

COHEN & STEERS QUALITY INCOME REALTY FUND INC  
Form N-CSRS  
September 04, 2015

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-10481

Cohen & Steers Quality Income Realty Fund, Inc.  
(Exact name of registrant as specified in charter)

280 Park Avenue, New York, NY  
(Address of principal executive offices)

10017  
(Zip code)

Tina M. Payne

Cohen & Steers Capital Management, Inc.

280 Park Avenue

New York, New York 10017  
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 832-3232

Date of fiscal year end: December 31

Date of reporting period: June 30, 2015

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**Item 1. Reports to Stockholders.**

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**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

To Our Shareholders:

We would like to share with you our report for the six months ended June 30, 2015. The net asset value (NAV) at that date was \$12.34 per common share. The Fund's common stock is traded on the New York Stock Exchange (NYSE) and its share price can differ from its NAV; at period end, the Fund's closing price on the NYSE was \$10.69.

The total returns, including income, for the Fund and its comparative benchmarks were:

	Six Months Ended June 30, 2015
Cohen & Steers Quality Income Realty Fund at NAV <sup>a</sup>	5.13%
Cohen & Steers Quality Income Realty Fund at Market Value <sup>a</sup>	8.64%
FTSE NAREIT Equity REIT Index <sup>b</sup>	5.67%
Blended Benchmark 80% FTSE NAREIT Equity REIT Index/ 20% BofA Merrill Lynch REIT Preferred Securities Index <sup>b</sup>	4.15%
S&P 500 Index <sup>b</sup>	1.23%

*The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance results reflect the effects of leverage, resulting from borrowings under a credit agreement. Current total returns of the Fund can be obtained by visiting our website at [cohenandsteers.com](http://cohenandsteers.com). The Fund's returns assume the reinvestment of all dividends and distributions at prices obtained under the Fund's dividend reinvestment plan. Index performance does not reflect the deduction of any fees, taxes or expenses. An investor cannot invest directly in an index. Performance figures for periods shorter than one year are not annualized.*

#### Managed Distribution Policy

Cohen & Steers Quality Income Realty Fund, Inc. (the Fund), acting in accordance with an exemptive order received from the Securities and Exchange Commission and with approval of its Board of Directors (the Board), adopted a managed distribution policy under which the Fund intends to include long-term capital gains, where applicable, as part of the regular quarterly cash distributions to its shareholders (the Plan). The Plan will give the Fund greater flexibility to realize long-term capital gains

<sup>a</sup> As a closed-end investment company, the price of the Fund's NYSE-traded shares will be set by market forces and can deviate from the NAV per share of the Fund.

<sup>b</sup> The FTSE NAREIT Equity REIT Index is an unmanaged, market-capitalization-weighted index of all publicly traded REITs that invest predominantly in the equity ownership of real estate. The index is designed to reflect the performance of all publicly traded equity REITs as a whole. The BofA Merrill Lynch REIT Preferred Securities Index is a subset of the BofA Merrill Lynch Fixed-Rate Preferred Securities Index including all real estate investment trust issued preferred securities. The S&P 500 Index is an unmanaged index of 500 large-capitalization stocks that is frequently used as a general measure of U.S. stock market performance.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

and to distribute those gains on a regular quarterly basis. In accordance with the Plan, the Fund currently distributes \$0.24 per share on a quarterly basis.

The Fund may pay distributions in excess of the Fund's investment company taxable income and net realized gains. This excess would be a return of capital distributed from the Fund's assets. Distributions of capital decrease the Fund's total assets and, therefore, could have the effect of increasing the Fund's expense ratio. In addition, in order to make these distributions, the Fund may have to sell portfolio securities at a less than opportune time.

Shareholders should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the Fund's Plan. The Fund's total return based on net asset value is presented in the table above as well as in the Financial Highlights table.

The Plan provides that the Board may amend or terminate the Plan at any time without prior notice to Fund shareholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination. The termination of the Plan could have the effect of creating a trading discount (if the Fund's stock is trading at or above net asset value) or widening an existing trading discount.

**Market Review**

Following a strong start to the year, U.S. real estate investment trusts (REITs) fell back in the second quarter to post negative returns for the six-month period. The group came under pressure amid a difficult combination of mixed economic signals and rising bond yields. Gross domestic product (GDP) contracted at an annualized rate of 0.2% in the first quarter, a sharp contrast with the previous quarter's 2.2% growth. However, other aspects of the U.S. economy were relatively healthy, including job growth, housing activity, bank lending, and consumer confidence and spending.

Sovereign bond yields moved higher in response to generally improving global economic conditions. Better economic data in Europe and Japan helped lift bond yields off record lows reached earlier in the year, and U.S. bond yields rose in tandem, but also in anticipation of a possible Federal Reserve interest-rate hike in 2015. Although rate concerns often weigh on REIT returns in the short term, over longer periods REIT performance has been positively associated with rising rates, both of which tend to be propelled by stronger economic growth.

Returns were negative for most property types, despite continued strong fundamentals for U.S. commercial real estate, as reflected in earnings that generally met high expectations. Health care property REITs ( - 11.7% total return) were among the poorest performers in the quarter. The sector underperformed due to its perceived bond-like characteristics in a period of rising yields, even as health care REITs have been transitioning to more economically sensitive business models over the years.

The shopping center and regional mall sectors ( - 8.1% and - 6.2%, respectively) underperformed, even as tenants continued to exhibit strong interest in proven assets. Self storage companies (3.7%) were top performers, drawing support from strong earnings, with year-over-year rental growth running as high as 10%. Apartment landlords (0.8%) also outperformed with a gain, amid sustained household formation that has kept demand ahead of supply. Even apartments in markets vulnerable to lower oil prices, such as Houston, have so far shown a fair degree of resilience.



## **COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

Despite heightened volatility, the REIT market continued to see mergers and acquisitions, including the sale of apartment owner Associated Estates to Brookfield Asset Management, and Blackstone's acquisition of shopping center REIT Excel Trust, both at double-digit premiums to the prevailing share prices. Also of note, Equinix, a data center REIT, announced a \$3.6 billion takeover of the U.K.'s Telecity Group. In the office sector ( -5.3%), SL Green Realty said that it would purchase a New York City tower for \$2.6 billion, in one of New York's largest-ever property deals.

### *REIT Preferred Securities Advanced*

Preferred securities issued by commercial real estate companies had a total return of 1.9% in the period as measured by the BofA Merrill Lynch REIT Preferred Securities Index. Good and improving real estate fundamentals continued to enhance REITs' financial profiles, while favorable technical factors low new supply of REIT preferreds combined with steady demand also supported the group's performance.

### Fund Performance

The Fund had a negative total return for the period and underperformed its blended benchmark on a NAV and market price basis. Stock selection in the office sector detracted from relative return, as it did in the industrial ( -11.3% total return in the index) and shopping center sectors. Our overweight and stock selection in the apartment sector helped relative performance. Our underweight and stock selection in health care REITs also contributed to relative performance. Security selection among REIT preferred securities was favorable, although the effect was countered by our underweight in REIT preferreds compared with the blended benchmark.

### *Impact of Derivatives on Fund Performance*

The Fund engaged in the buying and selling of single stock options with the intention of enhancing total returns and reducing overall volatility. These contracts did not have a material effect on the Fund's total return during the six-month period ended June 30, 2015.

### *Impact of Leverage on Fund Performance*

The Fund employs leverage as part of a yield-enhancement strategy. Leverage, which can increase total return in rising markets (just as it can have the opposite effect in declining markets), significantly detracted from the Fund's performance for the six-month period ended June 30, 2015.

### Investment Outlook

We expect U.S. economic activity to accelerate after a slow start to the year, with GDP expanding nearly 2.5% in 2015. Continued employment and wage growth should support further strength in consumer confidence, in our view, and we expect to see a more-pronounced benefit from lower gasoline prices in the coming months. These potentially favorable demand trends should be met with continued low levels of new supply in most sectors.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

Based on our view of a resumed expansion in the U.S. economy, we believe commercial real estate fundamentals will continue to strengthen, driving further increases in cash flows, net asset values and dividend distributions. This top-down perspective has led us to prefer cyclically sensitive short-lease sectors. However, our bottom-up analysis has also identified companies offering compelling relative value in traditionally noncyclical sectors. We believe that one area of potential opportunity at present is health care, where certain stocks are trading at discounts to underlying property values for the first time in years.

Sincerely,

ROBERT H. STEERS  
*Chairman*

JOSEPH M. HARVEY  
*Portfolio Manager*

WILLIAM F. SCAPELL  
*Portfolio Manager*

THOMAS N. BOHJALIAN  
*Portfolio Manager*

JASON YABLON

*Portfolio Manager*



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

*The views and opinions in the preceding commentary are subject to change without notice and are as of the date of the report. There is no guarantee that any market forecast set forth in the commentary will be realized. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.*

Visit Cohen & Steers online at [cohenandsteers.com](http://cohenandsteers.com)

For more information about the Cohen & Steers family of mutual funds, visit [cohenandsteers.com](http://cohenandsteers.com). Here you will find fund net asset values, fund fact sheets and portfolio highlights, as well as educational resources and timely market updates.

Our website also provides comprehensive information about Cohen & Steers, including our most recent press releases, profiles of our senior investment professionals and their investment approach to each asset class. The Cohen & Steers family of mutual funds invests in major real asset categories including real estate, infrastructure, commodities and natural resource equities, as well as preferred securities and other income solutions.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**Our Leverage Strategy  
(Unaudited)

Our current leverage strategy utilizes borrowings up to the maximum permitted by the Investment Company Act of 1940 to provide additional capital for the Fund, with an objective of increasing the net income available for shareholders. As of June 30, 2015, leverage represented 25% of the Fund's managed assets.

Through a combination of variable and fixed rate financing, the Fund has locked in interest rates on a significant portion of this additional capital for periods expiring in 2017, 2018 and 2019<sup>c</sup> (where we effectively reduce our variable rate obligation and lock in our fixed rate obligation over various terms). Locking in a significant portion of our leveraging costs is designed to protect the dividend-paying ability of the Fund. The use of leverage increases the volatility of the Fund's net asset value in both up and down markets. However, we believe that locking in portions of the Fund's leveraging costs for the various terms partially protects the Fund's expenses from an increase in short-term interest rates.

Leverage Facts<sup>a,b</sup>

Leverage (as a % of managed assets)	25%
% Fixed Rate	85%
% Variable Rate	15%
Weighted Average Rate on Financing	1.9% <sup>c</sup>
Weighted Average Term on Financing	3.2 years <sup>c</sup>

The Fund seeks to enhance its dividend yield through leverage. The use of leverage is a speculative technique and there are special risks and costs associated with leverage. The net asset value of the Fund's shares may be reduced by the issuance and ongoing costs of leverage. So long as the Fund is able to invest in securities that produce an investment yield that is greater than the total cost of leverage, the leverage strategy will produce higher current net investment income for shareholders. On the other hand, to the extent that the total cost of leverage exceeds the incremental income gained from employing such leverage, shareholders would realize lower net investment income. In addition to the impact on net income, the use of leverage will have an effect of magnifying capital appreciation or depreciation for shareholders. Specifically, in an up market, leverage will typically generate greater capital appreciation than if the Fund were not employing leverage. Conversely, in down markets, the use of leverage will generally result in greater capital depreciation than if the Fund had been unlevered. To the extent that the Fund is required or elects to reduce its leverage, the Fund may need to liquidate investments, including under adverse economic conditions which may result in capital losses potentially reducing returns to shareholders. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed.

<sup>a</sup> Data as of June 30, 2015. Information is subject to change.

<sup>b</sup> See Note 7 in Notes to Financial Statements.

<sup>c</sup> On February 24, 2015, the Fund amended its credit agreement to extend the fixed rate financing terms by three years expiring in 2020, 2021 and 2022. If the amendment was reflected, the weighted average term on financing would be 5.7 years and the weighted average rate on financing will increase as the extended fixed-rate tranches become effective.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

June 30, 2015

Top Ten Holdings<sup>a</sup>  
(Unaudited)

Security	Value	% of Managed Assets
Simon Property Group	\$115,431,850	6.4
Equity Residential	98,995,204	5.5
Vornado Realty Trust	62,514,633	3.5
SL Green Realty Corp.	58,934,886	3.3
UDR	55,369,204	3.1
Host Hotels & Resorts	46,577,160	2.6
Ventas	45,431,812	2.5
Essex Property Trust	42,369,100	2.3
Extra Space Storage	39,281,419	2.2
General Growth Properties	39,172,915	2.2

<sup>a</sup> Top ten holdings are determined on the basis of the value of individual securities held. The Fund may also hold positions in other types of securities issued by the companies listed above. See the Schedule of Investments for additional details on such other positions.

Sector Breakdown

(Based on Managed Assets)  
(Unaudited)



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS

June 30, 2015 (Unaudited)

		Number of Shares	Value
<b>COMMON STOCK</b>			
REAL ESTATE	107.1%		
DIVERSIFIED	7.0%		
American Assets Trust <sup>a,b</sup>		387,981	\$ 15,212,735
BGP Holdings PLC (Australia) (EUR) <sup>c,d,e</sup>		3,927,678	0
Gramercy Property Trust		717,958	16,778,678
Vornado Realty Trust <sup>a,b</sup>		658,534	62,514,633
			94,506,046
<b>HEALTH CARE</b>	<b>10.7%</b>		
Health Care REIT <sup>a</sup>		561,221	36,832,934
Healthcare Trust of America, Class A		944,650	22,624,368
Omega Healthcare Investors		874,743	30,029,927
Physicians Realty Trust		617,890	9,490,790
Ventas <sup>a,b</sup>		731,709	45,431,812
			144,409,831
<b>HOTEL</b>	<b>8.1%</b>		
Extended Stay America <sup>a,b</sup>		816,698	15,329,422
Host Hotels & Resorts <sup>a,b</sup>		2,348,823	46,577,160
Strategic Hotels & Resorts <sup>a,e</sup>		1,491,784	18,080,422
Sunstone Hotel Investors		1,916,269	28,763,198
			108,750,202
<b>INDUSTRIALS</b>	<b>4.4%</b>		
Prologis <sup>a,b</sup>		490,520	18,198,292
QTS Realty Trust, Class A		470,387	17,145,606
STAG Industrial		1,172,542	23,450,840
			58,794,738
<b>OFFICE</b>	<b>17.0%</b>		
BioMed Realty Trust <sup>a</sup>		1,654,486	31,997,759
Boston Properties <sup>a,b</sup>		192,744	23,329,734
Brandywine Realty Trust <sup>a</sup>		1,066,603	14,164,488
Douglas Emmett <sup>a,b</sup>		828,297	22,314,321
Empire State Realty Trust, Class A <sup>a,b</sup>		667,962	11,395,432
Kilroy Realty Corp.		514,830	34,570,834
Liberty Property Trust <sup>a,b</sup>		1,002,327	32,294,976
SL Green Realty Corp. <sup>a,b</sup>		536,308	58,934,886
			229,002,430

See accompanying notes to financial statements.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
<b>RESIDENTIAL</b>	<b>21.7%</b>		
<b>APARTMENT</b>	<b>19.5%</b>		
American Homes 4 Rent, Class A <sup>a,b</sup>		1,394,435	\$ 22,366,737
Apartment Investment & Management Co. <sup>a,b</sup>		591,704	21,851,629
AvalonBay Communities <sup>a,b</sup>		136,572	21,833,766
Equity Residential <sup>a,b</sup>		1,410,791	98,995,204
Essex Property Trust <sup>a,b</sup>		199,384	42,369,100
UDR <sup>a,b</sup>		1,728,667	55,369,204
			262,785,640
<b>MANUFACTURED HOME</b>	<b>2.2%</b>		
Sun Communities		474,661	29,348,290
<b>TOTAL RESIDENTIAL</b>			292,133,930
<b>SELF STORAGE</b>	<b>9.2%</b>		
CubeSmart <sup>a,b</sup>		838,238	19,413,592
Extra Space Storage <sup>a</sup>		602,291	39,281,419
Public Storage <sup>a,b</sup>		203,604	37,538,470
Sovran Self Storage		319,558	27,772,786
			124,006,267
<b>SHOPPING CENTERS</b>	<b>25.2%</b>		
<b>COMMUNITY CENTER</b>	<b>8.6%</b>		
Brixmor Property Group <sup>a</sup>		798,625	18,472,196
DDR Corp.		1,902,879	29,418,509
Kimco Realty Corp. <sup>a,b</sup>		701,550	15,812,937
Ramco-Gershenson Properties Trust		1,276,543	20,833,182
Regency Centers Corp. <sup>a,b</sup>		515,720	30,417,166
			114,953,990
<b>FREE STANDING</b>	<b>1.9%</b>		
Spirit Realty Capital		2,694,158	26,052,508
<b>REGIONAL MALL</b>	<b>14.7%</b>		
General Growth Properties <sup>a,b</sup>		1,526,614	39,172,915
Macerich Co. (The) <sup>a,b</sup>		376,410	28,080,186
Pennsylvania REIT		703,220	15,006,715
Simon Property Group <sup>a,b</sup>		667,159	115,431,850
			197,691,666
<b>TOTAL SHOPPING CENTERS</b>			338,698,164

See accompanying notes to financial statements.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
<b>SPECIALTY</b>	<b>3.8%</b>		
CyrusOne <sup>a,b</sup>		678,634	\$ 19,985,771
Equinix		123,785	31,441,390
			51,427,161
<b>TOTAL COMMON STOCK</b>			
(Identified cost \$1,067,805,615)			1,441,728,769
<b>PREFERRED SECURITIES \$25 PAR VALUE</b>	<b>18.5%</b>		
<b>BANKS FOREIGN</b>	<b>0.7%</b>		
Barclays Bank PLC, 8.125%, Series V (United Kingdom) <sup>a</sup>		360,000	9,360,000
<b>INDUSTRIALS</b>	<b>0.2%</b>		
CHS, 6.75%		107,931	2,743,606
<b>INSURANCE MULTI-LINE FOREIGN</b>	<b>0.8%</b>		
ING Groep N.V., 7.05% (Netherlands) <sup>a</sup>		205,000	5,291,050
ING Groep N.V., 7.375% (Netherlands)		210,504	5,258,390
			10,549,440
<b>REAL ESTATE</b>	<b>16.8%</b>		
<b>DIVERSIFIED</b>	<b>5.3%</b>		
Colony Capital, 7.125%		131,850	3,066,831
Colony Financial, 8.50%, Series A <sup>a</sup>		364,975	9,438,254
DuPont Fabros Technology, 7.875%, Series A <sup>a</sup>		200,000	5,066,000
DuPont Fabros Technology, 7.625%, Series B <sup>a</sup>		280,000	7,148,400
EPR Properties, 9.00%, Series E (Convertible) <sup>a</sup>		251,000	8,157,500
Lexington Realty Trust, 6.50%, Series C (\$50 Par Value) <sup>a</sup>		76,395	3,646,333
National Retail Properties, 6.625%, Series D		100,000	2,570,000
National Retail Properties, 5.70%, Series E		175,615	4,253,395
NorthStar Realty Finance Corp., 8.50%, Series D		158,522	3,950,368
NorthStar Realty Finance Corp., 8.75%, Series E		113,750	2,867,638

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PS Business Parks, 5.75%, Series U	118,050	2,803,688
PS Business Parks, 5.70%, Series V	120,000	2,835,600
Urstadt Biddle Properties, 7.125%, Series F	106,600	2,799,316
Vornado Realty Trust, 6.625%, Series I	172,420	4,336,363
Vornado Realty Trust, 5.70%, Series K	136,024	3,231,930

See accompanying notes to financial statements.

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**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
Wells Fargo Real Estate Investment Corp., 6.375%, Series A		207,537	\$ 5,308,796
			71,480,412
<b>HEALTH CARE</b>	<b>0.2%</b>		
Health Care REIT, 6.50%, Series J		92,700	2,356,434
<b>HOTEL</b>	<b>2.9%</b>		
Ashford Hospitality Trust, 9.00%, Series E <sup>a</sup>		405,000	10,663,650
Chesapeake Lodging Trust, 7.75%, Series A <sup>a</sup>		200,000	5,350,000
Hersha Hospitality Trust, 8.00%, Series B <sup>a</sup>		150,000	3,869,250
Hospitality Properties Trust, 7.125%, Series D		173,725	4,438,674
Pebblebrook Hotel Trust, 7.875%, Series A <sup>a</sup>		220,000	5,634,200
Pebblebrook Hotel Trust, 6.50%, Series C		160,000	4,057,600
Sunstone Hotel Investors, 8.00%, Series D <sup>a</sup>		180,000	4,734,000
			38,747,374
<b>INDUSTRIALS</b>	<b>0.8%</b>		
First Potomac Realty Trust, 7.75%, Series A <sup>a</sup>		130,000	3,328,000
Monmouth Real Estate Investment Corp., 7.625%, Series A <sup>c</sup>		200,000	5,100,000
Monmouth Real Estate Investment Corp., 7.875%, Series B		80,000	2,088,000
			10,516,000
<b>OFFICE</b>	<b>1.6%</b>		
American Realty Capital Properties, 6.70%, Series F <sup>a,b</sup>		621,453	14,921,086
Corporate Office Properties Trust, 7.375%, Series L <sup>a</sup>		160,000	4,208,000
Hudson Pacific Properties, 8.375%, Series B		90,000	2,313,000
			21,442,086
<b>RESIDENTIAL</b>	<b>1.7%</b>		

APARTMENT	1.0%		
Alexandria Real Estate Equities, 7.00%, Series D <sup>a</sup>		301,256	8,515,182
Apartment Investment & Management Co., 6.875% <sup>a</sup>		204,000	5,577,360
			14,092,542

See accompanying notes to financial statements.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
<b>MANUFACTURED HOME</b>	<b>0.7%</b>		
Campus Crest Communities, 8.00%, Series A <sup>a</sup>		230,797	\$ 5,712,226
Equity Lifestyle Properties, 6.75%, Series C		115,994	3,004,244
			8,716,470
<b>TOTAL RESIDENTIAL</b>			<b>22,809,012</b>
<b>SHOPPING CENTERS</b>	<b>3.4%</b>		
<b>COMMUNITY CENTER</b>	<b>1.7%</b>		
Cedar Realty Trust, 7.25%, Series B <sup>a</sup>		190,000	4,845,000
DDR Corp., 6.50%, Series J <sup>a</sup>		379,200	9,652,536
Kite Realty Group Trust, 8.25%, Series A		140,000	3,595,060
Regency Centers Corp., 6.625%, Series 6		195,558	4,996,507
			23,089,103
<b>REGIONAL MALL</b>	<b>1.7%</b>		
CBL & Associates Properties, 7.375%, Series D <sup>a</sup>		546,988	13,745,808
General Growth Properties, 6.375%, Series A		120,644	3,053,500
Pennsylvania REIT, 8.25%, Series A		159,000	4,226,220
Taubman Centers, 6.25%, Series K		78,767	2,003,045
			23,028,573
<b>TOTAL SHOPPING CENTERS</b>			<b>46,117,676</b>
<b>SPECIALTY</b>	<b>0.9%</b>		
Digital Realty Trust, 7.00%, Series E		207,000	5,290,920
Digital Realty Trust, 7.375%, Series H		200,000	5,386,000
TravelCenters of America LLC, 8.00%, due 12/15/29		89,675	2,349,485
			13,026,405
<b>TOTAL REAL ESTATE</b>			<b>226,495,399</b>
<b>TOTAL PREFERRED SECURITIES \$25 PAR VALUE</b>			
(Identified cost \$231,627,486)			249,148,445
<b>PREFERRED SECURITIES CAPITAL</b>	<b>6.4%</b>		

SECURITIES

BANKS	0.8%		
Ally Financial, 7.00%, Series G, 144A <sup>f</sup>		1,501	1,524,219
Farm Credit Bank of Texas, 10.00%, Series I <sup>a</sup>		6,000	7,456,875
Huntington Bancshares, 8.50%, Series A (Convertible)		1,077	1,443,180
			10,424,274

See accompanying notes to financial statements.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
<b>BANKS FOREIGN</b>	<b>3.6%</b>		
Banco Bilbao Vizcaya Argentaria SA, 9.00% (Spain)		4,400,000	\$ 4,741,000
Barclays PLC, 8.00% (United Kingdom) (EUR)		2,150,000	2,552,727
Barclays PLC, 8.25% (United Kingdom) <sup>a</sup>		4,001,000	4,232,898
Credit Agricole SA, 7.875%, 144A (France) <sup>f</sup>		2,332,000	2,404,625
Credit Suisse Group AG, 7.50%, 144A (Switzerland) <sup>f</sup>		2,291,000	2,392,391
Deutsche Bank AG, 7.50% (Germany)		4,000,000	3,995,000
Dresdner Funding Trust I, 8.151%, due 6/30/31, 144A (Germany) <sup>a,f</sup>		4,000,000	5,005,000
HBOS Capital Funding LP, 6.85% (United Kingdom)		5,200,000	5,320,453
Lloyds Banking Group PLC, 7.50% (United Kingdom)		4,000,000	4,130,000
Royal Bank of Scotland Group PLC, 7.648% (United Kingdom)		6,500,000	8,125,000
UBS Group AG, 7.00% (Switzerland)		2,800,000	2,849,000
UBS Group AG, 7.125% (Switzerland)		2,400,000	2,502,840
			48,250,934
<b>FINANCE DIVERSIFIED FINANCIAL SERVICES</b>	<b>0.3%</b>		
General Electric Capital Corp., 7.125%, Series A		4,000,000	4,620,000
<b>INSURANCE LIFE/HEALTH</b>	<b>1.0%</b>		
<b>INSURANCE FOREIGN</b>	<b>0.4%</b>		
La Mondiale Vie, 7.625% (France)		4,750,000	5,158,804
<b>PROPERTY CASUALTY</b>	<b>0.3%</b>		
Liberty Mutual Group, 7.80%, due 3/15/37, 144A <sup>a,f</sup>		3,525,000	4,185,937
<b>PROPERTY CASUALTY FOREIGN</b>	<b>0.3%</b>		

QBE Insurance Group Ltd., 6.75%, due 12/2/44 (Australia)	4,052,000	4,274,860
TOTAL INSURANCE		13,619,601
TELECOMMUNICATION 0.3%		
Qualitytech LP/QTS Finance Corp., 5.875%, due 8/1/22	3,998,000	4,032,983
UTILITIES 0.4%		
Enel SpA, 8.75%, due 9/24/73, 144A (Italy) <sup>f</sup>	4,250,000	4,892,812
TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost \$76,335,736)		85,840,604

See accompanying notes to financial statements.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Principal Amount	Value
<b>CORPORATE BONDS REAL ESTATE SHOPPING CENTERS</b>	0.2%		
General Shopping Finance Ltd., 10.00%, 144A (Cayman Islands) <sup>c,f</sup>		\$4,157,000	\$ 3,294,422
<b>TOTAL CORPORATE BONDS</b>			3,294,422
(Identified cost \$4,157,000)			
		Number of Shares	
<b>SHORT-TERM INVESTMENTS</b>	0.5%		
<b>MONEY MARKET FUNDS</b>			
State Street Institutional Treasury Money Market Fund, 0.00% <sup>g</sup>		7,300,000	7,300,000
<b>TOTAL SHORT-TERM INVESTMENTS</b>			7,300,000
(Identified cost \$7,300,000)			
<b>TOTAL INVESTMENTS</b>			
(Identified cost \$1,387,225,837)	132.7%		1,787,312,240
<b>LIABILITIES IN EXCESS OF OTHER ASSETS</b>	(32.7)		(440,749,949)
<b>NET ASSETS (Equivalent to \$12.34 per share based on 109,161,402 shares of common stock outstanding)</b>	100.0%		\$1,346,562,291

See accompanying notes to financial statements.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

Glossary of Portfolio Abbreviations

EUR Euro Currency

REIT Real Estate Investment Trust

Note: Percentages indicated are based on the net assets of the Fund.

<sup>a</sup> All or a portion of the security is pledged as collateral in connection with the Fund's credit agreement. \$923,916,736 in aggregate has been pledged as collateral.

<sup>b</sup> A portion of the security has been rehypothecated in connection with the Fund's credit agreement. \$390,591,652 in aggregate has been rehypothecated.

<sup>c</sup> Illiquid security. Aggregate holdings equal 0.6% of the net assets of the Fund.

<sup>d</sup> Fair valued security. This security has been valued at its fair value as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors. Aggregate fair valued securities represent 0.0% of the net assets of the Fund.

<sup>e</sup> Non-income producing security.

<sup>f</sup> Resale is restricted to qualified institutional investors. Aggregate holdings equal 1.8% of the net assets of the Fund, of which 0.2% are illiquid.

<sup>g</sup> Rate quoted represents the annualized seven-day yield of the Fund.

See accompanying notes to financial statements.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## STATEMENT OF ASSETS AND LIABILITIES

June 30, 2015 (Unaudited)

**ASSETS:**

Investments in securities, at value (Identified cost \$1,387,225,837)	\$1,787,312,240
Cash	7,477,150
Receivable for:	
Investment securities sold	23,592,034
Dividends and interest	8,869,767
Other assets	203,695
<b>Total Assets</b>	<b>1,827,454,886</b>

**LIABILITIES:**

Payable for:	
Credit agreement	460,000,000
Investment securities purchased	17,942,647
Dividends declared	1,430,088
Investment management fees	1,306,164
Interest expense	47,328
Administration fees	30,733
Directors' fees	293
Other liabilities	135,342
<b>Total Liabilities</b>	<b>480,892,595</b>
<b>NET ASSETS</b>	<b>\$1,346,562,291</b>

**NET ASSETS consist of:**

Paid-in capital	\$ 928,418,295
Dividends in excess of net investment income	(32,928,924)
Accumulated undistributed net realized gain	50,986,609
Net unrealized appreciation	400,086,311
	<b>\$1,346,562,291</b>

**NET ASSET VALUE PER SHARE:**

(\$1,346,562,291 ÷ 109,161,402 shares outstanding)	\$ 12.34
<b>MARKET PRICE PER SHARE</b>	<b>\$ 10.69</b>

**MARKET PRICE DISCOUNT TO NET ASSET VALUE  
PER SHARE**

(13.37)%

See accompanying notes to financial statements.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 2015 (Unaudited)

Investment Income:	
Dividend income	\$ 26,342,665
Interest income	2,813,220
Rehypothecation income	47,451
Total Investment Income	29,203,336
Expenses:	
Investment management fees	8,309,672
Interest expense	4,280,169
Administration fees	319,282
Shareholder reporting expenses	181,439
Custodian fees and expenses	86,020
Line of credit fees	66,417
Professional fees	46,225
Directors' fees and expenses	45,673
Transfer agent fees and expenses	11,193
Registration and filing fees	4,557
Miscellaneous	84,218
Total Expenses	13,434,865
Net Investment Income	15,768,471
Net Realized and Unrealized Gain (Loss):	
Net realized gain (loss) on:	
Investments	61,339,273
Written option contracts	(1,932,326)
Foreign currency transactions	(1,595)
Net realized gain	59,405,352
Net change in unrealized appreciation (depreciation) on:	
Investments	(155,088,448)
Written option contracts	156,246
Foreign currency translations	37
Net change in unrealized appreciation (depreciation)	(154,932,165)
Net realized and unrealized loss	(95,526,813)
Net Decrease in Net Assets Resulting from Operations	\$ (79,758,342)

See accompanying notes to financial statements.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

	For the Six Months Ended June 30, 2015	For the Year Ended December 31, 2014
Change in Net Assets:		
From Operations:		
Net investment income	\$ 15,768,471	\$ 33,584,256
Net realized gain	59,405,352	133,519,840
Net change in unrealized appreciation (depreciation)	(154,932,165)	246,949,252
Net increase (decrease) in net assets resulting from operations	(79,758,342)	414,053,348
Dividends and Distributions from:		
Net investment income	(52,513,854)	(32,645,054)
Net realized gain		(50,686,150)
Total dividends and distributions to shareholders	(52,513,854)	(83,331,204)
Capital Stock Transactions:		
Decrease in net assets from Fund share transactions	(5,946,294)	
Total increase (decrease) in net assets	(138,218,490)	330,722,144
Net Assets:		
Beginning of period	1,484,780,781	1,154,058,637
End of period <sup>a</sup>	\$ 1,346,562,291	\$ 1,484,780,781

<sup>a</sup> Includes dividends in excess of net investment income and accumulated undistributed net investment income of \$32,928,924 and \$3,816,459, respectively.

See accompanying notes to financial statements.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2015 (Unaudited)

Increase in Cash:	
Cash Flows from Operating Activities:	
Net decrease in net assets resulting from operations	\$ (79,758,342)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Purchases of long-term investments	(324,019,978)
Net purchases, sales and maturities of short-term investments	(2,900,000)
Net amortization of premium	79,456
Proceeds from sales and maturities of long-term investments	377,099,251
Net decrease in dividends and interest receivable and other assets	817,950
Net decrease in interest expense payable, accrued expenses and other liabilities	(212,417)
Decrease in premiums received from written option contracts	(3,744,900)
Net change in unrealized appreciation on written option contracts	(156,246)
Net change in unrealized depreciation on investments	155,088,448
Net realized gain on investments	(61,339,273)
Cash provided by operating activities	60,953,949
Cash Flows from Financing Activities:	
Decrease in net assets from Fund share transactions	(5,946,294)
Dividends and distributions paid	(52,330,323)
Cash used for financing activities	(58,276,617)
Increase in cash	2,677,332
Cash at beginning of period	4,799,818
Cash at end of period	\$ 7,477,150
Supplemental Disclosure of Cash Flow Information:	

During the six months ended June 30, 2015, interest paid was \$4,280,107.

See accompanying notes to financial statements.





**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## FINANCIAL HIGHLIGHTS (Unaudited)

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements. It should be read in conjunction with the financial statements and notes thereto.

Per Share Operating Performance:	For the Six Months Ended	For the Year Ended December 31,				
	June 30, 2015	2014	2013	2012	2011	2010
Net asset value, beginning of period	\$ 13.54	\$ 10.53	\$ 10.91	\$ 9.47	\$ 9.56	\$ 7.44
Income (loss) from investment operations:						
Net investment income	0.14 <sup>a</sup>	0.31 <sup>a</sup>	0.25 <sup>a</sup>	0.28 <sup>a</sup>	0.65	0.41
Net realized and unrealized gain (loss)	(0.87)	3.46	0.08 <sup>b</sup>	1.88	(0.02)	2.25
Total from investment operations	(0.73)	3.77	0.33	2.16	0.63	2.66
Less dividends and distributions to shareholders from:						
Net investment income	(0.48)	(0.30)	(0.26)	(0.21)	(0.65)	(0.39)
Net realized gain		(0.46)	(0.46)	(0.51)	(0.07)	(0.16)
Total dividends and distributions to shareholders	(0.48)	(0.76)	(0.72)	(0.72)	(0.72)	(0.55)
Anti-dilutive effect from the issuance			0.00 <sup>c</sup>	0.00 <sup>c</sup>		

of reinvested shares						
Anti-dilutive effect from the repurchase of shares	0.01		0.01			0.01
Net increase (decrease) in net asset value	(1.20)	3.01	(0.38)	1.44	(0.09)	2.12
Net asset value, end of period	\$ 12.34	\$ 13.54	\$ 10.53	\$ 10.91	\$ 9.47	\$ 9.56
Market value, end of period	\$ 10.69	\$ 12.19	\$ 9.48	\$ 10.16	\$ 8.47	\$ 8.65
Total net asset value return <sup>d</sup>	5.13% <sup>f</sup>	37.57%	3.31%	23.32%	7.31%	37.80%
Total market value return <sup>d</sup>	8.64%	37.57%	0.13%	28.40%	6.07%	52.82%

See accompanying notes to financial statements.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## FINANCIAL HIGHLIGHTS (Unaudited) (Continued)

	For the Six Months Ended	For the Year Ended December 31,				
Ratios/Supplemental Data:	June 30, 2015	2014	2013	2012	2011	2010
Net assets, end of period (in millions)	\$ 1,346.6	\$1,484.8	\$1,154.1	\$1,200.8	\$1,042.1	\$1,051.8
Ratio of expenses to average daily net assets (before expense reduction)	1.79% <sup>g</sup>	1.89%	2.00%	1.80%	1.90%	2.10%
Ratio of expenses to average daily net assets (net of expense reduction)	1.79% <sup>g</sup>	1.89%	2.00%	1.80%	1.87%	1.98%
Ratio of expenses to average daily net assets (net of expense reduction and excluding interest expense)	1.22% <sup>g</sup>	1.25%	1.31%	1.30%	1.32%	1.36%
Ratio of net investment income to	2.10% <sup>g</sup>	2.50%	2.18%	2.65%	2.62%	2.87%

average daily net assets (before expense reduction)						
Ratio of net investment income to average daily net assets (net of expense reduction)	2.10% <sup>g</sup>	2.50%	2.18%	2.65%	2.65%	2.99%
Ratio of expenses to average daily managed assets (before expense reduction) <sup>h</sup>	1.37% <sup>g</sup>	1.41%	1.46%	1.29%	1.33%	1.43%
Ratio of expenses to average daily managed assets (net of expense reduction) <sup>h</sup>	1.37% <sup>g</sup>	1.41%	1.46%	1.29%	1.31%	1.35%
Portfolio turnover rate	17% <sup>e</sup>	48%	56%	55%	53%	77%

See accompanying notes to financial statements.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## FINANCIAL HIGHLIGHTS (Unaudited) (Continued)

	For the Six Months Ended		For the Year Ended December 31,			
Revolving Credit Agreement:	June 30, 2015	2014	2013	2012	2011	2010
Asset coverage ratio for revolving credit agreement	393%	423%	351%	361%	327%	329% <sup>i</sup>
Asset coverage per \$1,000 for revolving credit agreement	\$ 3,927	\$ 4,228	\$ 3,509	\$ 3,610	\$ 3,265	\$ 3,286

<sup>a</sup> Calculation based on average shares outstanding.

<sup>b</sup> Includes gains resulting from class action litigation payments on securities owned in prior years. Without these gains, the net realized and unrealized gains (losses) on investments per share would have been \$0.07 and the total return on an NAV basis would have been 3.25%.

<sup>c</sup> Amount is less than \$0.005.

<sup>d</sup> Total net asset value return measures the change in net asset value per share over the period indicated. Total market value return is computed based upon the Fund's NYSE market price per share and excludes the effects of brokerage commissions. Dividends and distributions are assumed, for purposes of these calculations, to be reinvested at prices obtained under the Fund's dividend reinvestment plan.

<sup>e</sup> Not annualized.

<sup>f</sup> The net asset value (NAV) disclosed in the June 30, 2015 semi-annual report reflects adjustments in accordance with accounting principles generally accepted in the United States of America and as such, differs from the NAV reported on June 30, 2015. The total return reported is based on the unadjusted NAV.

<sup>g</sup> Annualized.

<sup>h</sup> Average daily managed assets represent net assets plus the outstanding balance of the revolving credit agreement.

<sup>i</sup> For the period June 1, 2009 through June 10, 2010, the Fund utilized temporary relief from the Securities and Exchange Commission permitting the Fund to maintain 200% asset coverage.

See accompanying notes to financial statements.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Note 1. Organization and Significant Accounting Policies

Cohen & Steers Quality Income Realty Fund, Inc. (the Fund) was incorporated under the laws of the State of Maryland on August 22, 2001 and is registered under the Investment Company Act of 1940 (the 1940 Act) as a diversified, closed-end management investment company. The Fund's investment objective is high current income.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The Fund is an investment company and, accordingly, follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board Accounting Standards Codification Topic 946 Investment Companies. The accounting policies of the Fund are in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

*Portfolio Valuation:* Investments in securities that are listed on the NYSE are valued, except as indicated below, at the last sale price reflected at the close of the NYSE on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and ask prices on such day or, if no ask price is available, at the bid price. Exchange-traded options are valued at their last sale price as of the close of options trading on applicable exchanges on the valuation date. In the absence of a last sale price on such day, options are valued at the average of the quoted bid and ask prices as of the close of business. Over-the-counter options are valued based upon prices provided by the respective counterparty.

Securities not listed on the NYSE but listed on other domestic or foreign securities exchanges are valued in a similar manner. Securities traded on more than one securities exchange are valued at the last sale price reflected at the close of the exchange representing the principal market for such securities on the business day as of which such value is being determined. If after the close of a foreign market, but prior to the close of business on the day the securities are being valued, market conditions change significantly, certain non-U.S. equity holdings may be fair valued pursuant to procedures established by the Board of Directors.

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by Cohen & Steers Capital Management, Inc. (the investment manager) to be over-the-counter, are valued at the last sale price on the valuation date as reported by sources deemed appropriate by the Board of Directors to reflect their fair market value. If there has been no sale on such day, the securities are valued at the mean of the closing bid and ask prices on such day or, if no ask price is available, at the bid price. However, certain fixed-income securities may be valued on the basis of prices provided by a third-party pricing service or third-party broker-dealers when such prices are believed by the investment manager, pursuant to delegation by the Board of Directors, to reflect the fair market value of such securities. The pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not





**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

exist or is limited, the pricing services or broker-dealers also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining fair value and/or characteristics such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features which are used to calculate the fair values.

Short-term debt securities with a maturity date of 60 days or less are valued at amortized cost, which approximates fair value. Investments in open-end mutual funds are valued at their closing net asset value.

The policies and procedures approved by the Fund's Board of Directors delegate authority to make fair value determinations to the investment manager, subject to the oversight of the Board of Directors. The investment manager has established a valuation committee (Valuation Committee) to administer, implement and oversee the fair valuation process according to the policies and procedures approved annually by the Board of Directors. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers and other market sources to determine fair value.

Securities for which market prices are unavailable, or securities for which the investment manager determines that the bid and/or ask price or a counterparty valuation does not reflect market value, will be valued at fair value, as determined in good faith by the Valuation Committee, pursuant to procedures approved by the Fund's Board of Directors. Circumstances in which market prices may be unavailable include, but are not limited to, when trading in a security is suspended, the exchange on which the security is traded is subject to an unscheduled close or disruption or material events occur after the close of the exchange on which the security is principally traded. In these circumstances, the Fund determines fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors it deems appropriate. These may include, but are not limited to, recent transactions in comparable securities, information relating to the specific security and developments in the markets.

Foreign equity fair value pricing procedures utilized by the Fund may cause certain non-U.S. equity holdings to be fair valued on the basis of fair value factors provided by a pricing service to reflect any significant market movements between the time the Fund values such securities and the earlier closing of foreign markets.

The Fund's use of fair value pricing may cause the net asset value of Fund shares to differ from the net asset value that would be calculated using market quotations. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security may be materially different than the value that could be realized upon the sale of that security.

Fair value is defined as the price that the Fund would expect to receive upon the sale of an investment or expect to pay to transfer a liability in an orderly transaction with an independent buyer in the principal market or, in the absence of a principal market, the most advantageous market for the investment or liability. The hierarchy of inputs that are used in determining the fair value of the Fund's investments is summarized below.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfer at the end of the period in which the underlying event causing the movement occurred. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. There were no transfers between Level 1 and Level 2 securities as of June 30, 2015.

The following is a summary of the inputs used as of June 30, 2015 in valuing the Fund's investments carried at value:

	Total	Quoted Prices in Active Markets for Identical Investments (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Common Stock:</b>				
Real Estate Diversified	\$ 94,506,046	\$ 94,506,046	\$	\$ a
Real Estate Other Industries	1,347,222,723	1,347,222,723		
<b>Preferred Securities</b>				
<b>\$25 Par Value:</b>				
Residential Apartment	4,092,542	5,577,360	8,515,182	
Other Industries	235,055,903	235,055,903		
<b>Preferred Securities</b>				
<b>Capital Securities:</b>				
Banks	10,424,274	1,443,180	8,981,094	
Other Industries	75,416,330		75,416,330	
Corporate Bonds	3,294,422		3,294,422	
Short-Term Investments	7,300,000		7,300,000	
	\$1,787,312,240	\$1,683,805,212	\$103,507,028	\$

Total  
Investments<sup>b</sup>

<sup>a</sup> BGP Holdings PLC was acquired via a spinoff and has been fair valued, by the Valuation Committee, at zero pursuant to the Fund's fair value procedures and classified as a Level 3 security.

<sup>b</sup> Portfolio holdings are disclosed individually on the Schedule of Investments.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Following is a reconciliation of investments for which significant unobservable inputs (Level 3) were used in determining fair value:

	Preferred Securities Capital Securities Banks
Balance as of December 31, 2014	\$ 7,338,750
Change in unrealized appreciation (depreciation)	118,125
Transfers out of Level 3 <sup>a</sup>	(7,456,875)
Balance as of June 30, 2015	\$

<sup>a</sup> As of December 31, 2014, the Fund used significant unobservable inputs in determining the value of certain investments. As of June 30, 2015, the Fund used significant observable inputs in determining the value of the same investments.

*Security Transactions and Investment Income:* Security transactions are recorded on trade date. Realized gains and losses on investments sold are recorded on the basis of identified cost. Interest income is recorded on the accrual basis. Discounts are accreted and premiums are amortized over the life of the respective securities. Dividend income is recorded on the ex-dividend date, except for certain dividends on foreign securities, which are recorded as soon as the Fund is informed after the ex-dividend date. Distributions from Real Estate Investment Trusts (REITs) are recorded as ordinary income, net realized capital gain or return of capital based on information reported by the REITs and management's estimates of such amounts based on historical information. These estimates are adjusted when the actual source of distributions is disclosed by the REITs and actual amounts may differ from the estimated amounts.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is reasonably assured.

*Options:* The Fund may purchase and write exchange-listed and over-the-counter put or call options on securities, stock indices and other financial instruments to enhance portfolio returns and reduce overall volatility.

When the Fund writes (sells) an option, an amount equal to the premium received by the Fund is recorded on the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When an option expires, the Fund realizes a gain on the option to the extent of the premium received. Premiums received from writing options which are exercised or closed are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option on a security

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

is exercised, the premium reduces the cost basis of the security purchased by the Fund. If a call option is exercised, the premium is added to the proceeds of the security sold to determine the realized gain or loss. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the underlying index or security. Other risks include the possibility of an illiquid options market or the inability of the counterparties to fulfill their obligations under the contracts.

Put and call options purchased are accounted for in the same manner as portfolio securities. Premiums paid for purchasing options which expire are treated as realized losses. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain or loss when the underlying transaction is executed. The risk associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised. Additionally, the Fund bears the risk of loss of the premium and change in market value should the counterparty not perform under the contract.

At June 30, 2015, the Fund did not have any option contracts outstanding.

*Foreign Currency Translation:* The books and records of the Fund are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollars based upon prevailing exchange rates on the respective dates of such transactions. The Fund does not isolate that portion of the results of operations resulting from fluctuations in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency exchange contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, other than investments in securities, on the date of valuation, resulting from changes in exchange rates. Pursuant to U.S. federal income tax regulations, certain foreign currency gains/losses included in realized and unrealized gains/losses are included in or are a reduction of ordinary income for federal income tax purposes.

*Foreign Securities:* The Fund directly purchases securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible revaluation of currencies, the ability to repatriate funds, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than securities of comparable U.S. issuers.

*Dividends and Distributions to Shareholders:* Dividends from net investment income and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which may differ from GAAP. Dividends from net investment income, if any, are declared and paid quarterly. Net





**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

realized capital gains, unless offset by any available capital loss carryforward, are typically distributed to shareholders at least annually. Dividends and distributions to shareholders are recorded on the ex-dividend date and are automatically reinvested in full and fractional shares of the Fund in accordance with the Fund's Reinvestment Plan, unless the shareholder has elected to have them paid in cash.

The Fund has a managed distribution policy in accordance with exemptive relief issued by the Securities and Exchange Commission. This policy gives the Fund greater flexibility to realize long-term capital gains throughout the year and to distribute those gains on a more regular basis to shareholders. Therefore, regular quarterly distributions throughout the year may include a portion of estimated realized long-term capital gains, along with net investment income, short-term capital gains and return of capital, which is not taxable. In accordance with the relief, the Fund is required to adhere to certain conditions in order to distribute long-term capital gains during the year.

Dividends from net investment income are subject to recharacterization for tax purposes. Based upon the results of operations for the six months ended June 30, 2015, the investment manager considers it likely that a significant portion of the dividends will be reclassified to distributions from net realized gain upon the final determination of the Fund's taxable income after December 31, 2015, the Fund's fiscal year end.

*Income Taxes:* It is the policy of the Fund to continue to qualify as a regulated investment company, if such qualification is in the best interest of the shareholders, by complying with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies, and by distributing substantially all of its taxable earnings to its shareholders. Also, in order to avoid the payment of any federal excise taxes, the Fund will distribute substantially all of its net investment income and net realized gains on a calendar year basis. Accordingly, no provision for federal income or excise tax is necessary. Dividend and interest income from holdings in non-U.S. securities is recorded net of non-U.S. taxes paid. Management has analyzed the Fund's tax positions taken on federal and applicable state income tax returns as well as its tax positions in non-U.S. jurisdictions in which it trades for all open tax years and has concluded that as of June 30, 2015, no additional provisions for income tax are required in the Fund's financial statements. The Fund's tax positions for the tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service, state departments of revenue and by foreign tax authorities.

Note 2. Investment Management Fees, Administration Fees and Other Transactions with Affiliates

*Investment Management Fees:* The investment manager serves as the Fund's investment manager pursuant to an investment management agreement (the investment management agreement). Under the terms of the investment management agreement, the investment manager provides the Fund with day-to-day investment decisions and generally manages the Fund's investments in accordance with the stated policies of the Fund, subject to the supervision of the Board of Directors.

For the services provided to the Fund, the investment manager receives a fee, accrued daily and paid monthly, at the annual rate of 0.85% of the average daily managed assets of the Fund. Managed assets are equal to the net assets plus the amount of borrowings used for leverage outstanding.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

*Administration Fees:* The Fund has entered into an administration agreement with the investment manager under which the investment manager performs certain administrative functions for the Fund and receives a fee, accrued daily and paid monthly, at the annual rate of 0.02% of the average daily managed assets of the Fund. For the six months ended June 30, 2015, the Fund incurred \$195,522 in fees under this administration agreement. Additionally, the Fund pays State Street Bank and Trust Company as co-administrator under a fund accounting and administration agreement.

*Directors' and Officers' Fees:* Certain directors and officers of the Fund are also directors, officers and/or employees of the investment manager. The Fund does not pay compensation to directors and officers affiliated with the investment manager except for the Chief Compliance Officer, who received compensation from the investment manager, which was reimbursed by the Fund, in the amount of \$11,868 for the six months ended June 30, 2015.

## Note 3. Purchases and Sales of Securities

Purchases and sales of securities, excluding short-term investments, for the six months ended June 30, 2015, totaled \$337,449,479 and \$388,560,437, respectively.

Transactions in written option contracts during the six months ended June 30, 2015, were as follows:

	Number of Contracts	Premiums
Written option contracts outstanding at December 31, 2014	41,610	\$ 3,744,900
Option contracts terminated in closing transactions	(20,805)	(1,539,570)
Option contracts expired	(20,805)	(2,205,330)
Written option contracts outstanding at June 30, 2015		\$

## Note 4. Derivative Investments

The following table presents the effect of derivatives held during the six months ended June 30, 2015, along with the respective location in the financial statements. The volume of activity for written option contracts for the six months ended June 30, 2015 is summarized in Note 3.

## Statement of Operations

Derivatives	Location	Realized Loss	Change in Unrealized Appreciation
Written option contracts	Net Realized and Unrealized Gain (Loss)	\$(1,932,326)	\$ 156,246

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

## Note 5. Income Tax Information

As of June 30, 2015 the federal tax cost and net unrealized appreciation and depreciation in value of securities held were as follows:

Cost for federal income tax purposes	\$1,387,225,837
Gross unrealized appreciation	\$ 428,846,861
Gross unrealized depreciation	(28,760,458)
Net unrealized appreciation	\$ 400,086,403

As of December 31, 2014, the Fund had a net short-term capital loss carryforward of \$60,189,256, of which \$30,794,585 will expire on December 31, 2016 and \$29,394,671 will expire on December 31, 2017. Federal tax rules limit the Fund's use of these capital loss carryforwards as a result of the Fund's mergers with Cohen & Steers Premium Income Realty Fund, Inc., Cohen & Steers Advantage Income Realty Fund, Inc. and Cohen & Steers Worldwide Realty Income Fund, Inc. It is possible that all or a portion of these losses will not be able to be utilized prior to their expiration.

## Note 6. Capital Stock

The Fund is authorized to issue 300 million shares of common stock at a par value of \$0.001 per share.

During the six months ended June 30, 2015 and the year ended December 31, 2014, the Fund did not issue shares of common stock for the reinvestment of dividends.

On December 9, 2014, the Board of Directors approved the continuation of the delegation of its authority to management to effect repurchases, pursuant to management's discretion and subject to market conditions and investment considerations, of up to 10% of the Fund's common shares outstanding (Share Repurchase Program) as of January 1, 2015, through the fiscal year ended December 31, 2015.

During the six months ended June 30, 2015, the Fund repurchased 484,919 Treasury shares of its common stock at an average price of \$12.26 per share (including brokerage commissions) at a weighted average discount of 10.9%. These repurchases, which had a total cost of \$5,946,294, resulted in an increase of \$0.01 to the Fund's net asset value per share. During the year ended December 31, 2014, the Fund did not effect any repurchases.

## Note 7. Borrowings

The Fund has entered into an amended and restated credit agreement (the credit agreement) with BNP Paribas Prime Brokerage International, Ltd. (BNPP) in which the Fund pays a monthly financing charge based on a combination of LIBOR-based variable and fixed rates. The commitment amount of the credit agreement is \$460,000,000. The Fund also pays a fee of 0.55% per annum on any unused portion of the credit agreement. BNPP may not change certain terms of the credit agreement except

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

upon 360 days' notice. Also, if the Fund violates certain conditions, the credit agreement may be terminated. The Fund is required to pledge portfolio securities as collateral in an amount up to two times the loan balance outstanding (or more depending on the terms of the credit agreement) and has granted a security interest in the securities pledged to, and in favor of, BNPP as security for the loan balance outstanding. If the Fund fails to meet certain requirements, or maintain other financial covenants required under the credit agreement, the Fund may be required to repay immediately, in part or in full, the loan balance outstanding under the credit agreement, necessitating the sale of portfolio securities at potentially inopportune times. The Fund may, upon prior written notice to BNPP, prepay all or a portion of the fixed and variable rate portions of the credit facility. The Fund may have to pay a breakage fee with respect to a prepayment of all or a portion of the fixed rate financing under the credit facility. The credit agreement also permits, subject to certain conditions, BNPP to rehypothecate portfolio securities pledged by the Fund up to the amount of the loan balance outstanding. The Fund continues to receive dividends and interest on rehypothecated securities. The Fund also has the right under the credit agreement to recall the rehypothecated securities from BNPP on demand. If BNPP fails to deliver the recalled security in a timely manner, the Fund will be compensated by BNPP for any fees or losses related to the failed delivery or, in the event a recalled security will not be returned by BNPP, the Fund, upon notice to BNPP, may reduce the loan balance outstanding by the amount of the recalled security failed to be returned. The Fund will receive a portion of the fees earned by BNPP in connection with the rehypothecation of portfolio securities.

On February 24, 2015, the Fund entered into an amendment to the credit agreement in order to extend the term length of the 5-year, 6-year and 7-year fixed rate tranches of the credit agreement by three years to 2020, 2021 and 2022, respectively. The new rates will increase and become effective upon maturity date of the current fixed rate tranches. In connection with the extension, the Fund paid an arrangement fee based on the aggregate fixed rate financing amount.

As of June 30, 2015, the Fund had outstanding borrowings of \$460,000,000. During the six months ended June 30, 2015, the Fund borrowed an average daily balance of \$460,000,000 at a weighted average borrowing cost of 1.9%. As of June 30, 2015, the aggregate value of rehypothecated securities, which are reflected as part of investments in securities on the Statement of Assets and Liabilities, was \$390,591,652. The value of the outstanding borrowings under the credit agreement exceed the value of the rehypothecated securities at June 30, 2015. During the six months ended June 30, 2015, the Fund earned \$47,451 in fees from rehypothecated securities.

Note 8. Other

In the normal course of business, the Fund enters into contracts that provide general indemnifications. The Fund's maximum exposure under these arrangements is dependent on claims that may be made against the Fund in the future and, therefore, cannot be estimated; however, based on experience, the risk of material loss from such claims is considered remote.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Note 9. Subsequent Events

Management has evaluated events and transactions occurring after June 30, 2015 through the date that the financial statements were issued, and has determined that no additional disclosure in the financial statements is required.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

PROXY RESULTS (Unaudited)

Cohen & Steers Quality Income Realty Fund, Inc. shareholders voted on the following proposals at the annual meeting held on April 23, 2015. The description of each proposal and number of shares voted are as follows:

Common Shares

	Shares Voted For	Authority Withheld
To elect Directors:		
George Grossman	94,444,764.698	2,005.475.087
Robert H. Steers	94,505,991.625	1,944.248.160
C. Edward Ward, Jr.	94,584,701.771	1,862,538.014



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.****AVERAGE ANNUAL TOTAL RETURNS**

(Periods ended June 30, 2015) (Unaudited)

Based on Net Asset Value			Based on Market Value				
One Year	Five Years	Ten Years	Since Inception (2/28/02)	One Year	Five Years	Ten Years	Since Inception (2/28/02)
6.56%	18.24%	4.82%	9.55%	2.23%	19.50%	4.27%	8.13%

*The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return will vary and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance results reflect the effect of leverage from utilization of borrowings under a credit agreement and/or from the issuance of preferred shares. Current total returns of the Fund can be obtained by visiting our website at [cohenandsteers.com](http://cohenandsteers.com). During certain periods presented above, the investment manager waived fees and/or reimbursed expenses. Without this arrangement, performance would have been lower. The Fund's returns assume the reinvestment of all dividends and distributions at prices obtained under the Fund's dividend reinvestment plan.*

**REINVESTMENT PLAN**

We urge shareholders who want to take advantage of this plan and whose shares are held in 'Street Name' to consult your broker as soon as possible to determine if you must change registration into your own name to participate.

**OTHER INFORMATION**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 800-330-7348, (ii) on our website at [cohenandsteers.com](http://cohenandsteers.com) or (iii) on the Securities and Exchange Commission's (the SEC) website at <http://www.sec.gov>. In addition, the Fund's proxy voting record for the most recent 12-month period ended June 30 is available by August 31 of each year (i) without charge, upon request, by calling 800-330-7348 or (ii) on the SEC's website at <http://www.sec.gov>.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available (i) without charge, upon request, by calling 800-330-7348 or (ii) on the SEC's website at <http://www.sec.gov>. In addition, the Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

Please note that distributions paid by the Fund to shareholders are subject to recharacterization for tax purposes and are taxable up to the amount of the Fund's investment company taxable income and net realized gains. Distributions in excess of the Fund's investment company taxable income and net realized gains are a return of capital distributed from the Fund's assets. To the extent this occurs, the Fund's shareholders of record will be notified of the estimated amount of capital returned to shareholders for each such distribution and this information will also be available at [cohenandsteers.com](http://cohenandsteers.com). The final tax treatment of all distributions is reported to shareholders on their 1099-DIV forms, which are mailed after the close of each calendar year. Distributions of capital decrease the Fund's total assets and, therefore, could have the

effect of increasing the Fund's expense ratio. In addition, in order to make these distributions, the Fund may have to sell portfolio securities at a less than opportune time.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

Notice is hereby given in accordance with Rule 23c-1 under the 1940 Act that the Fund may purchase, from time to time, shares of its common stock in the open market.

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT**

The Board of Directors of the Fund, including a majority of the directors who are not parties to the Fund's investment management agreement (the Management Agreement), or interested persons of any such party (Independent Directors), has the responsibility under the 1940 Act to approve the Fund's Management Agreement for its initial two year term and its continuation annually thereafter at a meeting of the Board of Directors called for the purpose of voting on the approval or continuation. At a telephonic meeting of the Board of Directors held on June 9, 2015 and at a meeting held in person on June 16, 2015, the Management Agreement was discussed and was unanimously continued for a term ending June 30, 2016, by the Fund's Board of Directors, including the Independent Directors. The Independent Directors were represented by independent counsel who assisted them in their deliberations during the meeting and executive session.

In considering whether to continue the Management Agreement, the Board of Directors reviewed materials provided by the Fund's investment manager (the Investment Manager) and Fund counsel which included, among other things, fee, expense and performance information compared to peer funds (Peer Funds) and performance comparisons to a larger category universe, prepared by an independent data provider; summary information prepared by the Investment Manager; and a memorandum outlining the legal duties of the Board of Directors. The Board of Directors also spoke directly with representatives of the independent data provider and met with investment management personnel. In addition, the Board of Directors considered information provided from time to time by the Investment Manager throughout the year at meetings of the Board of Directors, including presentations by portfolio managers relating to the investment performance of the Fund and the investment strategies used in pursuing the Fund's objective. In particular, the Board of Directors considered the following:

*(i) The nature, extent and quality of services to be provided by the Investment Manager:* The Board of Directors reviewed the services that the Investment Manager provides to the Fund, including, but not limited to, making the day-to-day investment decisions for the Fund, and generally managing the Fund's investments in accordance with the stated policies of the Fund. The Board of Directors also discussed with officers and portfolio managers of the Fund the types of transactions that were being done on behalf of the Fund. Additionally, the Board of Directors took into account the services provided by the Investment Manager to its other funds, including those that have investment objectives and strategies similar to the Fund. The Board of Directors next considered the education, background and experience of the Investment Manager's personnel, noting particularly that the favorable history and reputation of the portfolio managers for the Fund has had, and would likely continue to have, a favorable impact on the Fund. The Board of Directors further noted the Investment Manager's ability to attract qualified and experienced personnel. The Board of Directors also considered the administrative services provided by the Investment Manager, including compliance and accounting services. After consideration of the above factors, among others, the Board of Directors concluded that the nature, extent and quality of services provided by the Investment Manager are adequate and appropriate.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

*(ii) Investment performance of the Fund and the Investment Manager:* The Board of Directors considered the investment performance of the Fund compared to Peer Funds and compared to a relevant blended benchmark. The Board of Directors considered that the Fund outperformed the medians of the Peer Funds for the one-, three-, five- and ten-year periods ended March 31, 2015, ranking in the first quintile for the one-, three- and five-year periods and one out of five funds for the ten-year period. The Board of Directors also noted that the Fund outperformed the blended benchmark for the one-, three- and five-year periods ended March 31, 2015 and underperformed the blended benchmark for the ten-year period ended March 31, 2015. The Board of Directors engaged in discussions with the Investment Manager regarding the contributors to and detractors from the Fund's performance during the periods, as well as the impact of leverage on the Fund's performance. The Board of Directors also considered supplemental information provided by the Investment Manager, including a narrative summary of factors affecting performance and the Investment Manager's performance in managing other real estate funds. The Board of Directors then determined that Fund performance, in light of all the considerations noted above, was satisfactory.

*(iii) Cost of the services to be provided and profits to be realized by the Investment Manager from the relationship with the Fund:* Next, the Board of Directors considered the advisory fees and administrative fees payable by the Fund, as well as total expense ratios. As part of its analysis, the Board of Directors gave consideration to the fee and expense analyses provided by the independent data provider. The Board of Directors considered that the Fund's actual and contractual management fees, and the Fund's total expense ratios at managed and common asset levels compared to the medians of the Peer Funds. The Board of Directors noted the Fund's actual management fees at managed and common asset levels were slightly higher than the medians of the Peer Funds (by 0.01% and 0.04%, respectively), ranking in the fourth quintile for each, and that the contractual management fee at managed asset levels represented the median of the Peer Funds, ranking in the third quintile. The Board of Directors also noted that the Fund's total expense ratios including investment-related expenses were higher than the median of the Peer Funds at both managed and common asset levels, ranking in the fourth quintiles. The Board of Directors also noted that the Fund's total expense ratios excluding investment-related expenses were lower than the median of the Peer Funds at managed asset levels and were slightly lower (by 0.01%) at common asset levels. The Board of Directors then considered the administrative services provided by the Investment Manager, including compliance and accounting services, and, further noted that the Fund pays an administration fee to the Investment Manager. The Board of Directors concluded that, in light of market conditions, the Fund's current expense structure was satisfactory.

The Board of Directors also reviewed information regarding the profitability to the Investment Manager of its relationship with the Fund. The Board of Directors considered the level of the Investment Manager's profits and whether the profits were reasonable for the Investment Manager. The Board of Directors took into consideration other benefits to be derived by the Investment Manager in connection with the Management Agreement, noting particularly the research and related services, within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended, that the Investment Manager receives by allocating the Fund's brokerage transactions. The Board of Directors also considered the fees received by the Investment Manager under the Administration Agreement, and noted the significant services received, such as compliance, accounting and operational services and

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

furnishing office space and facilities for the Fund, and providing persons satisfactory to the Board of Directors to serve as officers of the Fund, and that these services were beneficial to the Fund. The Board of Directors concluded that the profits realized by the Investment Manager from its relationship with the Fund were reasonable and consistent with the Investment Manager's fiduciary duties.

*(iv) The extent to which economies of scale would be realized as the Fund grows and whether fee levels would reflect such economies of scale:* The Board of Directors noted that, as a closed-end fund, the Fund would not be expected to have inflows of capital that might produce increasing economies of scale. The Board of Directors determined that, given the Fund's closed-end structure, there were not significant economies of scale that were not being shared with shareholders.

*(v) Comparison of services to be rendered and fees to be paid to those under other investment management contracts, such as contracts of the same and other investment advisers or other clients:* As discussed above in (iii), the Board of Directors compared the fees paid under the Management Agreement to those under other investment management contracts of other investment advisers managing Peer Funds. The Board of Directors also compared the services rendered, fees paid and profitability under the Management Agreement to those under the Investment Manager's other fund management agreements and advisory contracts with institutional and other clients with similar investment mandates. The Board of Directors also considered the entrepreneurial risk and financial exposure assumed by the Investment Manager in developing and managing the Fund that the Investment Manager does not have with institutional and other clients and other differences in the management of registered investment companies and institutional accounts. The Board of Directors determined that on a comparative basis the fees under the Management Agreement were reasonable in relation to the services provided.

No single factor was cited as determinative to the decision of the Board of Directors. Rather, after weighing all of the considerations and conclusions discussed above, the Board of Directors, including the Independent Directors, unanimously approved the continuation of the Management Agreement.



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

Cohen & Steers Privacy Policy

**Facts** What Does Cohen & Steers Do With Your Personal Information?  
**Why?** Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

**What?** The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- Transaction history and account transactions
- Purchase history and wire transfer instructions

**How?** All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Cohen & Steers chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Cohen & Steers share?	Can you limit this sharing?
For our everyday business purposes such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or reports to credit bureaus	Yes	No
For our marketing purposes to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For non-affiliates to market to you	No	We don't share

Questions? Call 800-330-7348

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

Cohen & Steers Privacy Policy (Continued)

Who we are	
Who is providing this notice?	Cohen & Steers Capital Management, Inc., Cohen & Steers Asia Limited, Cohen & Steers UK Limited, Cohen & Steers Securities, LLC, Cohen & Steers Private Funds and Cohen & Steers Open- and Closed-End Funds (collectively, Cohen & Steers).
What we do	
How does Cohen & Steers protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. We restrict access to your information to those employees who need it to perform their jobs, and also require companies that provide services on our behalf to protect your information.
How does Cohen & Steers collect my personal information?	We collect your personal information, for example, when you: <ul style="list-style-type: none"><li>• Open an account or buy securities from us</li><li>• Provide account information or give us your contact information</li><li>• Make deposits or withdrawals from your account</li></ul> We also collect your personal information from other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only: <ul style="list-style-type: none"><li>• sharing for affiliates' everyday business purposes information about your creditworthiness</li><li>• affiliates from using your information to market to you</li><li>• sharing for non-affiliates to market to you</li></ul> State law and individual companies may give you additional rights to limit sharing.
Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"><li>• <i>Cohen &amp; Steers does not share with affiliates.</i></li></ul>
Non-affiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"><li>• <i>Cohen &amp; Steers does not share with non-affiliates.</i></li></ul>
Joint marketing	A formal agreement between non-affiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"><li>• <i>Cohen &amp; Steers does not jointly market.</i></li></ul>



**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

*Cohen & Steers Investment Solutions*

**COHEN & STEERS GLOBAL REALTY SHARES**

- Designed for investors seeking total return, investing primarily in global real estate equity securities
- Symbols: CSFAX, CSFCX, CSSPX, GRSRX, CSFZX

**COHEN & STEERS INSTITUTIONAL REALTY SHARES**

- Designed for institutional investors seeking total return, investing primarily in U.S. real estate securities
- Symbol: CSRIX

**COHEN & STEERS REAL ESTATE SECURITIES FUND**

- Designed for investors seeking total return, investing primarily in U.S. real estate securities
- Symbols: CSEIX, CSCIX, CSDIX, CIRRX, CSZIX

**COHEN & STEERS INTERNATIONAL REALTY FUND**

- Designed for investors seeking total return, investing primarily in international real estate securities
- Symbols: IRFAX, IRFCX, IRFIX

**COHEN & STEERS REALTY SHARES**

- Designed for investors seeking total return, investing primarily in U.S. real estate securities
- Symbol: CSRSX

**COHEN & STEERS  
INSTITUTIONAL GLOBAL REALTY SHARES**

- Designed for institutional investors seeking total return, investing primarily in global real estate securities
- Symbol: GRSIX

**COHEN & STEERS GLOBAL INFRASTRUCTURE FUND**

- Designed for investors seeking total return, investing primarily in global infrastructure securities
- Symbols: CSUAX, CSUCX, CSUIX, CSURX, CSUZX

**COHEN & STEERS DIVIDEND VALUE FUND**

- Designed for investors seeking long-term growth of income and capital appreciation, investing primarily in dividend paying common stocks and preferred stocks

- Symbols: DVFAX, DVFCX, DVFIX, DVFRX, DVFZX

**COHEN & STEERS  
PREFERRED SECURITIES AND INCOME FUND**

- Designed for investors seeking total return (high current income and capital appreciation), investing primarily in preferred and debt securities

- Symbols: CPXAX, CPXCX, CPXIX, CPRRX, CPXZX

**COHEN & STEERS REAL ASSETS FUND**

- Designed for investors seeking total return and the maximization of real returns during inflationary environments by investing primarily in real assets

- Symbols: RAPAX, RAPCX, RAPIX, RAPRX, RAPZX

**COHEN & STEERS  
MLP & ENERGY OPPORTUNITY FUND**

- Designed for investors seeking total return, investing primarily in midstream energy master limited partnership (MLP) units and related stocks

- Symbols: MLOAX, MLOCX, MLOIX, MLORX, MLOZX

**COHEN & STEERS  
ACTIVE COMMODITIES STRATEGY FUND**

- Designed for investors seeking total return, investing primarily in a diversified portfolio of exchange-traded commodity future contracts and other commodity-related derivative instruments

- Symbols: CDFAX, CDFCX, CDFIX, CDFRX, CDFZX

Distributed by Cohen & Steers Securities, LLC.

**COHEN & STEERS GLOBAL REALTY MAJORS ETF**

- Designed for investors who seek a relatively low-cost passive approach for investing in a portfolio of real estate equity securities of companies in a specified index

- Symbol: GRI

Distributed by ALPS Distributors, Inc.

**ISHARES COHEN & STEERS  
REALTY MAJORS INDEX FUND**

- Designed for investors who seek a relatively low-cost passive approach for investing in a portfolio of real estate equity securities of companies in a specified index
- Symbol: ICF

Distributed by SEI Investments Distribution Co.

*Please consider the investment objectives, risks, charges and expenses of the fund carefully before investing. A summary prospectus and prospectus containing this and other information can be obtained by calling 800-330-7348 or by visiting [cohenandsteers.com](http://cohenandsteers.com). Please read the summary prospectus and prospectus carefully before investing.*

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

OFFICERS AND DIRECTORS

Robert H. Steers  
Director and Chairman

Joseph M. Harvey  
Director and Vice President

Michael G. Clark  
Director

Bonnie Cohen  
Director

George Grossman  
Director

Dean Junkans  
Director

Richard E. Kroon  
Director

Richard J. Norman  
Director

Frank K. Ross  
Director

C. Edward Ward, Jr.  
Director

Adam M. Derechin  
President and Chief Executive Officer

William F. Scapell  
Vice President

Thomas N. Bohjalian  
Vice President

Yigal D. Jhirad  
Vice President

Francis C. Poli  
Secretary

James Giallanza  
Treasurer and Chief Financial Officer

Lisa D. Phelan  
Chief Compliance Officer

Heather Kaden  
Deputy Chief Compliance Officer

Tina M. Payne  
Assistant Secretary

Neil Bloom  
Assistant Treasurer

## KEY INFORMATION

### Investment Manager

Cohen & Steers Capital Management, Inc.  
280 Park Avenue  
New York, NY 10017  
(212) 832-3232

### Co-administrator and Custodian

State Street Bank and Trust Company  
One Lincoln Street  
Boston, MA 02111

### Transfer Agent

Computershare  
480 Washington Boulevard  
Jersey City, NJ 07310  
(866) 227-0757

### Legal Counsel

Ropes & Gray, LLP  
1211 Avenue of the Americas  
New York, NY 10036

New York Stock Exchange Symbol: RQI

Website: [cohenandsteers.com](http://cohenandsteers.com)

This report is for shareholder information. This is not a prospectus intended for use in the purchase or sale of Fund shares. Performance data quoted represent past performance. Past performance is no guarantee of future results and your investment may be worth more or less at the time you sell your shares.





COHEN & STEERS

QUALITY INCOME REALTY FUND

280 PARK AVENUE

NEW YORK, NY 10017

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RQISAR

**Semiannual Report** June 30, 2015

Cohen & Steers Quality Income Realty Fund

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**Item 2. Code of Ethics.**

Not applicable.

**Item 3. Audit Committee Financial Expert.**

Not applicable.

**Item 4. Principal Accountant Fees and Services.**

Not applicable.

**Item 5. Audit Committee of Listed Registrants.**

Not applicable.

**Item 6. Schedule of Investments.**

Included in Item 1 above.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

Not applicable.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

Not applicable.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
1/1/15 to 1/31/15	N/A	N/A	N/A	10,964,632
2/1/15 to 2/28/15	N/A	N/A	N/A	10,964,632
3/1/15 to 3/31/15	N/A	N/A	N/A	10,964,632
4/1/15 to 4/30/15	471,022	\$ 12.27	471,022	10,493,610
5/01/15 to 5/31/15	13,897	\$ 11.95	13,897	10,479,713
6/01/15 to 6/30/15	N/A	N/A	N/A	10,479,713
<b>Total</b>	484,919	\$ 12.26	484,919	10,479,713

Note: On December 9, 2014, the Board of Directors of the Fund approved continuation of the delegation of its authority to management to effect repurchases, pursuant to management s

discretion and subject to market conditions and investment considerations, of up to 10% of the Fund's common shares outstanding ( Share Repurchase Program ) as of January 1, 2015 through December 31, 2015.

**Item 10. Submission of Matters to a Vote of Security Holders.**

None.

**Item 11. Controls and Procedures.**

(a) The registrant's principal executive officer and principal financial officer have concluded, based upon their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this report, that these disclosure controls and procedures provide reasonable assurance that material information required to be disclosed by the registrant in the report it files or submits on Form N-CSR is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such material information is accumulated and communicated to the registrant's management, including its principal executive officer and principal financial officer, as appropriate, in order to allow timely decisions regarding required disclosure.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 12. Exhibits.**

(a)(1) Not applicable.

(a)(2) Certifications of principal executive officer and principal financial officer as required by Rule 30a-2(a) under the Investment Company Act of 1940.

(a)(3) Not applicable.

(b) Certifications of principal executive officer and principal financial officer as required by Rule 30a-2(b) under the Investment Company Act of 1940.

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(c) Registrant's notices to shareholders pursuant to Registrant's exemptive order granting an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder regarding distributions pursuant to the Registrant's Managed Distribution Plan.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**

By: /s/Adam Derechin  
Name: Adam M. Derechin  
Title: President and Chief Executive Officer

Date: September 4, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/Adam Derechin  
Name: Adam M. Derechin  
Title: President and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ James Gialanza  
Name: James Gialanza  
Title: Treasurer and Chief Financial Officer  
(Principal Financial Officer)

Date: September 4, 2015

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