the third quarter of 2002 compared to the third quarter of 2001, which is attributable to the refinancing of the Brentwood Oaks bonds payable which extended the term of the bonds to 2031 and extended the term over which the related debt financing costs are amortized.

The Company incurred interest expense of $753,590 during the three months ended September 30, 2002 as follows: (i) $542,304 on its bonds and mortgages payable; (ii) $24,537 on Notes payable which originated in connection with the Merger; and (iii) $186,749 on the Company's repurchase obligations. During the three months ended September 30, 2001, the Company incurred interest expense of $276,720, consisting of interest expense of $22,628 on bonds payable; $211,439 on its repurchase agreements and interest expense of $42,653 on notes payable which originated in connection with the Merger. The interest expense increase on the bonds and mortgages payable is due to an increase in bonds and mortgages payable outstanding from: (i) the January 1, 2002 acquisition of the general partner interests in eight of the Operating Partnerships; (ii) the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (iii) the 2001 acquisitions of Brentwood Oaks Apartments and Huntsview Apartments. The increase in the repurchase agreement interest expense is due to an increase in the outstanding borrowings under repurchase agreements. The decrease in interest expense of the Notes payable is due to a decline in the variable rate on which such interest is calculated.

General and administrative expenses decreased $25,960 for the third quarter of 2002 compared to the same period in 2001. This decrease is primarily attributable to decreases in payroll expenses and servicing fees.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

The Company earned rental income of $12,109,035 during the nine months ended September 30, 2002, which is attributable to: (i) the 2001 acquisitions of Brentwood Oaks Apartments and Huntsview Apartments; (ii) the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (iii) the January 1, 2002 acquisition of the general partner interests in eight of the Operating Partnerships. The Company directly owned one property (Brentwood Oaks Apartments) during the comparable period in 2001 and earned rental income of $165,378 during this period. On a pro forma basis, the Company's rental income increased $3,693,179 or 44% for the first nine months of 2002 compared to the first nine months of 2001. This is primarily attributable to the 2001 acquisition of Huntsview Apartments and the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments.

Equity in the earnings of Operating Partnerships decreased $419,739 for the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001. This decrease is primarily due to the acquisition of the general partner interests in eight of the Operating Partnerships on January 1, 2002, the results of which are now consolidated in the financial results of the Company.

Mortgage-backed securities income decreased $2,907,156 or 75% for the first three quarters of 2002 compared to the first three quarters of 2001 as a result of the acquisition of the general partners of eight of the Operating Partnerships and the related elimination entries during consolidation. On a pro forma basis, mortgage-backed securities income decreased $1,073,476 or 52% for the first three quarters of 2002 compared to the first three quarters of 2001, due to the repayment of the FHA loans during 2001.

Interest income on cash and cash equivalents decreased $156,979 or 64% for the first nine months of 2002 compared to the same period in 2001 due to a decrease in the average balance of such investments and the decrease in interest rates earned thereon. The average annualized interest rate earned on cash and cash equivalents was 1.81% for the nine months ended September 30, 2002, compared to 3.79% for the comparable period in 2001.

Dividend income from the Company's investment in corporate equity securities increased $171,264 for the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001 due to additional acquisitions during the last quarter of 2001 and the first three quarters of 2002.

The Company incurred real estate operating expenses of $6,103,439 during the first three quarters of 2002, which is attributable to: (i) the 2001 acquisitions of Brentwood Oaks Apartments and Huntsview Apartments; (ii) the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (iii) the January 1, 2002 acquisition of the general partner interests in eight of the Operating Partnerships which allowed the Company to consolidate their operations with the Company. The Company directly owned only one property during the nine months ended September 30, 2001 and incurred real estate operating expenses of $41,925 during this period. On a pro forma basis, real estate operating expenses increased $2,134,738 or 54% for the first three quarters of 2002 compared to the first three quarters of 2001. This increase is primarily due to the 2001 acquisition of Huntsview Apartments and the acquisitions of The Glades Apartments and the Lakes of Northdale Apartments during 2002.

The Company incurred depreciation expense of $2,317,657 during the first three quarters of 2002, which is attributable to: (i) the 2001 acquisitions of Brentwood Oaks Apartments and Huntsview Apartments; (ii) the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (iii) the January 1, 2002 acquisition of the general partner interests in eight of the Operating Partnerships. On a pro forma basis, depreciation expense increased $1,383,393 during the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001. This increase is attributable to the 2001 acquisition of Huntsview Apartments and the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments.

The Company incurred amortization expense on property debt financing costs of $86,789 for the nine months ended September 30, 2002. During the nine months ended September 30, 2001, the Company directly owned only one property and incurred amortization expense of $4,131.

The Company incurred interest expense of $1,913,447 during the nine months ended September 30, 2002 as follows: (i) $1,271,888 on its bonds and mortgages payable; (ii) $79,637 on Notes payable which originated in connection with the Merger; and (iii) $561,922 on the Company's repurchase obligations. During the nine months ended September 30, 2001, the Company incurred interest expense of $622,432, consisting of interest expense of $22,628 on bonds payable; $448,625 on its repurchase agreements and interest expense of $151,179 on Notes payable which originated in connection with the Merger. The interest expense increase on the bonds and mortgages payable is due to an increase in bonds and mortgages payable outstanding from: (i) the January 1, 2002 acquisition of the general partner interests in eight of the Operating Partnerships; (ii) the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (iii) the 2001 acquisition of Huntsview Apartments. The increase in the repurchase agreement interest expense is due to an increase in the outstanding borrowings under repurchase agreements. The decrease in interest expense of the Notes payable is due to a decline in the variable rate on which such interest is calculated.

General and administrative expenses increased $58,212 for the first three quarters of 2002 compared to the same period in 2001. This is primarily attributable to increases in asset management fees related to the acquisition of Huntsview Apartments in 2001 and the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale.

Funds From Operations

The Company's funds from operations ("FFO") increased $109,582 or 9% to $1,345,765 for the third quarter of 2002, compared to $1,236,183 for the same period in 2001, which is attributable to acquisitions of investment in real estate.

FFO increased $790,359 or 22% to $4,310,455 for the first nine months of 2002, compared to $3,520,096 for the same period in 2001, which is attributable to acquisitions of investment in real estate.

The Company computes FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts ("NAREIT") which define FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after comparable adjustments for an entity's portion of these items related to unconsolidated entities and joint ventures. The following table sets forth a reconciliation of the Company's net income as determined under GAAP and its FFO for the three and nine month periods ended September 30, 2002 and 2001:

	For the Three Months Ended Sept. 30, 2002	For the Three Months Ended Sept. 30, 2001	For the Nine Months Ended Sept. 30, 2002	For the Nine Months Ended Sept. 30, 2001
Net income	$ 471,244	$ 1,021,855	$ 1,804,995	$ 2,950,767
Depreciation expense	811,920	36,795	2,317,657	36,795
Operating Partnership depreciation expense	62,601	177,533	187,803	532,534
Funds from operations	$ 1,345,765	$ 1,236,183	$ 4,310,455	$ 3,520,096

Although the Company considers FFO to be a key measure of its performance, FFO should not be considered as an alternative to GAAP net income as an indication of the Company's financial performance. In addition, FFO does not represent cash generated from operating activities determined by GAAP and should not be considered as an alternative thereto as a measure of the Company's liquidity or as an indicator of the funds available to the Company to meet its cash needs, including its ability to make cash distributions. The Company's FFO may include funds that are unavailable for discretionary use due to requirements to conserve funds for capital expenditures, property acquisitions and other commitments and uncertainties. FFO reported by the Company may not be comparable to FFO reported by other entities that do not calculate FFO in accordance with the NAREIT definition or which interpret the NAREIT definition differently than the Company.

Liquidity and Capital Resources

The Company's net cash generated by operating activities increased to $3,761,457 for the nine months ended September 30, 2002 compared to $1,948,413 for the nine months ended September 30, 2001, principally due to real estate acquisitions. Net cash used in investing activities increased to $10,445,476 for the nine months ended September 30, 2002 compared to $3,928,292 for the nine months ended September 30, 2001 due to the acquisition of the Glades Apartments and the Lakes of Northdale Apartments and purchases of corporate equity securities during the first nine months of 2002. The Company's net cash provided by financing activities increased to $13,233,095 for the nine months ended September 30, 2002 compared to $3,533,884 for the nine months ended September 30, 2002, due to an increase in proceeds from borrowings under repurchase agreements and the special distributions made in the first quarter of 2001.

The amount of operating cash generated by the Company is substantially dependent on the net rental revenues generated by the properties. Net rental revenues from a multifamily apartment complex depend on the rental and occupancy rates of the property and on the level of operating expenses. Occupancy rates and rents are directly affected by the supply of, and demand for, apartments in the market areas in which a property is located. This, in turn, is affected by several factors, such as: local or national economic conditions, the amount of new apartment construction and interest rates on single-family mortgage loans. In addition, factors such as government regulation (such as zoning laws), inflation, real estate and other taxes, labor problems and natural disasters can affect the economic operations of a property.

The Company believes that cash provided by its real estate investments and investment income from its GNMAs and other investments, supplemented, if necessary, by cash-on-hand, will be adequate to meet its projected short-term and long-term liquidity requirements. The Company's primary uses of cash are: (i) the payment of distributions to Unit holders; (ii) debt service; (iii) payment of operating expenses; and (iv) the acquisition of additional real estate investments.

	Per Unit	
	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
Regular distributions	$ 0.4875	$ 0.3000
Special distributions in conjunction with Merger	-	0.5100
Total distributions	$ 0.4875	$ 0.8100

The Company's growth strategy includes the acquisition of additional multifamily residential properties as well as debt and equity securities of entities engaged in similar activities, which will be funded from available cash and short-term investments, and from: (i) borrowing against or sale of the existing properties; (ii) borrowing against or sale of the GNMA Certificates; and (iii) borrowing against the additional properties acquired by the Company. The Company may also use additional sources of financing, both debt and equity, to further its business objectives and investment strategies.

During January 2002, the Company renewed a repurchase agreement, borrowing against its Crane's Landing GNMA Certificate in the amount of $9,500,000. The repurchase agreement bears interest at a fixed rate of 2.28% per annum and matures on January 21, 2003.

During March 2002, the Company borrowed $5,000,000 against its Monticello Apartments GNMA Certificate through the utilization of a repurchase agreement. The repurchase agreement bears interest at a fixed rate of 2.83% per annum and matures on March 12, 2003.

During June 2002, the Company renewed a repurchase agreement, borrowing against its Ponds at Georgetown GNMA Certificate in the amount of $6,975,000. The repurchase agreement bears interest at a fixed rate of 2.28% per annum and matures on June 26, 2003.

During August 2002, the Company borrowed $10,000,000 against its Waterman's Crossing Apartments GNMA Certificate through the utilization of a repurchase agreement. The repurchase agreement bears interest at a fixed rate of 1.82% per annum and matured on October 15, 2002.

During September 2002, the Company borrowed $3,000,000 against its Water's Edge Apartments GNMA Certificate through the utilization of a repurchase agreement. The repurchase agreement bears interest at a fixed rate of 1.81% per annum and matured on October 17, 2002. On that date, the agreement was increased by $1,000,000 and extended for one month to mature on November 17, 2002.

During March 2002, the Company assumed $8,865,000 in bonds payable in connection with the acquisition of The Glades Apartments. The bonds bear interest at a fixed rate of 6.10% per annum and matured on October 1, 2002. In September 2002, the Company refinanced $8,775,000 of bonds payable secured by The Glades Apartments. The bonds now bear interest at a variable rate which approximated 2.25% at September 30, 2002 and mature on October 1, 2012.

During September 2002, the Company assumed $9,610,000 in bonds payable in connection with the acquisition of the Lakes of Northdale Apartments. The bonds bear interest at a variable rate which approximated 2.25% at September 30, 2002 and mature on August 15, 2012.

Forward Looking Statements

This report contains forward looking statements that reflect management's current beliefs and estimates of future economic circumstances, industry conditions, the Company's performance and financial results. All statements, trend analysis and other information concerning possible or assumed future results of operations of the Company and the real estate investments it has made (including, but not limited to, the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations"), constitute forward looking statements. Unit holders and others should understand that these forward looking statements are subject to numerous risks and uncertainties, and a number of factors could affect the future results of the Company and could cause those results to differ materially from those expressed in the forward looking statements contained herein.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure is interest rate risk. The Company's exposure to market risk for changes in interest rates relates primarily to its long and short-term borrowings used to fund expansion of the Company's real estate portfolio and its variable rate Notes payable.

Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond the Company's control. The Company's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and lower its overall borrowing costs. To achieve its objectives, the Company borrows primarily at fixed rates and may enter into derivative financial instruments, such as interest rate caps, in order to mitigate its interest rate risk. The Company does not enter into derivative instrument transactions for speculative purposes.

At September 30, 2002, approximately 61% of the Company's borrowings consisted of fixed-rate financing. The remaining 39% consisted of variable-rate financing. Variations in interest rates affect the Company's cost of borrowing on its variable-rate financing. The interest rates payable by the Company on these obligations increase or decrease with certain index interest rates. If the Company's borrowing costs increase, the amount of cash available for the payment of Company expenses and for distribution to Unit holders will decrease.

The following tables provide information at September 30, 2002 regarding the Company's financial instruments sensitive to interest rate risk:

Fixed-Rate Borrowings			Variable-Rate Borrowings		
Maturity	Principal Amount	Weighted Average Interest Rate	Maturity	Principal Amount	Weighted Average Interest Rate (1)
2002	$ 16,920,390	2.26%	2002	$ -	-
2003	21,630,825	2.44%	2003	-	-
2004	163,640	6.29%	2004	-	-
2005	176,796	6.29%	2005	-	-
2006	188,411	6.29%	2006	-	-
Thereafter	12,531,156	6.33%	Thereafter	33,204,008 (2), (3)	2.41%
	$ 51,611,218			$ 33,204,008	

(1) For the nine months ended September 30, 2002.

(2) The bonds payable secured by The Glades Apartments of $8,775,000 matured and were refinanced on September 27, 2002. The refinanced bonds payable now bear interest at a variable rate, versus the previous fixed rate of 6.10%, and mature on October 1, 2032. The variable rate is based upon a weekly reset, highly rated bond composite which was approximately 2.25% at September 30, 2002 and is capped at 7.5%.

(3) The bonds payable secured by the Lakes of Northdale Apartments of $9,610,000 were assumed on September 19, 2002, and also bear a variable rate of interest which was approximately 2.25% on September 30, 2002 and is capped at 7.3%.

As the above tables incorporate only those positions or exposures that existed as of September 30, 2002, it does not consider those exposures or positions that could arise after that date. The Company's ultimate economic impact with respect to interest rate fluctuations will depend on the exposures that arise during the period, and the Company's risk mitigating strategies at that time.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. The Company's Principal Executive Officer and Principal Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 240.13a-14(c) and 15d-14(c)) as of a date within ninety days before the filing date of this quarterly report (the "Evaluation Date"). Based on that evaluation, the Principal Executive Officer and the Principal Financial Officer have concluded that the Company's current disclosure controls and procedures are effective, providing them with material information relating to the Company as required to be disclosed in the reports the Company files or submits under the Exchange Act on a timely basis.

(b) Changes in internal controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the Evaluation Date.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibits are filed as required by this report. Exhibit numbers refer to the paragraph numbers under Item 601 of Regulation S-K:

2(a) Agreement and Plan of Merger among the Company and Cap Source and Cap Source II (incorporated by reference to Appendix A to the Prospectus included in Registration Statement of Form S-4 (No. 333-52117) filed by the Company on November 8, 1999).

4(a) Certificate of Limited Partnership of the Company (incorporated by reference to Exhibit 3.01 to Registration Statement on Form S-4 (No. 333-52117) filed by the Company on July 21, 1999).

4(b) Amended and Restated Agreement of Limited Partnership of the Company (incorporated by reference to Exhibit 3.02 to the Registration Statement on Form S-4 (No. 333-52117) filed by the Company on July 21, 1999).

4(c) Form of Indenture between the Company and U.S. Bank Trust National Association, as trustee (incorporated by reference to Exhibit 4.02 to the Registration Statement on Form S-4 (No. 333-52117) filed by the Company on May 7, 1998).

4(d) Form of Unit Certificate of the Company (incorporated by reference to Exhibit 4.03 to the Registration Statement on Form S-4 (No. 333-52117) filed by the Company on September 28, 1999).

4(e) Form of Variable Rate Junior Notes are included in Exhibit 4.02 (incorporated by reference to Exhibit 4.04 to the Registration Statement on Form S-4 (No. 333-52117) filed by the Company on May 7, 1998).

10(a) Stipulation of Settlement.
IN THE CASE OF
ALVIN M. PANZER and
SANDRA G. PANZER Plaintiffs,
INSURED MORTGAGE EQUITIES, INC., INSURED MORTGAGE
EQUITIES II L.P., AMERICA FIRST CAPITAL
SOURCE I, L.L.C., AMERICA FIRST
CAPITAL SOURCE II, L.L.C., AMERICA
FIRST COMPANIES, L.L.C., AMERICA
FIRST REAL ESTATE INVESTMENT
PARTNERS, L.P., LEHMAN
BROTHERS, INC., CAPITAL SOURCE
L.P., PAUL L. ABBOTT, and CAPITAL
SOURCE II, L.P.,

Defendants.

(incorporated herein by reference to Form 10-Q dated March 31, 2000 filed pursuant to Section 13 or 15(d)of the Securities Exchange Act of 1934 by the Company (Commission File No. 333-52117)).

(b) Reports on Form 8-K

A report on Form 8-K was filed by the Company on September 25, 2002 reporting an acquisition of real estate property under Item 2.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By America First Real Estate
Investment Partners, L.P.

By America First Capital
Source I, L.L.C., General
Partner of the Company

By /s/ Mark A. Hiatt
Mark A. Hiatt,
Chief Financial Officer (Principal Financial Officer)

Date: November 14, 2002

CERTIFICATION

I, Lisa Y. Roskens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of America First Real Estate Investment Partners, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods represented in this report.

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. The Company's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

By /s/ Lisa Y. Roskens
Lisa Y. Roskens
Chief Executive Officer
America First Companies, LLC, acting in its capacity as general partner of the General Partner of America First Real Estate Investment Partners, L.P.

CERTIFICATION

I, Mark A. Hiatt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of America First Real Estate Investment Partners, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods represented in this report.

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. The Company's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

By /s/ Mark A. Hiatt
Mark A. Hiatt
Chief Financial Officer
America First Companies, LLC, acting in its capacity as general partner of the General Partner of America First Real Estate Investment Partners, L.P.