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 June 30, 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

	June 30, 2003 (Unaudited)	Dec. 31, 2002
Assets		
Cash and cash equivalents	$ 4,389,862	$ 6,601,518
Restricted cash and cash equivalents	3,304,332	2,638,849
Investment in GNMA Certificates, at fair value	10,085,595	15,062,705
Investment in corporate equity securities, at fair value	4,979,652	4,533,816
Investment in Operating Partnerships	1,023,748	1,140,707
Investment in real estate, net of accumulated depreciation	105,628,348	102,264,969
Interest and dividends receivable	117,216	158,749
Other assets	4,544,063	4,318,491
	$ 134,072,816	$ 136,719,804
Liabilities and Partners' Capital		
Liabilities		
Accounts payable and accrued expenses	$ 2,093,899	$ 1,535,349
Distribution payable	1,201,500	1,115,678
Notes payable	3,080,085	3,499,008
Bonds and mortgages payable	54,364,379	54,515,595
Borrowings under repurchase agreements	19,475,000	21,475,000
Interest payable	141,369	260,292
	80,356,232	82,400,922
Partners' Capital (deficit)		
General Partner	(9,088)	-
Unit holders ($7.90 per Unit in 2003 and $7.99 per Unit in 2002)	53,725,672	54,318,882
	53,716,584	54,318,882
Liabilities and Partners' Capital	$ 134,072,816	$ 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 June 30, 2003	For the Three Months Ended June 30, 2002	For the Six Months Ended June 30, 2003	For the Six Months Ended June 30, 2002
Income				
Rental income	$ 4,972,448	$ 4,222,243	$ 9,665,466	$ 7,871,985
Equity in earnings (losses) of Operating Partnerships	3,121	(49,747)	4,854	(26,835)
Mortgage-backed securities income	255,799	265,767	583,531	579,267
Interest income on cash and cash equivalents	8,333	14,228	18,377	37,758
Dividend income	101,543	85,143	230,321	141,509
Other income (loss)	(746)	-	(1,246)	3,289
	5,340,498	4,537,634	10,501,303	8,606,973
Expenses				
Real estate operating expenses	2,515,580	2,089,393	4,817,332	3,811,834
Depreciation expense	961,112	841,380	1,895,936	1,505,737
Interest expense	676,014	614,870	1,365,591	1,075,402
Amortization expense	38,809	35,884	75,713	70,268
General and administrative expenses	431,291	420,257	852,499	809,981
	4,622,806	4,001,784	9,007,071	7,273,222
Net income	717,692	535,850	1,494,232	1,333,751
Other comprehensive income				
Unrealized gains on securities				
Unrealized holding gains arising during the period	342,877	19,252	306,470	32,112
	342,877	19,252	306,470	32,112
Net comprehensive income	1,060,569	$ 555,102	$ 1,800,702	$ 1,365,863
Net income allocated to:	$			
General Partner	7,177	$ 5,359	$ 14,942	$ 13,338
Unit holders	710,515	530,492	1,479,290	1,320,413
	$ 717,692	$ 535,851	$ 1,494,232	$ 1,333,751
Net income, basic and diluted, per Unit	0.10	$ 0.08	$ 0.22	$ 0.19
	$			
Weighted average number of Units outstanding, basic and diluted	$ 6,797,055	6,797,055	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 SIX MONTHS ENDED JUNE 30, 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	14,942	-	1,479,290	1,494,232
Cash distributions paid or accrued	(24,030)	-	(2,378,970)	(2,403,000)
Balance at June 30, 2003	(9,088)	6,797,055	53,521,624	53,512,536
Accumulated Other Comprehensive Income				
Balance at December 31, 2002	-	-	(102,422)	(102,422)
Other comprehensive income, net	-	-	306,470	306,470
Balance at June 30, 2003	-	-	204,048	204,048
Balance at June 30, 2003	$ (9,088)	6,797,055	$ 53,725,672	$ 53,716,584

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 Six Months Ended June 30, 2003	For the Six Months Ended June 30, 2002
Cash flows from operating activities		
Net income	$ 1,494,232	$ 1,333,751
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in (earnings) losses of Operating Partnerships	(4,854)	26,835
Depreciation expense	1,895,936	1,505,737
Amortization expense	75,713	70,268
Other amortization	(259)	(550)
Loss on sale of securities	1,246	-
Transfers from restricted cash	(418,259)	(713,103)
Increase (decrease) in interest and dividends receivable	41,533	(39,416)
Decrease in other assets	225,510	150,344
Increase (decrease) in accounts payable and accrued expenses	260,115	(39,702)
Decrease in interest payable	(118,923)	(92,629)
Net cash provided by operating activities	3,451,990	2,201,535
Cash flows from investing activities		
GNMA principal payments received	111,718	131,629
Proceeds from sale of corporate equity securities	357,458	-
Distribution from Operating Partnership	121,813	-
Net cash acquired in (used in) Operating Partnerships general partners acquisition	(89,690)	1,120,224
Acquisition of investment in real estate and real estate improvements	(561,755)	(6,480,651)
Purchase of corporate equity securities	(493,383)	(1,468,138)
Net cash used in investing activities	(553,839)	(6,696,936)
Cash flows from financing activities		
Principal payments on Notes payable	(418,923)	-
Principal payments on repurchase agreements	(2,000,000)	(16,475,000)
Principal payments on bonds and mortgages payable	(151,216)	(156,920)
Distributions paid	(2,317,177)	(2,145,666)
Debt financing costs paid	(222,491)	(137,599)
Borrowings under repurchase agreements	-	21,475,000
Net cash provided by (used in) financing activities	(5,109,807)	2,559,815
Net decrease in cash and cash equivalents	(2,211,656)	(1,935,586)
Cash and cash equivalents at beginning of period	6,601,518	5,386,206
Cash and cash equivalents at end of period	$ 4,389,862	$ 3,450,620
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 1,484,514	$ 1,168,031

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).

On May 1, 2003, the Company acquired the general partner interest of Water's Edge Apartments Operating Partnership. As a part of this transaction the Company recorded the following, including consolidation eliminations.

GNMA Certificates	(4,860,963)
Investment in real estate	4,798,560
Interest and dividends receivable	(36,457)
Other assets	292,118
Accounts payable and accrued expenses	261,978

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 June 30, 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 and six month periods ended June 30, 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 June 30, 2003.

Collateral	Interest Rate	Maturity Date	Payment Schedule	Carrying Amount
Crane's Landing GNMA Certificate	1.06%	07/23/2003 (1)	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	1.02%	06/26/2004	interest payments due quarterly, principal due at maturity	6,975,000
				$ 19,475,000

(1) The repurchase agreement was renewed with an interest rate of 1.07% and a maturity of August 22, 2003.

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 $330,840 for the three and six months ended June 30, 2003, respectively. Such administrative fees were $150,165 and $282,712 for the three and six months ended June 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 $194,111 and $383,097 for the three and six months ended June 30, 2003, respectively. Such fees were $170,548 and $316,868 for the three and six months ended June 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 did not receive acquisition fees during the six months ended June 30, 2003 and received \$186,197 in the six months ended June 30, 2002 in connection with the acquisition of The Glades Apartments in March of 2002.

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 and six month periods ending June 30, 2003 and 2002 are summarized as follows:

	For the Three Months Ended June 30, 2003	For the Three Months Ended June 30, 2002	For the Six Months Ended June 30, 2003	For the Six Months Ended June 30, 2002
Multifamily real estate segment revenues	$ 4,975,569	$ 4,172,496	$ 9,670,320	$ 7,845,150
Reconciling items:				
Mortgage-backed securities income	255,799	265,767	583,531	579,267
Interest and dividend income	109,876	99,371	248,698	179,267
Other income (loss)	(746)	-	(1,246)	3,289
Consolidated revenues	$ 5,340,498	$ 4,537,634	$ 10,501,303	$ 8,606,973
Consolidated net income	$ 717,692	$ 535,850	$ 1,494,232	$ 1,333,751
Reconciling items:				
Operating and administrative expenses	431,291	420,257	852,499	809,981
Interest on Notes payable and repurchase agreements	93,897	264,571	212,601	430,275
Interest and dividend income	(109,876)	(99,371)	(248,698)	(179,267)
Mortgage backed securities income	(255,799)	(265,767)	(583,531)	(579,267)
Other (income) loss	746	-	1,246	(3,289)
Net income from multifamily real estate segment	$ 877,951	$ 855,540	$ 1,728,349	$ 1,812,184
Reconciling items:				
Depreciation	961,112	841,380	1,895,936	1,505,737
Amortization of debt financing costs	38,809	35,884	75,713	70,268
Interest expense on bonds and mortgages payable	582,117	350,299	1,152,990	645,127
Net operating income from multifamily real estate segment	$ 2,459,989	$ 2,083,103	$ 4,852,988	$ 4,033,316
Multifamily real estate segment assets	$ 114,432,610	$ 97,804,683	$ 114,432,610	$ 97,804,683
Reconciling items:				
Cash and cash equivalents	3,524,368	1,930,421	3,524,368	1,930,421
Investment in corporate equity securities	4,979,652	3,982,710	4,979,652	3,982,710
Investment in GNMA Certificates	10,085,595	15,168,333	10,085,595	15,168,333
Other assets	1,050,591	1,810,381	1,050,591	1,810,381
Consolidated assets	$ 134,072,816	$ 120,696,528	$ 134,072,816	$ 120,696,528

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 the successful acquisition and management of investments in multifamily residential properties and acquiring securities of other entities engaged in a similar real estate business.

As of June 30, 2003, the Company directly owned 13 multifamily properties and owned one 99% limited partnership interests in an Operating Partnership which owns a multifamily property for a total of 14 multifamily properties containing a total of 2,788 units.

On May 1, 2003, the Company acquired control of the general partner interest of Water's Edge Apartments. Therefore, the Company's results of operations subsequent to May 1, 2003 reflect the results of Water's Edge on a consolidated basis. Prior to May 1, 2003, Water's Edge Apartments was accounted for as an Operating Partnership using the equity method. As of June 30, 2003, Crane's Landing Apartments is the only Operating Partnership that continues to be accounted for as an equity method investment, versus a consolidated property.

The following table sets forth certain information regarding the Company's investment in real estate at June 30, 2003:

Property Name	Location	Number of Units	Number of Units Occupied	Percentage of Units Occupied at June 30, 2003	Economic Occupancy [1]
Bluff Ridge Apartments	Jacksonville, NC	108	108	100%	98%
Brentwood Oaks Apartments	Nashville, TN	262	251	96%	90%
Crane's Landing	Winter Park, FL	252	225	89%	86%
Delta Crossing	Charlotte, NC	178	170	96%	70%
Fox Hollow Apartments	High Point, NC	184	171	93%	83%
Highland Park Apartments	Columbus, OH	252	245	97%	82%
Huntsview Apartments	Greensboro, NC	240	213	89%	81%
Lakes of Northdale	Tampa, FL	216	198	92%	84%
Misty Springs Apartments	Daytona Beach, FL	128	111	88%	91%
Monticello Apartments	Southfield, MI	106	100	94%	88%
The Ponds at Georgetown	Ann Arbor, MI	134	117	87%	85%
The Glades Apartments	Jacksonville, FL	360	333	93%	86%
Waterman's Crossing	Newport News, VA	260	255	98%	97%
Water's Edge Apartments	Lake Villa, IL	108	88	81%	[2]
		2,788	2,585	93%	86%

[1] Economic occupancy is presented for the six months ended June 30, 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] Year to date information not available to the Company

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. As a result, certain of the Company's properties are experiencing decreases in net operating income. 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.

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

The Company earned rental income of $4,972,448 during the three months ended June 30, 2003 compared to $4,222,243 during the same period in 2002. Of this $750,205 increase, $612,473 is attributable to the May 2003 acquisition of the general partner and consolidation of Water's Edge Apartments and the September 2002 acquisition of Lakes of Northdale Apartments.

Equity in the earnings of Operating Partnerships increased $52,868 for the three months ended June 30, 2003 compared to the three months ended June 30, 2002. This increase in equity is due to the increase in the net income of Crane's Landing Apartments, due to a decline in operating expenses at this property.

Mortgage-backed securities income decreased $9,968 or 4% for the second quarter of 2003 compared to the second 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, Water's Edge Apartments 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 $5,895 for the second 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 1.12% for the second quarter of 2003, compared to 1.86% for the second quarter of 2002.

Dividend income from the Company's investment in corporate equity securities increased $16,400 for the three months ended June 30, 2003 compared to the three months ended June 30, 2002 due to additional acquisitions during the last two quarters of 2002 and the first two quarters of 2003.

Real estate operating expenses increased $426,187 during the three months ended June 30, 2003 compared to the same period in 2002. $328,765 of this increase is due to operating expenses attributable to the May 2003 acquisition of the general partner interest and consolidation of Water's Edge Apartments and the September 2002 acquisition of Lakes of Northdale Apartments. The remaining increase is due to increased salary and insurance expenses.

Depreciation expense increased $119,732 during the second quarter of 2003 compared to the second quarter of 2002. Of this increase, $123,885 is attributable to the May 2003 acquisition of the general partner interest and consolidation of Water's Edge Apartments and the September 2002 acquisition of Lakes of Northdale Apartments. This increase from acquisitions is partially offset by a decline of $4,153 in depreciation incurred at the Company's other properties due to real estate assets becoming fully depreciated.

The Company incurred interest expense of $676,014 during the three months ended June 30, 2003 as follows: (i) $582,117 on its bonds and mortgages payable; (ii) $13,945 on its Notes payable; and (iii) $79,952 on the Company's repurchase obligations. During the three months ended June 30, 2002, the Company incurred interest expense of $614,870, consisting of interest expense of: (i) $390,517 on bonds and mortgages payable; (ii) $29,057 on its Notes payable; and (iii) $195,296 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 acquisition of Lakes of Northdale Apartments and 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 $2,925 from the quarter ended June 30, 2003 compared to the quarter ended June 30, 2002. This is attributable to: (i) the 2003 acquisition of the general partner interest and consolidation of Water's Edge and the 2002 acquisition of Lakes of Northdale Apartments; and (ii) the 2002 refinancing of Waterman's Crossing Apartments.

General and administrative expenses increased $11,034 or 3% for the second 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 acquisition of Lakes of Northdale Apartments.

Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

The Company earned rental income of $9,665,466 during the six months ended June 30, 2003 compared to $7,871,985 during the same period in 2002. Of this $1,793,481 increase, $1,458,939 is attributable to: (i) the May 2003 acquisition of the general partner interest and consolidation of Water's Edge Apartments; (ii) the March 2002 acquisition of The Glades Apartments and (iii) September 2002 acquisition of Lakes of Northdale Apartments.

Equity in the earnings of Operating Partnerships increased $31,689 for the six months ended June 30, 2003 compared to the six months ended June 30, 2002. This increase in equity is due to the increase in the net income of Crane's Landing Apartments, due to a decline in operating expenses at this property.

Mortgage-backed securities income decreased $4,264 or 1% for the first six months of 2003 compared to the first six months 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, Water's Edge Apartments 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 $19,381 for the first six months 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 1.21% for the first two quarters of 2003, compared to 1.86% for the same period in 2002.

Dividend income from the Company's investment in corporate equity securities increased $88,812 for the six months ended June 30, 2003 compared to the six months ended June 30, 2002 due to additional acquisitions of such investments during the last two quarters of 2002 and the first two quarters of 2003.

Real estate operating expenses increased $1,005,498 during the six months ended June 30, 2003 compared to the same period in 2002. Of this increase in operating expenses, $814,595 is attributable to the May 2003 acquisition of the general partner interest and consolidation of Water's Edge Apartments, the March 2002 acquisition of The Glades Apartments and the September 2002 acquisition of Lakes of Northdale Apartments. The remaining increase is primarily due to increased salary and insurance expenses.

Depreciation expense increased $390,199 during the first six months of 2003 compared to the first six months of 2002. Of his increase, $354,772 is attributable to the 2003 acquisition of the general partner interest and consolidation of Water's Edge Apartments and the 2002 acquisitions of The Glades Apartments and Lakes of Northdale Apartments. The remaining increase is attributable to the approximately $670,000 of capital improvements placed in service during the year 2002.

The Company incurred interest expense of $1,365,591 during the six months ended June 30, 2003 as follows: (i) $1,152,990 on its bonds and mortgages payable; (ii) $29,798 on its Notes payable; and (iii) $182,803 on the Company's repurchase obligations. During the six months ended June 30, 2002, the Company incurred interest expense of $1,075,402, consisting of interest expense of: (i) $645,127 on bonds and mortgages payable; (ii) $55,099 on its Notes payable which; and (iii) $375,176 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 $5,445 from the six months ended June 30, 2003 compared to the six months ended June 30, 2002. This is attributable to: (i) the 2003 acquisition of the general partner interest and consolidation of Water's Edge Apartments; (ii) the 2002 acquisitions of The Glades Apartments and the Lakes of Northdale Apartments; and (iii) the 2002 refinancing of Waterman's Crossing Apartments.

General and administrative expenses increased $42,518 or 5% for the first six months 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 $300,641 or 21% to $1,740,472 for the second quarter of 2003, compared to $1,439,831 for the same period in 2002. This increase is attributable to the 2003 acquisition of the general partner interest and consolidation of Water's Edge Apartments and the 2002 acquisition of the Lakes of Northdale Apartments.

The Company's funds from operations ("FFO") increased $548,814 or 18% to $3,513,504 for the first two quarters of 2003, compared to $2,964,690 for the same period in 2002. This increase is attributable to the 2003 acquisition of the general partner interest and consolidation of Water's Edge Apartments and the 2002 acquisitions of 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 and six month periods ended June 30, 2003 and 2002:

	For the Three Months Ended June 30, 2003	For the Three Months Ended June 30, 2002	For the Six Months Ended June 30, 2003	For the Six Months Ended June 30, 2002
Net income	$ 717,692	$ 535,850	$ 1,494,232	$ 1,333,751
Share of Operting Partnership depreciation expense	61,668	62,601	123,336	125,202
Depreciation	961,112	841,380	1,895,936	1,505,737
Funds from operations	$ 1,740,472	$ 1,439,831	$ 3,513,504	$ 2,964,690

The Company's capitalization policy for its real estate capital improvements has a significant effect on its FFO calculation. Real estate costs that are accounted for as expenses are a deduction in FFO. Alternatively, real estate costs that are capitalized are not an expense that is deducted from FFO, but are depreciated and the related depreciation expense is added to FFO. Therefore, the Company's capitalization policy for its real estate assets will have significant effect on FFO, which may differ significantly from the policies established by the Company's peers.

The Company considers FFO to be a key measure of its performance. 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. 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 $3,451,990 for the six months ended June 30, 2003 compared to $2,201,535 for the six months ended June 30, 2002, principally due to real estate acquisitions. Net cash used in investing activities was $553,839 for the six months ended June 30, 2003 compared to $6,696,936 for the six months ended June 30, 2002 during which period the Company acquired The Glades Apartments. The Company's net cash used in financing activities was $5,109,807 for the six months ended June 30, 2003 compared to net cash provided by financing activities of $2,559,815 for the six months ended June 30, 2002. This change was due to repayment of principal on borrowings under repurchase agreements and payment of principal on the Notes payable in 2002.

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's recent financial results have benefited from the low interest rate environment and the low interest rates paid on its repurchase agreement borrowings and its variable rate debt. An increase is short term rates will increase interest expense.

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 six months ended June 30, 2003 and 2002.

	Per Unit	
	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Regular distributions	$ 0.3500	$ 0.3250

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.

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 June 30, 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 June 30, 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	$ 7,652,421	4.41%	2003	$ -	-
2004	12,296,213	4.62%	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	2.16%
	$ 44,134,379			$ 32,785,085	

(1) For the six months ended June 30, 2003.

As the above tables incorporate only those positions or exposures that existed as of June 30, 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 13a-14(c) and 15d-14(c)) as of the end of the period covered by this quarterly report. 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 changes in the Company's internal controls over financial reporting that occurred during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to affect, the Company's internal controls over financial reporting.

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)).

31 (a) Certification of CEO pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

31 (b) Certification of CFO pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

32 (a) Certification of CEO pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

32 (b) Certification of CFO pursuant to 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: August 8, 2003