

COHEN & STEERS QUALITY INCOME REALTY FUND INC
Form N-Q
May 30, 2008

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

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

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)

Francis C. Poli

280 Park Avenue

New York, NY 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: March 31, 2008

Item 1. Schedule of Investments

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS

March 31, 2008 (Unaudited)

| | Number of Shares | Value |
|--|---------------------|--------------|
| COMMON STOCK 134.7% | | |
| DIVERSIFIED 12.6% | | |
| Colonial Properties Trust | 216,775 | \$ 5,213,439 |
| iStar Financial | 208,300 | 2,922,449 |
| Land Securities Group PLC (United Kingdom) | 107,200 | 3,210,466 |
| Unibail-Rodamco (France) | 49,900 | 12,841,857 |
| Vornado Realty Trust | 602,943 | 51,979,716 |
| | | 76,167,927 |
| HEALTH CARE 36.0% | | |
| HCP | 1,041,700 | 35,219,877 |
| Health Care REIT | 864,425 | 39,011,500 |
| Nationwide Health Properties | 1,084,100 | 36,588,375 |
| Omega Healthcare Investors | 410,600 | 7,128,016 |
| Senior Housing Properties Trust | 932,489 | 22,099,990 |
| Ventas | 1,723,400 | 77,397,894 |
| | | 217,445,652 |
| HOTEL 5.5% | | |
| DiamondRock Hospitality Co. | 696,900 | 8,829,723 |
| Hospitality Properties Trust | 457,900 | 15,577,758 |
| Strategic Hotels & Resorts | 657,800 | 8,636,914 |
| | | 33,044,395 |
| INDUSTRIAL 2.9% | | |
| First Industrial Realty Trust | 154,800 | 4,781,772 |
| ING Industrial Fund (Australia) | 3,292,584 | 6,409,365 |
| Segro PLC (United Kingdom) | 632,626 | 6,378,151 |
| | | 17,569,288 |
| MORTGAGE 0.7% | | |
| Gramercy Capital Corp. | 207,053 | 4,333,619 |
| OFFICE 21.5% | | |
| BioMed Realty Trust | 398,310 | 9,515,626 |
| Boston Properties(a) | 219,539 | 20,212,956 |
| Brandywine Realty Trust | 1,098,622 | 18,632,629 |

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| | Number of Shares | Value |
|---------------------------------------|---------------------|--------------|
| Derwent London PLC (United Kingdom) | 190,700 | \$ 5,745,219 |
| Highwoods Properties | 415,300 | 12,903,371 |
| ING Office Fund (Australia) | 5,184,326 | 6,277,789 |
| Mack-Cali Realty Corp. | 968,900 | 34,599,419 |
| Maguire Properties | 604,800 | 8,654,688 |
| Parkway Properties | 148,200 | 5,477,472 |
| SL Green Realty Corp. | 100,022 | 8,148,792 |
| | | 130,167,961 |
| OFFICE/INDUSTRIAL 5.4% | | |
| EastGroup Properties | 126,100 | 5,858,606 |
| Liberty Property Trust | 855,520 | 26,615,227 |
| | | 32,473,833 |
| RESIDENTIAL APARTMENT 22.1% | | |
| American Campus Communities | 370,489 | 10,136,579 |
| Apartment Investment & Management Co. | 443,080 | 15,866,695 |
| AvalonBay Communities | 280,600 | 27,083,512 |
| Camden Property Trust | 366,600 | 18,403,320 |
| Education Realty Trust | 534,800 | 6,722,436 |
| Home Properties | 517,845 | 24,851,381 |
| Mid-America Apartment Communities | 222,500 | 11,089,400 |
| UDR | 809,100 | 19,839,132 |
| | | 133,992,455 |
| SELF STORAGE 3.0% | | |
| Extra Space Storage | 426,100 | 6,898,559 |
| Sovran Self Storage | 261,800 | 11,181,478 |
| | | 18,080,037 |
| SHOPPING CENTER 23.1% | | |
| COMMUNITY CENTER 7.4% | | |
| Cedar Shopping Centers | 448,500 | 5,238,480 |
| Developers Diversified Realty Corp. | 587,200 | 24,591,936 |
| Inland Real Estate Corp. | 324,100 | 4,929,561 |

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| | Number of Shares | Value |
|---|---------------------|--------------------|
| Urstadt Biddle Properties Class A | 642,900 | \$ 10,112,817 |
| | | 44,872,794 |
| REGIONAL MALL 15.7% | | |
| General Growth Properties | 864,110 | 32,983,079 |
| Glimcher Realty Trust | 690,300 | 8,255,988 |
| Macerich Co. | 764,557 | 53,725,420 |
| | | 94,964,487 |
| TOTAL SHOPPING CENTER | | 139,837,281 |
| SPECIALTY 1.9% | | |
| Entertainment Properties Trust | 228,600 | 11,276,838 |
| TOTAL COMMON STOCK (Identified cost \$615,599,356) | | 814,389,286 |
| PREFERRED SECURITIES \$25 PAR VALUE 29.9% | | |
| BANK 0.7% | | |
| PNC Capital Trust E, 7.75% | 95,000 | 2,337,000 |
| Wells Fargo Capital XII, 7.875% | 88,200 | 2,231,460 |
| | | 4,568,460 |
| FINANCE INVESTMENT BANKERS/BROKERS 0.4% | | |
| Lehman Brothers Holdings, 7.95%, Series J | 105,000 | 2,160,900 |
| REAL ESTATE 28.8% | | |
| DIVERSIFIED 3.0% | | |
| Duke Realty Corp., 6.95%, Series M | 100,000 | 2,247,000 |
| Duke Realty Corp., 7.25%, Series N | 80,000 | 1,856,800 |
| Duke Realty Corp., 8.375%, Series O | 48,300 | 1,188,180 |
| Entertainment Properties Trust, 7.75%, Series B | 128,000 | 2,880,000 |
| iStar Financial, 7.80%, Series F | 167,081 | 2,322,426 |
| iStar Financial, 7.65%, Series G | 90,400 | 1,225,824 |
| iStar Financial, 7.50%, Series I | 30,000 | 402,000 |
| Lexington Realty Trust, 7.55%, Series D | 226,700 | 4,284,630 |
| Vornado Realty Trust, 6.625%, Series I | 70,600 | 1,500,250 |
| | | 17,907,110 |
| HEALTH CARE 1.8% | | |
| HCP, 7.10%, Series F | 202,700 | 4,437,103 |
| Health Care REIT, 7.625%, Series F | 209,600 | 5,028,304 |

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| | Number of Shares | Value |
|--|---------------------|--------------|
| Omega Healthcare Investors, 8.375%, Series D | 40,000 | \$ 1,000,000 |
| | | 10,465,407 |
| HOTEL 4.4% | | |
| Ashford Hospitality Trust, 8.45%, Series D | 445,400 | 8,106,280 |
| Hospitality Properties Trust, 7.00%, Series C | 300,000 | 5,850,000 |
| LaSalle Hotel Properties, 7.25%, Series G | 170,000 | 3,315,000 |
| Strategic Hotels & Resorts, 8.25%, Series B | 36,800 | 708,032 |
| Strategic Hotels & Resorts, 8.25%, Series C | 245,000 | 4,609,675 |
| Sunstone Hotel Investors, 8.00%, Series A | 216,000 | 4,050,000 |
| | | 26,638,987 |
| MORTGAGE 2.0% | | |
| Anthracite Capital, 8.25%, Series D | 99,000 | 1,311,750 |
| Gramercy Capital Corp., 8.125%, Series A | 288,000 | 5,256,000 |
| Newcastle Investment Corp., 9.75%, Series B | 56,000 | 800,800 |
| Newcastle Investment Corp., 8.375%, Series D | 117,000 | 1,433,250 |
| NorthStar Realty Finance Corp., 8.25%, Series B | 225,550 | 2,988,537 |
| | | 11,790,337 |
| NET LEASE COMPANY 0.6% | | |
| Realty Income Corp., 6.75%, Series E | 177,000 | 3,736,470 |
| OFFICE 3.3% | | |
| BioMed Realty Trust, 7.375%, Series A | 266,500 | 5,916,300 |
| Brandywine Realty Trust, 7.375%, Series D | 38,300 | 754,510 |
| Corporate Office Properties Trust, 7.625%, Series J(b) | 197,600 | 4,672,252 |
| Cousins Properties, 7.50%, Series B | 158,400 | 3,239,280 |
| Digital Realty Trust, 8.50%, Series A | 122,000 | 2,804,780 |
| HRPT Properties Trust, 8.75%, Series B | 67,691 | 1,621,876 |
| Kilroy Realty Corp., 7.50%, Series F | 55,500 | 1,176,045 |
| Maguire Properties, 7.625%, Series A | 22,861 | 269,760 |
| | | 20,454,803 |
| OFFICE/INDUSTRIAL 0.7% | | |
| PS Business Parks, 7.20%, Series M | 100,000 | 2,200,000 |
| PS Business Parks, 6.70%, Series P | 100,401 | 2,009,024 |
| | | 4,209,024 |

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| | Number of Shares | Value |
|---|---------------------|-------------------|
| RESIDENTIAL 2.8% | | |
| APARTMENT 2.7% | | |
| Apartment Investment & Management Co., 7.75%, Series U | 337,700 | \$ 7,642,151 |
| Apartment Investment & Management Co., 8.00%, Series V | 50,000 | 1,122,500 |
| Associated Estates Realty Corp., 8.70%, Series B | 55,800 | 1,347,570 |
| Mid-America Apartment Communities, 8.30%, Series H | 164,600 | 3,991,550 |
| UDR, 6.75%, Series G | 92,600 | 2,186,749 |
| | | 16,290,520 |
| MANUFACTURED HOME 0.1% | | |
| American Land Lease, 7.75%, Series A | 22,000 | 447,480 |
| TOTAL RESIDENTIAL | | 16,738,000 |
| SELF STORAGE 7.7% | | |
| Public Storage, 6.95%, Series H | 240,300 | 5,433,183 |
| Public Storage, 7.25%, Series I | 325,429 | 7,781,007 |
| Public Storage, 7.25%, Series K | 464,592 | 11,006,185 |
| Public Storage, 6.75%, Series L | 470,600 | 10,235,550 |
| Public Storage, 6.625%, Series M | 246,500 | 5,129,665 |
| Public Storage, 7.00%, Series N | 310,000 | 7,068,000 |
| | | 46,653,590 |
| SHOPPING CENTER 2.5% | | |
| COMMUNITY CENTER 1.4% | | |
| Cedar Shopping Centers, 8.875%, Series A | 17,396 | 402,196 |
| Developers Diversified Realty Corp., 8.00%, Series G | 31,800 | 763,200 |
| Kimco Realty Corp., 7.75%, Series G | 130,000 | 3,107,000 |
| National Retail Properties, 7.375%, Series C | 85,600 | 1,844,680 |
| Urstadt Biddle Properties, 8.50%, Series C (\$100 par value)(c) | 24,000 | 2,479,200 |
| | | 8,596,276 |
| REGIONAL MALL 1.1% | | |
| CBL & Associates Properties, 7.375%, Series D | 297,000 | 5,836,050 |

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| | Number of Shares | | Value |
|--|---------------------|-----------------------------|----------------------|
| Simon Property Group, 8.375%, Series J (\$50 par value)(c) | 14,000 | \$ | 858,340 |
| | | | 6,694,390 |
| TOTAL SHOPPING CENTER | | | 15,290,666 |
| TOTAL REAL ESTATE | | | 173,884,394 |
| TOTAL PREFERRED SECURITIES \$25 PAR VALUE (Identified cost \$216,194,320) | | | 180,613,754 |
| PREFERRED SECURITIES CAPITAL SECURITIES 2.1% | | | |
| BANK 0.2% | | | |
| PNC Preferred Funding Trust I, 144A(d) | 1,000,000 | | 962,500 |
| INSURANCE 0.3% | | | |
| Liberty Mutual Group, 7.80%, due 3/15/37, 144A(d) | 2,000,000 | | 1,690,432 |
| OFFICE 1.6% | | | |
| Highwoods Properties, 8.625%, Series A(c) | 11,995 | | 9,835,900 |
| TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost \$14,320,681) | | | 12,488,832 |
| | | Principal Amount | |
| COMMERCIAL PAPER 5.3% | | | |
| San Paolo US Financial, 1.30%, due 4/1/08 (Identified cost \$32,287,000) | | \$ | 32,287,000 |
| | | | 32,287,000 |
| TOTAL INVESTMENTS (Identified cost \$878,401,357) | 172.0% | | 1,039,778,872 |
| LIABILITIES IN EXCESS OF OTHER ASSETS | (0.2)% | | (1,128,259) |
| LIQUIDATION VALUE OF PREFERRED SHARES | (71.8)% | | (434,000,000) |
| NET ASSETS (Equivalent to \$15.50 per share based on 39,010,216 shares of common stock outstanding) | 100.0% | \$ | 604,650,613 |

Glossary of Portfolio Abbreviation

REIT

Real Estate Investment Trust

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

(a) 125,000 shares segregated as collateral for the interest rate swap transactions.

(b) 197,600 shares segregated as collateral for the interest rate swap transactions.

(c) Illiquid security. Aggregate holdings equal 2.2% of net assets applicable to common shares.

(d) Resale is restricted to qualified institutional investors. Aggregate holdings equal 0.4% of net assets applicable to common shares.

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Interest rate swaps outstanding at March 31, 2008 are as follows:

| Counterparty | Notional Amount | Fixed Rate Payable | Floating Rate(a) (reset monthly) Receivable | Termination Date | Unrealized Depreciation |
|--------------------------------------|-----------------|--------------------|---|-------------------|-------------------------|
| Bank of America | \$ 14,000,000 | 3.213% | 3.119% | October 2, 2008 | \$ (51,535) |
| Merrill Lynch Derivative Products AG | \$ 46,000,000 | 5.580% | 3.086% | April 5, 2009 | (1,573,787) |
| Merrill Lynch Derivative Products AG | \$ 35,000,000 | 3.430% | 2.599% | November 22, 2012 | (422,409) |
| Royal Bank of Canada | \$ 14,000,000 | 3.680% | 2.599% | October 22, 2008 | (99,443) |
| Royal Bank of Canada | \$ 44,000,000 | 4.258% | 3.058% | March 9, 2010 | (1,623,441) |
| Royal Bank of Canada | \$ 26,000,000 | 4.137% | 2.606% | May 26, 2010 | (943,883) |
| UBS AG | \$ 24,000,000 | 5.495% | 2.818% | April 15, 2009 | (801,654) |
| UBS AG | \$ 35,000,000 | 3.639% | 2.818% | April 17, 2013 | (661,128) |
| UBS AG | \$ 30,000,000 | 3.615% | 2.704% | February 28, 2014 | (312,494) |
| | | | | | \$ (6,489,774) |

(a) Based on LIBOR (London Interbank Offered Rate). Represents rates in effect at March 31, 2008.

Note 1. Portfolio Valuation: Investments in securities that are listed on the New York Stock Exchange are valued, except as indicated below, at the last sale price reflected at the close of the New York Stock Exchange 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 asked prices for the day or, if no asked price is available, at the bid price.

Securities not listed on the New York Stock Exchange but listed on other domestic or foreign securities exchanges or admitted to trading on the National Association of Securities Dealers Automated Quotations, Inc. (Nasdaq) national market system are valued in a similar manner. Securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined as reflected on the tape at the close of the exchange representing the principal market for such securities.

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 advisor) to be over-the-counter, but excluding securities admitted to trading on the Nasdaq National List, are valued at the official closing prices as reported by Nasdaq, the National Quotation Bureau, or such other comparable sources as the Board of Directors deem appropriate 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 asked prices for the day, or if no asked price is available, at the bid price. Where securities are traded on more than one exchange and also over-the-counter, the securities will generally be valued using the quotations the Board of Directors believes most closely reflect the value of such securities.

Securities for which market prices are unavailable, or securities for which the advisor determines that bid and/or asked price does not reflect market value, will be valued at fair value 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 recent transactions in comparable securities, information relating to the specific security and developments in the 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.

Short-term debt securities, which have a maturity date of 60 days or less, are valued at amortized cost, which approximates value.

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in a timely 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. FAS 157 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, 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.

The following is a summary of the inputs used as of March 31, 2008 in valuing the Fund's investments carried at value:

| | Fair Value Measurements at March 31, 2008 Using | | | |
|------------------------------|---|--|--|--|
| | Total | Quoted Prices In Active Market for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments in Securities | \$ 1,039,778,872 | \$ 991,665,500 | \$ 37,314,972 | \$ 10,798,400 |
| Other Financial Instruments* | (6,489,774) | | (6,489,774) | |
| Total | \$ 1,033,289,098 | \$ 991,665,500 | \$ 30,825,198 | \$ 10,798,400 |

* Other financial instruments include interest rate swap contracts.

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

| | Investments in Securities |
|--|------------------------------|
| Balance as of December 31, 2007 | \$ 10,555,600 |
| Accrued premiums/discounts | (5) |
| Realized gain (loss) | |
| Change in unrealized appreciation (depreciation) | (772,195) |
| Net purchases (sales) | 1,015,000 |
| Transfers in and/or out of Level 3 | |
| Balance as of March 31, 2008 | \$ 10,798,400 |

Note 2. Income Tax Information

As of March 31, 2008, the federal tax cost and net unrealized appreciation were as follows:

| | | |
|--------------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 233,956,140 |
| Gross unrealized depreciation | | (72,578,625) |
| Net unrealized appreciation | \$ | 161,377,515 |
| Cost for federal income tax purposes | \$ | 878,401,357 |

Item 2. Controls and Procedures

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) are effective based on their evaluation of these disclosure controls and procedures required by Rule 30a-3(b) under the Investment Company Act of 1940 and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act as of a date within 90 days of the filing of this report.

(b) During the last fiscal quarter, there were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

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

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 M. Derechin
Name: Adam M. Derechin
Title: President

Date: May 30, 2008

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 M. Derechin
Name: Adam M. Derechin
Title: President and principal
executive officer

Date: May 30, 2008

By: /s/ James Giallanza
Name: James Giallanza
Title: Treasurer and principal
financial officer