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 March 31, 2003

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes No X

AMERICA FIRST REAL ESTATE INVESTMENT PARTNERS, L.P.
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Part I. Financial Information

Item 1. Financial Statements

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

	March 31, 2003 (Unaudited)	Dec. 31, 2002
Assets		
Cash and cash equivalents	$ 4,807,587	$ 6,601,518
Restricted cash and cash equivalents	2,507,181	2,638,849
Investment in GNMA Certificates, at fair value	15,004,449	15,062,705
Investment in corporate equity securities, at fair value	4,490,350	4,533,816
Investment in Operating Partnerships	1,020,626	1,140,707
Investment in real estate, net of accumulated depreciation	101,503,482	102,264,969
Interest and dividends receivable	154,468	158,749
Other assets	4,186,313	4,318,491
	$ 133,674,456	$ 136,719,804
Liabilities and Partners' Capital (deficit)		
Liabilities		
Accounts payable and accrued expenses	$ 1,489,846	$ 1,535,349
Distribution payable	1,201,500	1,115,678
Notes payable	3,080,085	3,499,008
Bonds and mortgages payable	54,436,507	54,515,595
Borrowings under repurchase agreements	19,475,000	21,475,000
Interest payable	134,003	260,292
	79,816,941	82,400,922
Partners' Capital (deficit)		
General Partner	(4,250)	-
Unit holders ($7.92 per Unit in 2003 and $7.99 per Unit in 2002)	53,861,765	54,318,882
	53,857,515	54,318,882
Liabilities and Partners' Capital (deficit)	$ 133,674,456	$ 136,719,804

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 Mar. 31, 2003	For the Three Months Ended Mar. 31, 2002
Income		
Rental income	$ 4,693,018	$ 3,649,743
Equity in earnings of Operating Partnerships	1,733	22,912
Mortgage-backed securities income	327,732	332,629
Interest income on cash and cash equivalents	10,044	23,529
Dividend income	128,778	56,367
Other income (loss)	(500)	3,288
	5,160,805	4,088,468
Expenses		
Real estate operating expenses	2,301,752	1,722,441
Depreciation expense	934,824	664,357
Interest expense	689,577	479,661
Amortization expense	36,905	34,384
General and administrative expenses	421,207	389,724
	4,384,265	3,290,567
Net income	776,540	797,901
Other comprehensive income (loss)		
Unrealized gains (losses) on securities		
Unrealized holding gains (losses) arising during the period	(36,407)	12,861
	(36,407)	12,861
Net comprehensive income	$ 740,133	$ 810,762
Net income allocated to:		
General Partner	$ 7,765	$ 7,979
Unit holders	768,775	789,922
	$ 776,540	$ 797,901
Net income, basic and diluted, per Unit	$ 0.11	$ 0.12
Weighted average number of Units outstanding, basic and diluted	6,797,055	6,797,055

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 THREE MONTHS ENDED MARCH 31, 2003
(UNAUDITED)

	General Partner	Unit Holders # of Units	Unit Holders Amount	Total
Partners' Capital (deficit) (excluding accumulated other comprehensive income)				
Balance at December 31, 2002	-	6,797,055	54,421,304	54,421,304
Net income	7,765	-	768,775	776,540
Cash distributions paid or accrued	(12,015)	-	(1,189,485)	(1,201,500)
Balance at March 31, 2003	(4,250)	6,797,055	54,000,594	53,996,344
Accumulated Other Comprehensive Income				
Balance at December 31, 2002	-	-	(102,422)	(102,422)
Other comprehensive income, net	-	-	(36,407)	(36,407)
Balance at March 31, 2003	-	-	(138,829)	(138,829)
Balance at March 31, 2003	$ (4,250)	6,797,055	$ 53,861,765	$ 53,857,515

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 Three Months Ended March 31, 2003	For the Three Months Ended March 31, 2002
Cash flows from operating activities		
Net income	$ 776,540	$ 797,901
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in earnings of Operating Partnerships	(1,733)	(22,912)
Depreciation expense	934,824	664,357
Amortization expense	36,905	34,384
Other amortization	(259)	(498)
Other (income) loss	500	-
Transfers from restricted cash	131,668	-
Decrease in interest and dividends receivable	4,281	6,853
(Increase) decrease in other assets	95,275	(193,313)
Decrease in accounts payable and accrued expenses	(45,503)	(126,163)
Decrease in interest payable	(126,289)	(121,604)
Net cash provided by operating activities	1,806,209	1,039,005
Cash flows from investing activities		
GNMA principal payments received	55,372	70,212
Proceeds from sale of corporate equity securities	250,000	-
Distributions from Operating Partnerships	121,814	-
Cash acquired in Operating Partnerships general partners acquisition	-	2,474,340
Acquisition of investment in real estate and real estate improvements	(173,337)	(6,360,199)
Purchase of corporate equity securities	(240,300)	(276,024)
Net cash provided by (used in) investing activities	13,549	(4,091,671)
Cash flows from financing activities		
Borrowings under repurchase agreements	-	14,500,000
Principal payments on repurchase agreements	(2,000,000)	(9,500,000)
Principal payments on bonds and mortgages payable	(79,088)	(32,389)
Distributions paid	(1,115,678)	(1,029,857)
Debt financing costs paid	-	(57,088)
Principal payments on Notes payable	(418,923)	-
Net cash provided by (used in) financing activities	(3,613,689)	3,880,666
Net increase (decrease) in cash and cash equivalents	(1,793,931)	828,000
Cash and cash equivalents at beginning of period	6,601,518	5,617,092
Cash and cash equivalents at end of period	$ 4,807,587	$ 6,445,092
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 815,866	$ 601,265

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.

GNMA Certificates	(27,331,336)
Investment in Operating Partnerships	(21,684,463)
Investment in real estate	52,341,327
Interest and dividends receivable	(202,800)
Other assets	2,098,680
Accounts payable and accrued expenses	1,549,016
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).

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

1. Organization and Basis of Presentation

America First Real Estate Investment Partners, L.P. (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 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, 2002. In the opinion of management, all normal and recurring adjustments necessary to present fairly the financial position at March 31, 2003, 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 month period ended March 31, 2003 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. Restricted Cash

Restricted cash and cash equivalents consist of resident security deposits, required maintenance reserves and escrowed funds.

3. 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 March 31, 2003.

Collateral	Interest Rate	Maturity Date	Payment Schedule	Carrying Amount
Crane's Landing GNMA Certificate	1.31%	04/21/2003	interest payments due monthly, principal due at maturity	$ 7,500,000
Monticello GNMA Certificate	1.32%	03/12/2004	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
				$ 19,475,000

The GNMA Certificates, backed by first mortgage loans on Monticello Apartments, The Ponds at Georgetown 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.

4. 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 $165,420 and $129,942 for the three months ended March 31, 2003 and 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 $188,986 and $146,320 for the three months ended March 31, 2003 and 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 did not receive acquisition fees during the quarter ended March 31, 2003 and received $186,197 in the quarter ended March 31, 2002 in connection with the acquisition of The Glades Apartments.

5. 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 month periods ending March 31, 2003 and 2002 are summarized as follows:

	For the Three Months Ended March 31, 2003	For the Three Months Ended March 31, 2002
Multifamily real estate segment revenues	$ 4,694,751	$ 3,672,655
Reconciling items:		
Mortgage-backed securities income	327,732	332,629
Interest and dividend income	138,822	79,896
Other income (loss)	(500)	3,288
Consolidated revenues	$ 5,160,805	$ 4,088,468
Consolidated net income	$ 776,540	$ 797,901
Reconciling items:		
General and administrative expenses	421,207	389,724
Interest on Notes payable and repurchase agreements	118,704	205,922
Interest and dividend income	(138,822)	(79,896)
Mortgage backed securities income	(327,732)	(332,629)
Other (income) loss	500	(3,288)
Net income from multifamily real estate segment	$ 850,397	$ 977,734
Reconciling items:		
Depreciation	934,824	664,357
Amortization of debt financing costs	36,905	34,384
Interest expense	570,873	273,739
Net operating income from multifamily real estate segment	$ 2,392,999	$ 1,950,214
Multifamily real estate segment assets	$ 109,340,442	$ 96,705,346
Reconciling items:		
Cash and cash equivalents	3,718,471	3,043,488
Investment in corporate equity securities	4,490,350	2,771,296
Investment in GNMA Certificates	15,004,449	15,229,750
Other assets	1,120,744	4,071,245
Consolidated assets	$ 133,674,456	$ 121,821,125

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.

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

The following discussion should be read in conjunction with 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, 2002.

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'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 a similar real estate business.

As of March 31, 2003, the Company directly owned 12 multifamily properties and owned two 99% limited partnership interests in the Operating Partnerships which each own one multifamily property for a total of 14 multifamily properties containing a total of 2,788 units.

The following table sets forth certain information regarding the Company's investment in real estate at March 31, 2003:

Property Name	Location	Number of Units	Number of Units Occupied	Percentage of Units Occupied	Economic Occupancy [1]
Bluff Ridge Apartments	Jacksonville, NC	108	106	98%	96%
Brentwood Oaks Apartments	Nashville, TN	262	254	97%	89%
Crane's Landing [3]	Winter Park, FL	252	225	89%	89%
Delta Crossing	Charlotte, NC	178	158	89%	68%
Fox Hollow Apartments	High Point, NC	184	167	91%	79%
Highland Park Apartments	Columbus, OH	252	232	92%	82%
Huntsview Apartments	Greensboro, NC	240	211	88%	81%
Lakes of Northdale	Tampa, FL	216	200	93%	84%
Misty Springs Apartments	Daytona Beach, FL	128	124	97%	94%
Monticello Apartments	Southfield, MI	106	96	91%	90%
The Ponds at Georgetown	Ann Arbor, MI	134	130	97%	86%
The Glades Apartments	Jacksonville, FL	360	328	91%	85%
Waterman's Crossing	Newport News, VA	260	254	98%	97%
Water's Edge Apartments [3] [4]	Lake Villa, IL	108	96	89%	[2]
		2,788	2,581	93%	86%

(1) Economic occupancy is presented for the three months ended March 31, 2003, 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) On August 1, 2002, the general partner of Water's Edge Ltd. was removed, to be replaced by the Company. The general partner refused to acknowledge the removal and the matter was not resolved until May 1, 2003. As a result, the Company continued to account for Water's Edge as an equity method investment at March 31, 2003. Beginning May 1, 2003, the Company will account for Water's Edge as a fully-owned consolidated real estate investment.

Critical Accounting Policies

The Company’s critical accounting policies are the same as those described in the Company’s December 31, 2002 Form 10-K.

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. The multifamily housing industry is experiencing soft market conditions, which are primarily the result of a weak economy, low interest rates which are making home ownership a reality to prospective tenants and an increase in certain real estate operating expenses. In response to these conditions, management continues to focus on the attraction and retention of quality tenants, and managing the properties in the most cost effective manner. As a result, the Company’s properties are experiencing decreases in net operating income.

Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002

The Company earned rental income of $4,693,018 during the three months ended March 31, 2003 compared to $3,649,743 during the same period in 2002. Of this $1,043,275 increase, $1,028,679 is attributable to the March 2002 acquisition of The Glades Apartments and the September 2002 acquisition of Lakes of Northdale Apartments.

Equity in the earnings of Operating Partnerships decreased $21,179 for the three months ended March 31, 2003 compared to the three months ended March 31, 2002. This decrease in equity is due to the decrease in the net income of Crane's Landing Apartments, caused by lower economic occupancy at this property.

Mortgage-backed securities income decreased $4,897 or 1% for the first quarter of 2003 compared to the first quarter of 2002 as a result of the principal amortization on the underlying securities. The GNMA Certificates and the related interest income and interest expense, backed by first mortgage loans on Monticello Apartments, The Ponds at Georgetown 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.

Interest income on cash and cash equivalents decreased $13,485 or 57% for the first quarter of 2003 compared to the same period in 2002 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 1.30% for the first quarter of 2003, compared to 1.86% for the first quarter of 2002.

Dividend income from the Company's investment in corporate equity securities increased $72,411 for the quarter ended March 31, 2003 compared to the first quarter of 2002 due to additional acquisitions during the last three quarters of 2002 and the first quarter of 2003.

Real estate operating expenses increased $579,311 during the three months ended March 31, 2003 compared to the same period in 2002. This increase is due to $579,458 of operating expenses attributable to the March 2002 acquisition of The Glades Apartments and the September 2002 acquisition of Lakes of Northdale Apartments.

Depreciation expense increased $270,467 during the first quarter of 2003 compared to the first quarter of 2002. This increase is primarily attributable to the 2002 acquisitions of The Glades Apartments and Lakes of Northdale Apartments, as well as the approximately $670,000 of capital improvements placed in service during the year 2002.

The Company incurred interest expense of $689,577 during the three months ended March 31, 2003 as follows: (i) $570,872 on its bonds and mortgages payable; (ii) $15,853 on its Notes payable; and (iii) $102,852 on the Company's repurchase obligations. During the three months ended March 31, 2002, the Company incurred interest expense of $479,661, consisting of interest expense of: (i) $273,739 on bonds and mortgages payable; (ii) $26,042 on notes payable which originated in connection with the Merger; and (iii) $179,880 on the Company's repurchase agreements. The interest expense increase on the bonds and mortgages payable is due to an increase in bonds and mortgages payable outstanding from: (i) the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (ii) the 2002 refinancing of Waterman's Crossing Apartments, which resulted in related interest expense that is no longer eliminated in consolidation. The decrease in the repurchase agreement interest expense is due to a decrease in the outstanding borrowings under repurchase agreements and a decrease in the average rates paid on these 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.

Amortization of debt financing costs increased $2,521 from the quarter ended March 31, 2003 compared to the quarter ended March 31, 2002. This is attributable to: the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (ii) the 2002 refinancing of Waterman's Crossing Apartments.

General and administrative expenses increased $31,483 for the first quarter of 2003 compared to the same period in 2002. This increase is primarily attributable to an increase in administrative fees due to the 2002 acquisitions of The Glades Apartments and Lakes of Northdale Apartments.

Funds From Operations

The Company's funds from operations ("FFO") increased $248,173 or 16% to $1,773,032 for the first quarter of 2003, compared to $1,524,859 for the same period in 2002. This increase is attributable to the 2002 acquisitions The Glades Apartments and the Lakes of Northdale Apartments.

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 month periods ended March 31, 2003 and 2002:

	For the Three Months Ended March 31, 2003	For the Three Months Ended March 31, 2002
Net income	$ 776,540	$ 797,901
Depreciation expense	934,824	664,357
Share of Operating Partnership depreciation expense	61,668	62,601
Funds from operations	$ 1,773,032	$ 1,524,859

The Company considers FFO to be a key measure of its performance and ability to pay distributions as it adds back the Company's significant non-cash expense of depreciation. Although the Company considers FFO to be a key measure of its operating 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 $1,806,209 for the three months ended March 31, 2003 compared to $1,039,005 for the three months ended March 31, 2002, principally due to real estate acquisitions. Net cash provided by investing activities was $13,549 for the three months ended March 31, 2003 compared to net cash used in investing activities of $4,091,671 for the three months ended March 31, 2002 due to the acquisition of The Glades Apartments in March of 2002. The Company's net cash used in financing activities was $3,613,689 for the three months ended March 31, 2003 compared to net cash provided by financing activities of $3,880,666 for the three months ended March 31, 2002. This change was due to repayment of principal on borrowings under repurchase agreements and payment of principal on the Notes payable.

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.

The following table shows the amount of cash distributions per unit made by the Company for the quarters ended March 31, 2003 and 2002.

	Per Unit Three Months Ended March 31, 2003	Per Unit Three Months Ended March 31, 2002
Regular distributions	$ 0.1750	$ 0.1625

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.

At March 31, 2003, the Company had borrowed approximately $19.4 million with repurchase agreements against three of its GNMA certificates. During January 2003, the Company renewed in the amount of $7,500,000 its repurchase agreement against its Crane's Landing GNMA Certificate. The repurchase agreement bears interest at a fixed rate of 1.31% per annum and matures on April 21, 2003.

During March 2003, the Company renewed its repurchase agreement, borrowing against its Monticello Apartments GNMA Certificate in the amount of $5,000,000. The repurchase agreement bears interest at a fixed rate of 1.32% per annum and matures on March 12, 2004.

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 March 31, 2003, approximately 57% of the Company's borrowings consisted of fixed-rate financing. The remaining 43% 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 March 31, 2003 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)
2003	$	14,699,549	4.41%	2003	$	-	-
2004		5,321,213	5.17%	2004		-	-
2005		342,381	5.95%	2005		-	-
2006		363,653	5.95%	2006		-	-
2007		392,943	5.95%	2007		-	-
Thereafter		23,086,768	5.95%	Thereafter		32,785,085	2.13%
	$	44,206,507			$	32,785,085	

(1) For the three months ended March 31, 2003.

As the above tables incorporate only those positions or exposures that existed as of March 31, 2003, 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 Principal Executive Officer and Principal Financial Officer of America First 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 of America First 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)).

99. Certifications under Section 906 of the Sarbanes Oxley Act of 2002.

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the quarter for which this report is filed.

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

/s/ Lisa Y. Roskens
Lisa Y. Roskens,
Chief Executive Officer

Date: May 9, 2003

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: May 9, 2003

By /s/ Lisa Y. Roskens
Lisa Y. Roskens
Chief Executive Officer
America First Companies, LLC, as the sole member of the General Partner

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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: May 9, 2003

By /s/ Mark A. Hiatt
Mark A. Hiatt
Chief Financial Officer
America First Companies, LLC, as the sole member of the General Partner