FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the 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: 000-49986

AMERICA FIRST APARTMENT INVESTORS, INC.
(Exact name of registrant as specified in its charter)

Maryland	47-0858301
(State or other jurisdiction of incorporation or organization)	(IRS 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 Exchange Act Rule 12b-2).

YES NO X

As of August 8, 2003, there were 5,074,897 outstanding shares of the registrant's common stock.

AMERICA FIRST APARTMENT INVESTORS, INC.

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Part I. Financial Information

Item 1. Financial Statements

AMERICA FIRST APARTMENT INVESTORS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2003 (Unaudited)	Dec. 31, 2002
Assets		
Cash and cash equivalents		
Unrestricted	$ 10,735,769	$ 8,419,537
Restricted	4,730,683	4,246,248
Investment in real estate, net of accumulated depreciation	117,086,538	119,490,678
Investment in corporate equity securities, at fair value	1,728,603	1,668,755
Other assets	2,466,434	3,028,676
	$ 136,748,027	$ 136,853,894
Liabilities		
Accounts payable and accrued expenses	$ 3,328,226	$ 5,262,964
Bonds and mortgage notes payable	82,494,197	82,913,439
Dividends or distribution payable	1,268,724	1,268,451
	87,091,147	89,444,854
Equity (See Note 1)		
Stockholders' Equity		
Common stock, $.01 par value; 500,000,000 shares authorized, 5,074,897 issued and outstanding	50,749	-
Additional paid in capital	47,401,143	-
Retained earnings	2,154,822	
Accumulated other comprehensive income (loss)	50,166	(9,682)
General Partner	-	97,380
Beneficial Unit Certificate holders ($9.42 per BUC in 2002)	-	47,321,342
	49,656,880	47,409,040
	$ 136,748,027	$ 136,853,894

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

AMERICA FIRST APARTMENT INVESTORS, INC. 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	$ 6,079,605	$ 6,347,803	$ 12,166,369	$ 12,575,847
Interest and dividend income	67,708	78,705	137,144	143,957
Gain (loss) on interest swap agreements	18,837	3,300	17,324	4,075
Gain on Jefferson Place subordinate note	4,444,452	-	4,444,452	-
	10,610,602	6,429,808	16,765,289	12,723,879
Expenses				
Real estate operating expenses	3,186,226	3,317,989	6,274,973	6,404,993
Depreciation expense	1,249,557	1,235,155	2,511,105	2,466,563
Interest expense	1,081,511	1,104,608	2,165,108	2,194,622
Amortization of debt financing costs	72,329	70,419	143,482	140,113
General and administrative expenses	499,173	458,818	978,599	908,418
	6,088,796	6,186,989	12,073,267	12,114,709
Net income	4,521,806	242,819	4,692,022	609,170
Other comprehensive income				
Unrealized gains on securities				
Net unrealized holding gains (losses) arising during the period	59,607	(4,948)	59,848	15,732
	59,607	(4,948)	59,848	15,732
Net comprehensive income	$ 4,581,413	$ 237,871	$ 4,751,870	$ 624,902
Net income allocated to:				
General Partner		$ 14,779		$ 30,756
BUC holders		228,040		578,414
		$ 242,819		$ 609,170
Net income, basic, per share (per BUC in 2002)	$ 0.89	$ 0.05	$ 0.92	$ 0.12
Net income, diluted, per share (per BUC in 2002)	$ 0.89	$ 0.05	$ 0.92	$ 0.12
Dividends (distributions in 2002) declared and paid per common share (per BUC in 2002)	$ 0.25	$ 0.25	$ 0.50	$ 0.50

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

AMERICA FIRST APARTMENT INVESTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2003
(UNAUDITED)

	General Partner	Beneficial Unit Certificate holders	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2002	$ 97,380	$ 47,321,342	-	$ -	$ -	$ -	$ (9,682)	$ 47,409,040
Issuance of shares of the Company in exchange for BUCs and the General Partner interest of the Partnership	(97,380)	(47,321,342)	5,073,805	50,738	47,367,984	- #	-	-
Acquisition of shares of the Company	-	-	100	1	1,199	-	-	1,200
Net income	-	-	-	-	-	4,692,022	-	4,692,022
Issuance of common stock	-	-	992	10	9,990	-	-	10,000
Stock options issued	-	-	-	-	21,970	-	-	21,970
Change in net unrealized holding gains	-	-	-	-	-	-	59,848	59,848
Dividends	-	-	-	-	-	(2,537,200)	-	(2,537,200)
Balance at June 30, 2003	$ -	$ -	5,074,897	$ 50,749	$ 47,401,143	$ 2,154,822	$ 50,166	$ 49,656,880

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

AMERICA FIRST APARTMENT INVESTORS, INC. 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	$ 4,692,022	$ 609,170
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on interest rate swap agreements	(17,324)	(4,075)
Gain on Jefferson Place subordinate note	(4,444,452)	-
Depreciation	2,511,105	2,466,563
Non-cash stock compensation expense	31,970	-
Amortization of debt financing costs	143,042	140,113
Transfers to restricted cash	(484,435)	(528,808)
Decrease in other assets	436,864	145,129
Increase in accounts payable and accrued expenses	153,111	142,733
Net cash provided by operating activities	3,021,903	2,970,825
Cash flows from investing activities		
Real estate capital improvements	(106,965)	(324,393)
Net proceeds from repayment of Jefferson Place subordinate note	2,356,263	-
Purchase of corporate equity securities	-	(673,257)
Net cash provided by (used in) investing activities	2,249,298	(997,650)
Cash flows from financing activities		
Distributions paid	(2,536,927)	(2,473,480)
Principal payments on bonds and mortgage notes payable	(419,242)	(396,158)
Debt financing costs paid	-	(943)
Additional paid in capital	1,200	-
Net cash used in financing activities	(2,954,969)	(2,870,581)
Net increase (decrease) in cash and cash equivalents	2,316,232	(897,406)
Cash and cash equivalents at beginning of period	8,419,537	10,947,957
Cash and cash equivalents at end of period	$ 10,735,769	$ 10,050,551
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 2,168,363	$ 2,163,286

Supplemental disclosure of non-cash investing and financing activities:

On January 1, 2003, the Company merged with America First Apartment Investors, L.P. In connection with such Merger, the Company issued 5,073,805 shares of stock in exchange for the limited partner and general partner interests of the Partnership.

In May 2003, the Company issued 992 shares of its common stock having a value of $10,000 as Director compensation.

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

1. Organization and Basis of Presentation

America First Apartment Investors, Inc. (the "Company") was formed on March 29, 2002 under the Maryland General Corporation Law for the purpose of owning and operating multifamily apartment complexes. The Company may also invest in mortgages and mortgage-backed securities or securities issued by other REITs or real estate companies. The Company commenced its business operations upon the completion of the Merger of America First Apartment Investors, L.P. (the "Partnership") with and into the Company. Upon consummation of the Merger, which became effective January 1, 2003, the Company assumed all of the assets, liabilities and business operations of the Partnership. The Company owns and operates 15 multifamily apartment complexes containing a total of 3,335 rental units and one commercial property.

The Company was capitalized through the issuance of 100 shares of its common stock, par value $.01 per share, at a price of $12.00 per share to an affiliate of the Partnership. As a result of the Merger, each outstanding Beneficial Unit Certificate ("BUC") of the Partnership was converted into one share of common stock, $.01 par value, of the Company, for a total of 5,023,067 shares of the common stock the Company issued to BUC holders. In addition, 50,738 shares of common stock of the Company were issued to America First Capital Associates LP Four in exchange for its general partner interest of the Partnership. Accordingly, the Company began business operations, as the successor-in-interest to the Partnership, on January 1, 2003. Effective January 2, 2003, the common stock of the Company was listed on NASDAQ under the symbol APRO. The transaction was accounted for as a reverse merger whereby the Partnership is the accounting acquirer, and all assets and liabilities were carried over at the Partnership's carrying value. The accompanying financial results as of December 31, 2002 and for all periods presented prior to the Merger are those of the Partnership.

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 and Partnership's Annual Reports on Form 10-K for the year ended December 31, 2002. Certain amounts from prior periods have been reclassified to conform to the current period presentation. 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. 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.

The Company has elected to be treated as a Real Estate Investment Trust ("REIT") for tax purposes. As a REIT, the Company will generally not be subject to federal income taxes on distributed income. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of the REIT's ordinary taxable income to shareholders. It is the Company's current intention to adhere to these requirements and maintain its REIT status.

2. Restricted Cash

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

3. Segment Reporting

The Company defines each of its multifamily apartment properties as an individual operating segment. It has also determined that all multifamily 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 Company's commercial property is defined as a separate individual operating segment, but is not separately reportable.

The net income, revenues and net operating income for the Company's multifamily apartment properties segment 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	$ 5,914,150	$ 6,103,556	$ 11,831,537	$ 12,152,601
Reconciling items:				
Rental and interest income from commercial property	165,455	244,247	334,832	423,246
Interest and dividend income	67,708	78,705	137,144	143,957
Consolidated revenues	$ 6,147,313	$ 6,426,508	$ 12,303,513	$ 12,719,804
Consolidated net income	$ 4,521,805	$ 242,819	$ 4,692,022	$ 609,170
Reconciling items:				
General and administrative expenses	499,173	458,818	978,599	908,418
Commercial property net (income) loss	11,110	(64,104)	10,178	(86,677)
Interest and dividend income	(67,708)	(60,943)	(78,705)	(143,957)
Gain on subordinate note	(4,444,452)	-	(4,444,452)	-
Gain on interest rate swap agreements	(18,837)	(3,300)	(17,324)	(4,075)
Net income from multifamily real estate segment	$ 501,091	$ 573,290	$ 1,140,318	$ 1,282,879
Reconciling items:				
Depreciation	1,189,653	1,177,716	2,376,400	2,356,014
Amortization of debt financing costs	61,079	59,170	121,718	117,614
Interest expense	1,020,636	1,043,418	2,043,263	2,072,191
Net operating income from multifamily real estate segment	$ 2,772,459	$ 2,853,594	$ 5,681,699	$ 5,828,698

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.

4. Advisory Agreement

The Company has entered into an Advisory Agreement with America First Apartment Advisory Corporation (the "Advisor") to manage the day to day operations and provide other management services to the Company. The Company will pay fees to the Advisor for these services and will reimburse the Advisor and its affiliates for certain allowable expenses it incurs on behalf of the Company. This agreement went into effect on the date of the Merger, January 1, 2003, and includes the following provisions: (i) the Advisor will administer to the day-to-day operations of the Company; (ii) the Advisor will act as the authorized agent on behalf of the Company in connection with the identification, evaluation, purchase, financing, operation and disposition of real estate assets; (iii) the Advisor will provide the executive and administrative personnel and services required for the operation of the Company; (iv) the Advisor will maintain the financial records and perform the financial reporting of the Company and (v) the Advisor will monitor and provide information to the Board of Directors on an on-going basis.

In connection with the above services, the Company pays an administration fee to the Advisor. This fee is in an amount equal to: (i) 0.60% per annum of the first $250,000,000 of the sum of the original principal amount of bonds and the gross purchase price of real estate assets acquired by the Partnership and (ii) 0.50% per annum of such sum in excess of $250,000,000; provided that the administrative fee will be 0.60% on such assets in any calendar year where Funds from Operations ("FFO") exceeds $1.60 per common share. Such fee was $220,757 and $441,515 for the three and six month periods ending June 30, 2003, respectively.

The Advisor is also entitled to a property acquisition fee in connection with the identification, evaluation and acquisition of real estate assets in the amount of 1.25% of the gross purchase price paid by the Company for such real estate assets.

An affiliate of the Advisor will provide property management services for the multifamily properties owned by the Company. The fees for services provided represent the lower of: (i) costs incurred in managing the property, or (ii) customary fees for such services determined on a competitive basis. Such fees were $243,516 and $489,569 for the three and six month periods ended June 30, 2003, respectively.

5. Stock Option Plan

The Company adopted a Stock Option Plan (the "Plan") on April 1, 2002 to permit awards of equity based compensation to those providing services to the Company. The Plan is administered by the Compensation Committee of the Board of Directors. The Plan allows for the granting of options to purchase an aggregate of up to 750,000 shares of the Company's common stock. The Plan authorizes the Board of Directors and its Compensation Committee to grant Incentive Stock Options ("ISOs"), as defined under section 422 of the IRS Code, non-qualified stock options ("NQSOs"), and dividend equivalent rights ("DERs") to eligible persons. The exercise price for options granted under the Plan shall not be less than the fair market value of the Company's common stock on the date of the grant. Options granted under the Plan expire 10 years from the respective grant dates of the options.

No equity-based awards were granted under the Plan in 2002. On February 4, 2003, NQSOs to acquire a total of 40,000 shares of common stock were granted to the Company's four non-employee Directors, at an exercise price of $8.73. The options vest 25% on the grant date and 25% on each of the next three anniversaries of the grant date. On the same date, a total of 40,000 DERs were granted to the Company's four non-employee directors, which vest 25% on the grant date and 25% on each of the next three anniversaries of the grant date.

Stock option activity for the period ended June 30, 2003 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at December 31, 2002	-	-
Granted	40,000	$ 8.73
Cancelled	-	-
Balance at June 30, 2003	40,000	$ 8.73
Options exercisable at June 30, 2003	10,000	$ 8.73

At June 30, 2003, all outstanding options have an exercise price of $8.73 and a remaining contractual life of 9.6 years. The Company accounts for its stock options using the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation". Under SFAS 123, the Company records compensation expense based upon the estimated fair value of its granted options, over their vesting period. The per share estimated fair value of the options granted on their grant date during the six months ended June 30, 2003 was $2.19. The estimated fair value of the Company's options is determined using the Black-Scholes option-pricing model with the following assumptions: a risk free interest rate of 3.24%, an expected remaining contractual life of 5.0 years and an expected volatility rate of 20%. Compensation expense for stock options was $21,970 and $29,294 for the three and six month periods ended June 30, 2003, respectively. Payments on the DERs for options not exercised are charged to earnings when declared and were $2,500 and $5,000 for the three and six month periods ended June 30, 2003, respectively.

6. Per Share Data

The following table presents information necessary to calculate basic and diluted earnings per share for the period indicated. There were no differences between basic and diluted earnings per share calculations for the six months ended June 30, 2003.

Net income attributable to common shares - basic	$	4,692,022
Expense attributable to DER's		5,000
Net income attributable to common shares - diluted	$	4,697,022
Weighted average common shares - basic		5,074,070
Dilutive options		10,000
Weighted average common shares - diluted		5,084,070
Net income per common share:		
Basic	$	0.92
Diluted	$	0.92

7. Gain on Jefferson Place Subordinate Note

On June 26, 2003, Jefferson Place Apartments were sold and the Company recorded a gain of $4,444,452 on the repayment of its subordinate note due from Jefferson Place Apartments. The total gain is comprised of $2,709,040 of cash proceeds from the sale less $352,777 of written off receivables for a net cash gain of $2,356,263. The Company also recorded a $2,088,189 non-cash gain representing the reversal of a contingent liability. The subordinate note due from Jefferson Place Apartments had an original principal value of $3,500,000, a net book value of $0, and was received by the predecessor partnership in 1997 in connection with the re-issuance of the formerly owned Jefferson Place tax-exempt bonds. The subordinate note represented unpaid tax-exempt interest and principal. Therefore, the gain is not subject to Federal income taxes. In connection with the re-issuance, the predecessor partnership also pledged as collateral its Retreat Apartments and recorded a contingent liability of $2,088,189 for the guarantee. The contingent liability represented management's best estimate of the potential guarantee loss based upon the estimated fair values of the respective properties at the inception of the guarantee. The liability was reversed on June 26, 2003 when the Company was relieved of its guarantee via the sale of Jefferson Place.

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

The following discussion of the Company's results of operations for the three and six month periods ended June 30, 2003 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 and Partnership's Annual Reports on Form 10-K for the year ended December 31, 2002.

General

America First Apartment Investors, Inc. (the "Company") was formed on March 29, 2002 under the Maryland General Corporation Law for the purpose of owning and operating multifamily apartment complexes. The Company commenced its business operations upon the completion of the Merger of America First Apartment Investors, L.P. (the "Partnership") with and into the Company. Upon consummation of the Merger, which became effective January 1, 2003, the Company assumed all of the assets, liabilities and business operations of the Partnership. The Company owns and operates 15 multifamily apartment complexes containing a total of 3,335 rental units and one commercial property. There were no real estate asset acquisitions or dispositions during the first six months of 2003.

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)
Jackson Park Place	Fresno, CA	296	288	97%	96%
Covey at Fox Valley	Aurora, IL	216	197	91%	80%
The Park at Fifty Eight	Chattanooga, TN	196	160	82%	65%
Shelby Heights	Bristol, TN	100	100	100%	92%
Coral Point	Mesa, AZ	336	268	80%	71%
Park at Countryside	Port Orange, FL	120	116	97%	93%
The Retreat	Atlanta, GA	226	222	98%	74%
Park Trace Apartments	Norcross, GA	260	255	98%	80%
Littlestone at Village Green	Gallatin, TN	200	187	94%	79%
St. Andrews at Westwood Apts	Orlando, FL	259	244	94%	83%
The Hunt Apartments	Oklahoma City, OK	216	207	96%	94%
Greenbriar Apartments	Tulsa, OK	120	111	93%	80%
Oakwell Farms Apartments	Nashville, TN	414	379	92%	79%
Oakhurst Apartments	Ocala, FL	214	194	91%	91%
Belvedere Apartments	Naples, FL	162	139	86%	83%
		3,335	3,067	92%	82%
The Exchange at Palm Bay	Palm Bay, FL	72,002 (2)	65,920 (2)	92%	NA

(1) Economic occupancy is presented for the six months ended June 30, 2003, and is defined as the net rental income received during the period divided by the maximum amount of rental income that would 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) Represents square feet.

Critical Accounting Policies

The Company's critical accounting policies are the same as those described in the Partnership's Form 10-K for the year ending December 31, 2002, with the addition of a policy for the accounting of the Company's stock based compensation.

The Company accounts for its stock options using the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation". Under SFAS 123, the Company records compensation expense based upon the fair value of its granted options, over their vesting period. The fair value of the Company's options is determined using the Black-Scholes option-pricing model. The Black-Scholes model includes assumptions regarding dividend yields, expected volatility, expected lives and risk-free interest rates.

Results of Operations

The financial results of the Company reflect the effects of the current weak multi-family housing market due to three primary factors: (i) recessionary conditions that have significantly weakened rental rates; (ii) record low interest rates that are making home ownership a reality to prospective tenants; and (iii) increased costs to operate real estate. In response to these conditions, management will continue to focus on the attraction and retention of quality tenants, and on the effective cost management of operating expenses.

The following provides a more detailed discussion of the Company's financial results for the three and six month periods ended June 30, 2003. Prior year information is that of the Partnership.

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

Rental income decreased $268,197 or 4% for the three months ended June 30, 2003 compared to the same period in 2002. This decrease is attributable to the decline in the physical and economic occupancy of the properties. At June 30, 2003, the average physical occupancy of the Company's multifamily properties was 92%, compared to 93% at June 30, 2002. Average economic occupancy was 82% for the three months ended June 30, 2003, compared to 86% for the three months ended June 30, 2002.

Interest and dividend income decreased $10,997, or 14%, for the quarter ended June 30, 2003 compared to the same period in 2002. Dividend income increased $21,664 from the quarter ended June 30, 2003 compared to the quarter ended June 30, 2002 due to purchases of additional corporate equity securities during the last two quarters of 2002. This increase was offset by a decrease in interest income caused by a decrease in the average interest rate earned on cash and cash equivalents. The average annualized interest rate earned on cash and cash equivalents was 1.22% for the second quarter of 2003, compared to 1.86% for the second quarter of 2002.

The Company recorded a valuation gain of $18,837 on its interest rate swap agreements in the second quarter of 2003, compared to a valuation gain of $3,300 during the same period in 2002. The increase in the gain is attributable to a decrease in the average rates on which the estimated fair value of the swap agreements is calculated.

On June 26, 2003, Jefferson Place Apartments were sold and the Company recorded a gain of $4,444,452 on the repayment of its subordinate note due from Jefferson Place Apartments. The total gain is comprised of $2,709,040 of cash proceeds from the sale less $352,777 of written off receivables for a net cash gain of $2,356,263. The Company also recorded a $2,088,189 non-cash gain representing the reversal of a contingent liability. The subordinate note due from Jefferson Place Apartments had an original principal value of $3,500,000, a net book value of $0, and was received by the predecessor partnership in 1997 in connection with the re-issuance of the formerly owned Jefferson Place tax-exempt bonds. The subordinate note represented unpaid tax-exempt interest and principal. Therefore, the gain is not subject to Federal income taxes. In connection with the re-issuance, the predecessor partnership also pledged as collateral its Retreat Apartments and recorded a contingent liability of $2,088,189 for the guarantee. The contingent liability represented management's best estimate of the potential guarantee loss based upon the estimated fair values of the respective properties at the inception of the guarantee. The liability was reversed on June 26, 2003 when the Company was relieved of its guarantee via the sale of Jefferson Place. No such gain was recorded during the quarter ended June 30, 2002.

Real estate operating expenses decreased $131,763 or 4% for the three months ended June 30, 2003 compared to the three months ended June 30, 2002. This decrease is attributable to the decline in apartment occupancy and the effective management and containment of operating expenses.

Depreciation expense for the second quarter of 2003 increased $14,402 or 1% over the same period in 2002. This increase is due to capital improvements made to existing properties. There were no acquisitions or dispositions of real estate properties during the periods under comparison.

Interest expense decreased $23,097 or 2% for the quarter ended June 30, 2003 compared to the same period in 2002. This is primarily due to a slight decrease in the interest rate on the Company's variable-rate debt. Approximately 13% of the Company's bonds and mortgage notes payable bear interest at variable rates at June 30, 2003. The average variable rate was 1.72% for the three months ended June 30, 2003, compared to 1.96% for the three months ended June 30, 2002.
Amortization of debt financing costs for the three months ended June 30, 2003 is consistent when compared to the same period in 2002.

General and administrative expenses increased $40,355 or 9% for the quarter ended June 30, 2003 compared to the second quarter 2002. This increase is attributable to increases in compensation expenses, legal expenses and insurance expenses.

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

Rental income decreased $409,478 or 3% for the six months ended June 30, 2003 compared to the same period in 2002. This decrease is attributable to the decline in the physical and economic occupancy of the properties. At June 30, 2003, the average physical occupancy of the Company's multifamily properties was 92%, compared to 93% at June 30, 2002. Average economic occupancy was 82% for the six months ended June 30, 2003, compared to 86% for the six months ended June 30, 2002.

Interest and dividend income decreased $6,813, or 5%, for the six months ended June 30, 2003 compared to the same period in 2002. Dividend income increased $51,964 from the six months ended June 30, 2003 compared to the six months ended June 30, 2002 due to purchases of additional corporate equity securities during the final two quarters of 2002. This increase was offset by a decrease in interest income caused by a decrease in the average interest rate earned on cash and cash equivalents. The average annualized interest rate earned on cash and cash equivalents was 1.29% for the first six months of 2003, compared to 1.94% for the same period of 2002.

The Company recorded a valuation gain of $17,324 on its interest rate swap agreements in the first six months of 2003, compared to a valuation gain of $4,075 during the same period in 2002. The increase in the gain is attributable to a decrease in the average rates on which the estimated fair value of the swap agreements is calculated.

On June 26, 2003, Jefferson Place Apartments were sold and the Company recorded a gain of $4,444,452 on the repayment of its subordinate note due from Jefferson Place Apartments. The total gain is comprised of $2,709,040 of cash proceeds from the sale less $352,777 of written off receivables for a net cash gain of $2,356,263. The Company also recorded a $2,088,189 non-cash gain representing the reversal of a contingent liability. The subordinate note due from Jefferson Place Apartments had an original principal value of $3,500,000, a net book value of $0, and was received by the predecessor partnership in 1997 in connection with the re-issuance of the formerly owned Jefferson Place tax-exempt bonds. The subordinate note represented unpaid tax-exempt interest and principal. Therefore, the gain is not subject to Federal income taxes. In connection with the re-issuance, the predecessor partnership also pledged as collateral its Retreat Apartments and recorded a contingent liability of $2,088,189 for the guarantee. The contingent liability represented management's best estimate of the potential guarantee loss based upon the estimated fair values of the respective properties at the inception of the guarantee. The liability was reversed on June 26, 2003 when the Company was relieved of its guarantee via the sale of Jefferson Place. No such gain was recorded during the six months ended June 30, 2002.

Real estate operating expenses decreased $130,020 or 2% for the six months ended June 30, 2003 compared to the six months ended June 30, 2002. This decrease is attributable to the decline in apartment occupancy and the effective management and containment of operating expenses.

Depreciation expense for the first six months of 2003 increased $44,542 or 2% over the same period in 2002. This increase is due to capital improvements made to existing properties. There were no acquisitions or dispositions of real estate properties during the periods under comparison.

Interest expense decreased $29,514 or 1% for the six months ended June 30, 2003. This is primarily due to a slight decrease in the interest rate on the Company's variable-rate debt. Approximately 13% of the Company's bonds and mortgage notes payable bear interest at variable rates at June 30, 2003. The average variable rate was 1.72% for the six months ended June 30, 2003, compared to 1.96% for the six months ended June 30, 2002.

Amortization of debt financing costs for the six months ended June 30, 2003 is consistent when compared to the same period in 2002.

General and administrative expenses increased $70,181 or 8% for the six months ended June 30, 2003 compared to the same period in 2002. This increase is attributable to increases in compensation expenses, insurance expense and legal expenses.

Funds from Operations

The Company's funds from operations ("FFO") increased $4,293,388 or 290% to $5,771,362 for the second quarter of 2003, compared to $1,477,974 for the same period in 2002. This is primarily due to the gain on the subordinate note from Jefferson Place Apartments of $4,444,452. Excluding this gain, FFO would have decreased $151,064 between the two periods, primarily due to decreased rental revenues resulting from lower occupancy.

The Company's funds from operations ("FFO") increased $4,127,394 or 134% to $7,203,127 for the first six months of 2003, compared to $3,075,733 for the same period in 2002. This is primarily due to the gain on the subordinate note from Jefferson Place Apartments of $4,444,452. Excluding this gain, FFO would have decreased $317,058 between the two periods, primarily due to decreased rental revenues resulting from lower occupancy.

The Company computes FFO in accordance with 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	$ 4,521,806	$ 242,819	$ 4,692,022	$ 609,170
Depreciation	1,249,556	1,235,155	2,511,105	2,466,563
Funds From Operations	$ 5,771,362	$ 1,477,974	$ 7,203,127	$ 3,075,733

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

Cash provided by operating activities for the six months ended June 30, 2003 increased $51,078 compared to the same period a year earlier primarily due to timing differences in the payment of payables. Cash provided by investing activities increased $3,246,948 for the first two quarters of 2003 compared to the same period in 2002 primarily due to net proceeds received on the repayment of the Jefferson Place subordinate note offset by the increased purchase of corporate equity securities in 2002. Net cash used in financing activities for the six months ended June 30, 2003 is consistent with the prior year and consists of dividend distributions and principal payments on bonds and mortgage notes payable.

The Company's short-term liquidity needs include the payment of operating expenses, current debt service requirements and dividend distributions to shareholders. The Company anticipates that its strong cash position and cash provided by operating and investing activities will be sufficient to meet its anticipated short-term liquidity requirements, including regular dividend distributions to shareholders and maintaining the condition of its properties. The Company currently does not anticipate entering into short-term and long-term debt arrangements for purposes of paying expenses and making dividend distributions. However, the Company has the authority to enter into such arrangements.

The following table sets forth information regarding dividend distributions to shareholders for the six months ended June 30, 2003 and cash distributions to BUC holders prior to the Merger during the periods shown:

		For the Six Months Ended June 30, 2003		For the Six Months Ended June 30, 2002
Dividends per share to shareholders/ Distributions per BUC	$	0.5000	$	0.5000

At June 30, 2003, the Company had debt obligations under twelve financing arrangements with an aggregate principal balance outstanding of approximately $82,500,000. Such debt obligations consisted of ten tax-exempt mortgage bonds with an aggregate principal balance outstanding of approximately $65,000,000 and two mortgage notes payable with a combined principal amount outstanding of approximately $17,500,000. Six of the debt obligations which total approximately $36,000,000 require monthly, semiannual or annual payments of principal and interest while six bonds with an aggregate principal amount of approximately $46,500,000 require only semiannual payments of interest. Maturity dates range from July 2004 to March 2022. Approximately 87% of the Company's financing arrangements are fixed-rate obligations bearing a weighted average interest rate of 5.65% per annum at June 30, 2003. The remaining 13% of the financing arrangements are variable-rate obligations that had a weighted average interest rate of 1.72% for the six months ended June 30, 2003. Each financing arrangement is a "non-recourse" obligation that is secured by a first mortgage or deed of trust on one or two of the Company's apartment complexes. Principal and interest payments on debt obligations are made solely from the net cash flow and/or net sale or refinancing proceeds of the mortgaged properties.

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. Shareholders 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. These factors include local and national economic conditions, the amount of new construction, interest rates on single-family home mortgages, government regulation, price inflation, the level of real estate and other taxes imposed on the properties, labor problems and natural disasters.

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-term borrowings used to fund expansion of the Company's real estate portfolio.

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 objectives are to limit the impact of interest rate changes on earnings and cash flows and to 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 swaps, in order to mitigate its interest rate risk on the fixed-rate borrowings. The Company does not enter into derivative instrument transactions for speculative purposes.

At June 30, 2003, approximately 87% of the Company's long-term borrowings consisted of fixed-rate financing. The remaining 13% consisted of variable-rate financing obtained through interest rate swap transactions. The Company had no short-term financing at June 30, 2003. 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 distribution to shareholders would decrease.

The tables below present information about the Company's financial instruments that are sensitive to changes in interest rates, including principal amounts and weighted average interest rates, by year of maturity for the Company's borrowings:

	Maturity	Principal Amount	Weighted Average Interest Rate
Fixed-Rate Borrowings			
	2003	$ 278,753	5.65%
	2004	747,404	5.65%
	2005	5,578,583	5.60%
	2006	672,818	5.48%
	2007	23,226,991	5.49%
	Thereafter	41,079,648	5.76%
		$ 71,584,197	

	Maturity	Principal Amount	Weighted Average Interest Rate
Variable-Rate Borrowings			
	2004	$ 10,910,000	1.72%

	Interest Rate Swaps			
	Maturity	Notional Amount	Pay Rate (1)	Receive Rate (1)
Fixed to Variable	2004	$ 10,910,000	1.72%	7.30%
	2004	$ 15,600,000	1.77%	7.30%
Variable to Fixed	2004	$ 15,600,000	4.50%	1.07%

(1) Weighted average for the six months ended June 30, 2003

The $15,600,000 variable to fixed swap was entered into after the $15,600,000 fixed to variable swap and effectively fixes the interest rate on $15,600,000 of bonds and mortgage notes payable at a fixed pay rate of 4.50% through 2004. The variable interest rate on the Company's $10,910,000 of borrowings was obtained using the fixed to variable rate swap, as noted above.

As the table above incorporates only those 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, the Company's risk mitigating strategies at that time and interest rates.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. The Company’s Principal Executive Officer and Chief Financial Officer 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 Chief 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 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 reorting.

Part II. Other Information

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual shareholders' meeting on May 21, 2003 for the purposes of electing two Class I directors and ratifying the appointment of KPMG LLP as its independent accountants for the fiscal year ending December 31, 2003.

A total of 5,073,905 shares of common stock were entitled to vote at the meeting and a total of 4,898,337 shares (96.54%) were represented at the meeting, in person or by proxy. The following sets forth the results of the voting at the annual meeting:

1. Election of Directors

Mr. Michael B. Yanney	For—4,862,079	Withheld— 30,258
Mr. Gregor Medinger	For—4,862,079	Withheld— 30,258

2. Ratification of the appointment of KPMG LLP as independent auditors for the year ending December 31, 2003

For—4,553,829 Against—9,600 Abstain—9,757

Further information regarding these matters is contained in the Company's Proxy Statement, dated April 7, 2003, relating to the annual meeting.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

2. Agreement and Plan of Merger, dated June 18, 2002, between the Company and America First Apartment Investors, L.P. (incorporated by reference to Exhibit 2.1 to Registration Statement on Form S-4 (Commission File No. 333-90690) filed by America First Apartment Investors, Inc. on June 18, 2002).

3.1 Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-4 (Commission File No. 333-90690) filed by America First Apartment Investors, Inc. on June 18, 2002).

3.2 Bylaws of the Company (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to Registration Statement on Form S-4 (Commission File No. 333-90690) filed by Company on August 1, 2002).

4.1 Form of Common Stock Certificate of the Company (incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-4 (Commission File No. 333-90690) filed by the Company on June 18, 2002).

10.1 Advisory Agreement, dated June 18, 2002, by and between the Company and America First Apartment Advisory Corporation (incorporated by reference to Exhibit 10.1 to Registration Statement on Form S-4 (Commission File No. 333-90690) filed by the Company on June 18, 2002).

10.2 2002 Stock Option Plan of the Company (incorporated by reference to Exhibit 10.2 to Registration Statement on Form S-4 (Commission File No. 333-90690) filed by the Company on June 18, 2002).

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

A report on Form 8-K was filed by the Company on May 12, 2003 under Item 9, reporting that the Company had issued a press release, dated May 12, 2003, announcing the Company's results of operations for the quarter ended March 31, 2003.

SIGNATURES

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

Dated: August 8, 2003 AMERICA FIRST APARTMENT INVESTORS, INC.

/s/ Lisa Y. Roskens
Lisa Y. Roskens
President and Chief Executive Officer