

COHEN & STEERS QUALITY INCOME REALTY FUND INC
Form N-CSRS
September 07, 2017

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)

Francis C.Poli

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, 2017

Item 1. Reports to Stockholders.

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, 2017. The net asset value (NAV) at that date was \$13.62 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 market price was \$12.59.

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

| | Six Months Ended June 30, 2017 |
|---|-----------------------------------|
| Cohen & Steers Quality Income Realty Fund at NAV ^a | 5.37% |
| Cohen & Steers Quality Income Realty Fund at Market Value ^a | 7.06% |
| FTSE NAREIT Equity REIT Index ^b | 2.70% |
| Blended Benchmark 80% FTSE NAREIT Equity REIT Index/ 20% BofA Merrill Lynch REIT Preferred Securities Index ^b | 4.28% |
| S&P 500 Index ^b | 9.34% |

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. 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 (SEC) 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 monthly cash distributions to its shareholders (the Plan). The Plan gives the Fund greater flexibility to realize long-term capital gains

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

^b The FTSE NAREIT Equity REIT Index contains all tax-qualified REITs except timber and infrastructure REITs with more than 50% of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria. The BofA Merrill Lynch REIT Preferred Securities Index tracks the performance of fixed-rate U.S. dollar-denominated preferred securities issued in the U.S. domestic market including all real estate investment trusts. 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 monthly basis. In accordance with the Plan, the Fund currently distributes \$0.08 per share on a monthly 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 NAV 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 NAV) or widening an existing trading discount.

Market Review

The U.S. stock market advanced strongly during the first half of 2017, aided by improving economic data, expectations of business-friendly government initiatives and generally positive year-ahead corporate guidance. Stocks, including real estate securities, also drew support from a benign interest-rate backdrop. While the Federal Reserve raised short-term interest rates by a total of 0.50% during the period, in response to an improving economy, U.S. bond yields declined as inflation expectations dropped along with retreating oil prices. The yield on the 10-year Treasury fell from 2.5% at the start of the period to 2.3% at the end of June.

Real estate investment trusts (REITs) had a positive overall return in this environment, although they trailed broad equity indexes, with strong gains in sectors such as data centers and industrial largely countered by declines in retail landlords. The disparity in returns partly reflected the differing effects of the rise of e-commerce on various property types. For example, the growth of online retail led to increasing demand for the logistics services provided by industrial REITs, especially those that own warehouses located near densely populated areas. At the same time, online retail has been a growing source of competition for brick and mortar retailers, a factor behind a recent rise in store closings.

REIT preferred securities outpaced real estate common shares in the period, rising 10.7% as measured by the BofA Merrill Lynch REIT Preferred Securities Index. The group benefited from the decline in bond yields as well as a favorable technical dynamic, with little new issuance and ongoing redemptions keeping supply in check. In a low net supply backdrop, investment demand for above-average income held firm, sustaining an imbalance that lifted prices. In general, high-quality, longer-duration securities were the best performers.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

Fund Performance

The Fund had a positive total return during the period and outperformed its blended benchmark on both a NAV and market price basis. Relative performance benefited from our underweights in regional mall and shopping center REITs, which were among the poorest performing sectors with significant declines. Retail landlords in general struggled amid ongoing news of store closings and concerns regarding the expansion of e-commerce, trends that could weigh on a number of these companies' operating fundamentals for an extended period.

Our overweight and favorable stock selection in data center REITs was additionally beneficial, with a significant contribution from our overweight in DuPont Fabros Technology (DuPont). The stock rallied after Digital Realty announced that it would acquire the company at a premium to DuPont's stock price at the time of the news.

Factors that detracted from relative performance included the Fund's underweight in health care property landlords. The sector was aided by a decline in interest rates, which increased the appeal of its above-average dividend yield. The underweight allocation was based on our view that health care REITs have relatively modest growth prospects. Stock selection in the diversified sector hindered performance as well.

The Fund's allocation to REIT preferreds detracted from relative returns compared with the blended benchmark. This was largely attributable to our non-ownership of certain high-quality, lower-coupon issues from Public Storage that had strong returns as long-term bond yields declined.

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 contributed to the Fund's performance for the six-month period ended June 30, 2017.

Sincerely,

THOMAS N. BOHJALIAN
Portfolio Manager

WILLIAM F. SCAPELL
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

For more information about the Cohen & Steers family of mutual funds, visit 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 securities, listed 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, 2017, leverage represented 24% 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 2020, 2021 and 2022^a (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^{b,c}

| | |
|-------------------------------------|------------------------|
| Leverage (as a % of managed assets) | 24% |
| % Fixed Rate | 85% |
| % Variable Rate | 15% |
| Weighted Average Rate on Financing | 2.0% ^a |
| Weighted Average Term on Financing | 4.0 years ^a |

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.

^a On February 24, 2015, the Fund amended its credit agreement to extend the fixed rate financing terms, originally expiring in 2017, 2018 and 2019, by three years, now expiring in 2020, 2021 and 2022. The weighted average rate on financing does not include the three year extension and will increase as the extended fixed-rate tranches become effective. The weighted average term on financing includes the three year extension.

^b Data as of June 30, 2017. Information is subject to change.

^c See Note 6 in Notes to Financial Statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

June 30, 2017
 Top Ten Holdings^a
 (Unaudited)

| Security | Value | % of Managed Assets |
|--------------------------------------|--------------|---------------------------|
| Simon Property Group | \$88,824,195 | 4.6 |
| Equinix | 86,287,768 | 4.4 |
| Prologis | 81,535,402 | 4.2 |
| Equity Residential | 67,763,690 | 3.5 |
| UDR | 67,366,153 | 3.5 |
| Essex Property Trust | 57,917,909 | 3.0 |
| Host Hotels & Resorts | 53,976,651 | 2.8 |
| American Campus Communities | 49,577,495 | 2.5 |
| Healthcare Trust of America, Class A | 48,650,440 | 2.5 |
| Mid-America Apartment Communities | 48,242,648 | 2.5 |

^a 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, 2017 (Unaudited)

| | | Number of Shares | Value |
|--|--------|---------------------|---------------|
| COMMON STOCK | 104.3% | | |
| COMMUNICATIONS TOWERS | 1.2% | | |
| Crown Castle International Corp. | | 173,633 | \$ 17,394,554 |
| REAL ESTATE | 103.1% | | |
| DIVERSIFIED | 2.0% | | |
| American Assets Trust ^{a,b} | | 337,860 | 13,308,305 |
| BGP Holdings PLC (EUR) (Australia) ^{c,d,e} | | 3,927,678 | 59,664 |
| Washington REIT | | 510,836 | 16,295,669 |
| | | | 29,663,638 |
| HEALTH CARE | 10.1% | | |
| HCP ^{a,b} | | 1,296,650 | 41,440,934 |
| Healthcare Trust of America, Class A ^{a,b} | | 1,563,820 | 48,650,440 |
| National Health Investors | | 263,998 | 20,908,642 |
| Physicians Realty Trust ^{a,b} | | 1,913,060 | 38,529,028 |
| | | | 149,529,044 |
| HOTEL | 6.0% | | |
| Host Hotels & Resorts ^{a,b} | | 2,954,387 | 53,976,651 |
| Pebblebrook Hotel Trust | | 345,497 | 11,138,823 |
| Sunstone Hotel Investors ^a | | 1,493,037 | 24,067,756 |
| | | | 89,183,230 |
| INDUSTRIALS | 5.5% | | |
| Prologis ^{a,b} | | 1,390,440 | 81,535,402 |
| NET LEASE | 4.4% | | |
| Four Corners Property Trust | | 849,169 | 21,322,633 |
| Gaming and Leisure Properties | | 615,634 | 23,190,933 |
| Gramercy Property Trust | | 727,008 | 21,599,408 |
| | | | 66,112,974 |
| OFFICE | 17.2% | | |
| Alexandria Real Estate Equities ^{a,b} | | 276,221 | 33,276,344 |
| Boston Properties ^{a,b} | | 309,508 | 38,075,674 |
| Douglas Emmett ^{a,b} | | 828,297 | 31,649,229 |
| Highwoods Properties | | 376,096 | 19,071,828 |
| Hudson Pacific Properties ^{a,b} | | 512,400 | 17,518,956 |
| Kilroy Realty Corp. ^{a,b} | | 550,882 | 41,398,782 |

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2017 (Unaudited)

| | | Number of Shares | Value |
|--|-------|---------------------|---------------|
| SL Green Realty Corp. | | 343,072 | \$ 36,297,018 |
| Vornado Realty Trust ^{a,b} | | 408,169 | 38,327,069 |
| | | | 255,614,900 |
| RESIDENTIAL | 26.2% | | |
| APARTMENT | 17.4% | | |
| Apartment Investment & Management Co. ^a | | 385,952 | 16,584,357 |
| Equity Residential ^{a,b} | | 1,029,374 | 67,763,690 |
| Essex Property Trust ^{a,b} | | 225,125 | 57,917,909 |
| Mid-America Apartment Communities UDR ^{a,b} | | 457,797 | 48,242,648 |
| | | 1,728,667 | 67,366,153 |
| | | | 257,874,757 |
| MANUFACTURED HOME | 2.8% | | |
| Sun Communities ^{a,b} | | 474,661 | 41,623,023 |
| SINGLE FAMILY | 2.7% | | |
| Colony Starwood Homes ^{a,b} | | 1,189,357 | 40,806,839 |
| STUDENT HOUSING | 3.3% | | |
| American Campus Communities ^{a,b} | | 1,048,150 | 49,577,495 |
| TOTAL RESIDENTIAL | | | 389,882,114 |
| SELF STORAGE | 4.7% | | |
| Extra Space Storage ^{a,b} | | 352,420 | 27,488,760 |
| Public Storage ^{a,b} | | 202,733 | 42,275,912 |
| | | | 69,764,672 |
| SHOPPING CENTERS | 12.3% | | |
| COMMUNITY CENTER | 4.3% | | |
| Brixmor Property Group ^{a,b} | | 1,301,102 | 23,263,704 |
| Kimco Realty Corp. | | 645,730 | 11,849,146 |
| Regency Centers Corp. ^{a,b} | | 460,424 | 28,840,959 |
| | | | 63,953,809 |
| REGIONAL MALL | 8.0% | | |
| GGP ^{a,b} | | 1,280,586 | 30,170,606 |
| Simon Property Group ^{a,b} | | 549,111 | 88,824,195 |
| | | | 118,994,801 |
| TOTAL SHOPPING CENTERS | | | 182,948,610 |

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2017 (Unaudited)

| | | Number of Shares | Value |
|---|--------------|---------------------|----------------------|
| SPECIALTY | 14.7% | | |
| CoreCivic ^a | | 563,102 | \$ 15,530,353 |
| CyrusOne ^{a,b} | | 383,706 | 21,391,609 |
| Digital Realty Trust | | 101,516 | 11,466,232 |
| DuPont Fabros Technology | | 473,664 | 28,969,290 |
| Equinix ^{a,b} | | 201,062 | 86,287,768 |
| Lamar Advertising Co., Class A | | 313,287 | 23,048,525 |
| QTS Realty Trust, Class A ^a | | 614,136 | 32,137,737 |
| | | | 218,831,514 |
| TOTAL REAL ESTATE | | | 1,533,066,098 |
| TOTAL COMMON STOCK | | | |
| (Identified cost \$1,085,712,511) | | | 1,550,460,652 |
| PREFERRED SECURITIES \$25 PAR VALUE | 15.7% | | |
| BANKS | 0.7% | | |
| GMAC Capital Trust I, 6.967%, due 2/15/40, Series 2 (TruPS) (FRN) (3 Mo. US LIBOR + 5.785%) ^f | | 250,000 | 6,550,000 |
| Huntington Bancshares, 6.25%, Series D ^g | | 113,600 | 3,120,592 |
| | | | 9,670,592 |
| BANKS FOREIGN | 0.6% | | |
| Barclays Bank PLC, 8.125%, Series 5 (United Kingdom) ^{a,b,g} | | 360,000 | 9,572,400 |
| FINANCIAL DIVERSIFIED FINANCIAL SERVICES | 0.2% | | |
| KKR & Co. LP, 6.75%, Series A ^g | | 120,000 | 3,274,800 |
| INDUSTRIALS | 0.2% | | |
| CHS, 6.75% ^g | | 107,931 | 3,052,289 |
| REAL ESTATE | 14.0% | | |
| DIVERSIFIED | 4.5% | | |
| Colony NorthStar, 8.25%, Series B ^g | | 78,261 | 1,998,003 |
| Colony NorthStar, 8.50%, Series D ^g | | 191,097 | 5,035,406 |
| Colony NorthStar, 8.75%, Series E ^g | | 172,107 | 4,646,889 |
| Colony NorthStar, 7.15%, Series I ^g | | 105,000 | 2,681,700 |
| | | 150,000 | 4,076,850 |

| | | |
|---|---------|-----------|
| DuPont Fabros Technology, 6.625%, Series C ^g | | |
| EPR Properties, 9.00%, Series E (Convertible) ^{a,g} | 251,000 | 9,029,725 |
| Lexington Realty Trust, 6.50%, Series C (\$50 Par Value) ^{a,g} | 76,395 | 3,857,947 |

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2017 (Unaudited)

| | Number of Shares | Value |
|---|---------------------|--------------|
| National Retail Properties, 5.70%, Series E ^g | 175,615 | \$ 4,471,158 |
| National Retail Properties, 5.20%, Series F ^g | 111,902 | 2,713,624 |
| Urstadt Biddle Properties, 7.125%, Series F ^g | 106,600 | 2,742,818 |
| Urstadt Biddle Properties, 6.75%, Series G ^g | 50,000 | 1,320,000 |
| VEREIT, 6.70%, Series F ^{a,g} | 710,890 | 18,902,565 |
| Wells Fargo Real Estate Investment Corp., 6.375%, Series A ^g | 207,537 | 5,634,630 |
| | | 67,111,315 |
| FINANCE 0.2% | | |
| Ventas Realty LP/Ventas Capital Corp., 5.45%, due 3/15/43 | 130,054 | 3,308,574 |
| HOTEL 2.0% | | |
| Ashford Hospitality Trust, 7.375%, Series F ^g | 216,000 | 5,400,000 |
| Chesapeake Lodging Trust, 7.75%, Series A ^{a,g} | 200,000 | 4,997,000 |
| LaSalle Hotel Properties, 6.30%, Series J ^g | 134,000 | 3,394,220 |
| Pebblebrook Hotel Trust, 6.50%, Series C ^g | 160,000 | 4,025,600 |
| Summit Hotel Properties, 6.45%, Series D ^g | 123,000 | 3,168,480 |
| Sunstone Hotel Investors, 6.95%, Series E ^g | 180,000 | 4,658,400 |
| Sunstone Hotel Investors, 6.45%, Series F ^g | 127,100 | 3,278,544 |
| | | 28,922,244 |
| INDUSTRIALS 1.0% | | |
| Monmouth Real Estate Investment Corp., 6.125%, Series C ^g | 200,000 | 5,150,000 |
| PS Business Parks, 5.75%, Series U ^{a,g} | 118,050 | 2,971,318 |
| PS Business Parks, 5.70%, Series V ^g | 120,000 | 3,087,600 |
| | 120,000 | 3,205,200 |

| | | |
|--|---------|------------|
| STAG Industrial, 6.875%, Series C ⁹ | | 14,414,118 |
| NET LEASE | 0.0% | |
| Gladstone Commercial Corp., 7.00%, Series D ⁹ | 20,000 | 516,400 |
| OFFICE | 1.1% | |
| SL Green Realty Corp., 6.50%, Series I ⁹ | 197,446 | 4,981,563 |
| Vornado Realty Trust, 6.625%, Series G ⁹ | 180,000 | 4,647,600 |
| Vornado Realty Trust, 6.625%, Series I ⁹ | 172,420 | 4,465,678 |
| Vornado Realty Trust, 5.70%, Series K ⁹ | 105,612 | 2,701,555 |
| | | 16,796,396 |

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2017 (Unaudited)

| | | Number of Shares | Value |
|--|------|---------------------|-------------------|
| RESIDENTIAL | 1.7% | | |
| APARTMENT | 0.7% | | |
| Apartment Investment & Management Co., 6.875% ^{a,g} | | 204,000 | \$ 5,542,680 |
| Blue Rock Residential Growth REIT, 8.25%, Series A ^g | | 157,100 | 4,171,790 |
| | | | 9,714,470 |
| MANUFACTURED HOME | 0.2% | | |
| Equity Lifestyle Properties, 6.75%, Series C ^g | | 115,994 | 2,952,047 |
| SINGLE FAMILY | 0.8% | | |
| American Homes 4 Rent, 5.50%, Series C ^g | | 70,000 | 1,960,000 |
| American Homes 4 Rent, 6.50%, Series D ^g | | 201,340 | 5,212,693 |
| American Homes 4 Rent, 6.35%, Series E ^g | | 177,900 | 4,596,936 |
| | | | 11,769,629 |
| TOTAL RESIDENTIAL | | | 24,436,146 |
| SELF STORAGE | 0.2% | | |
| Public Storage, 4.90%, Series E ^g | | 80,000 | 1,935,200 |
| Public Storage, 5.75%, Series T ^g | | 31,224 | 786,533 |
| | | | 2,721,733 |
| SHOPPING CENTERS | 2.7% | | |
| COMMUNITY CENTER | 1.4% | | |
| Cedar Realty Trust, 7.25%, Series B ^{a,g} | | 167,425 | 4,249,247 |
| DDR Corp., 6.375%, Series A ^g | | 172,703 | 4,517,910 |
| DDR Corp., 6.50%, Series J ^{a,g} | | 416,300 | 10,436,641 |
| Saul Centers, 6.875%, Series C ^g | | 99,725 | 2,571,908 |
| | | | 21,775,706 |
| REGIONAL MALL | 1.3% | | |
| GGP, 6.375%, Series A ^g | | 231,468 | 5,893,175 |
| Pennsylvania REIT, 8.25%, Series A ^g | | 159,000 | 4,035,420 |
| Pennsylvania REIT, 7.20%, Series C ^g | | 158,825 | 4,248,569 |
| Taubman Centers, 6.25%, Series K ^g | | 187,582 | 4,753,328 |
| | | | 18,930,492 |
| TOTAL SHOPPING CENTERS | | | 40,706,198 |

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2017 (Unaudited)

| | | Number of Shares | Value |
|---|-------------|---------------------|--------------------|
| SPECIALTY | 0.6% | | |
| Digital Realty Trust, 7.375%, Series H ^g | | 93,203 | \$ 2,556,558 |
| Digital Realty Trust, 6.35%, Series I ^g | | 234,000 | 6,353,100 |
| | | | 8,909,658 |
| TOTAL REAL ESTATE | | | 207,842,782 |
| TOTAL PREFERRED SECURITIES \$25 PAR VALUE (Identified cost \$215,364,766) | | | 233,412,863 |
| | | Principal Amount | |
| PREFERRED SECURITIES CAPITAL SECURITIES | 7.8% | | |
| BANKS | 1.8% | | |
| Bank of America Corp., 6.30%, Series DD ^g | | \$ 7,000,000 | 7,866,250 |
| Citigroup, 6.125%, Series R ^g | | 4,000,000 | 4,305,000 |
| Farm Credit Bank of Texas, 10.00%, 144A, Series I ^{a,g,h} | | 6,000 [†] | 7,378,125 |
| Huntington Bancshares, 8.50%, Series A (Convertible) ^g | | 1,077 [†] | 1,555,188 |
| JPMorgan Chase & Co., 6.75%, Series S ^g | | 4,500,000 | 5,118,750 |
| | | | 26,223,313 |
| BANKS FOREIGN | 3.1% | | |
| Banco Bilbao Vizcaya Argentaria SA, 9.00% (Spain) ^g | | 4,400,000 | 4,608,974 |
| Barclays PLC, 8.25% (United Kingdom) ^g | | 4,001,000 | 4,251,062 |
| BNP Paribas SA, 7.625%, 144A (France) ^{g,h} | | 2,000,000 | 2,205,000 |
| Credit Agricole SA, 8.125%, 144A (France) ^{g,h} | | 2,000,000 | 2,330,450 |
| Credit Suisse Group AG, 7.50%, 144A (Switzerland) ^{g,h} | | 2,891,000 | 3,248,805 |
| DNB Bank ASA, 6.50% (Norway) ^g | | 3,000,000 | 3,214,860 |
| Dresdner Funding Trust I, 8.151%, due 6/30/31, 144A (Germany) ^h | | 4,000,000 | 5,041,784 |

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| | | |
|--|-----------|------------|
| HBOS Capital Funding LP, 6.85% (United Kingdom) ⁹ | 2,600,000 | 2,665,390 |
| Lloyds Banking Group PLC, 7.50% (United Kingdom) ⁹ | 4,000,000 | 4,422,500 |
| Royal Bank of Scotland Group PLC, 7.648% (United Kingdom) ⁹ | 4,000,000 | 4,950,000 |
| Royal Bank of Scotland Group PLC, 8.625% (United Kingdom) ⁹ | 4,300,000 | 4,697,750 |
| UBS Group AG, 7.125% (Switzerland) ⁹ | 4,200,000 | 4,457,246 |
| | | 46,093,821 |

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2017 (Unaudited)

| | | Principal Amount | Value |
|---|------|---------------------|--------------|
| INSURANCE | 0.9% | | |
| LIFE/HEALTH | | | |
| INSURANCE FOREIGN | 0.3% | | |
| La Mondiale Vie, 7.625% (France) ^g | | \$ 4,750,000 | \$ 5,100,460 |
| PROPERTY CASUALTY | 0.3% | | |
| Liberty Mutual Group, 7.80%, due 3/7/37, 144A ^{a,h} | | 3,525,000 | 4,399,658 |
| PROPERTY | | | |
| CASUALTY FOREIGN | 0.3% | | |
| QBE Insurance Group Ltd., 6.75%, due 12/2/44 (Australia) | | 4,052,000 | 4,525,071 |
| TOTAL INSURANCE | | | 14,025,189 |
| REAL ESTATE | 1.0% | | |
| FINANCE | 0.8% | | |
| AT Securities BV, 5.25% (Netherlands) ^g | | 7,500,000 | 7,416,795 |
| CTR Partnership LP/CareTrust Capital Corp., 5.25%, due 6/1/25 | | 4,000,000 | 4,130,000 |
| | | | 11,546,795 |
| SPECIALTY | 0.2% | | |
| Equinix, 5.375%, due 5/15/27 | | 3,000,000 | 3,206,250 |
| TOTAL REAL ESTATE | | | 14,753,045 |
| TELECOMMUNICATION | 0.6% | | |
| Qualitytech LP/QTS Finance Corp., 5.875%, due 8/1/22 | | 8,424,000 | 8,803,080 |
| UTILITIES | 0.4% | | |
| Enel SpA, 8.75%, due 9/24/73, 144A (Italy) ^h | | 5,250,000 | 6,260,625 |
| TOTAL PREFERRED SECURITIES | | | |
| CAPITAL SECURITIES (Identified cost \$106,393,006) | | | 116,159,073 |

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2017 (Unaudited)

| | | Number of Shares | Value |
|---|-------------|---------------------|-----------------|
| SHORT-TERM INVESTMENTS | 2.0% | | |
| MONEY MARKET FUNDS | | | |
| State Street Institutional Treasury Money Market Fund, Premier Class, 0.83% ⁱ | | 29,400,000 | \$ 29,400,000 |
| TOTAL SHORT-TERM INVESTMENTS | | | |
| (Identified cost \$29,400,000) | | | 29,400,000 |
| TOTAL INVESTMENTS | | | |
| (Identified cost \$1,436,870,283) | | 129.8% | 1,929,432,588 |
| LIABILITIES IN EXCESS OF OTHER ASSETS | | (29.8) | (443,095,843) |
| NET ASSETS (Equivalent to \$13.62 per share based on 109,161,402 shares of common stock outstanding) | | 100.0% | \$1,486,336,745 |

Glossary of Portfolio Abbreviations

EUR Euro Currency

FRN Floating Rate Note

LIBOR London Interbank Offered Rate

REIT Real Estate Investment Trust

TruPS Trust Preferred Securities

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

† Represents shares.

^a All or a portion of the security is pledged as collateral in connection with the Fund's credit agreement. \$931,481,811 in aggregate has been pledged as collateral.

^b A portion of the security has been rehypothecated in connection with the Fund's credit agreement. \$415,254,336 in aggregate has been rehypothecated.

^c Security value is determined based on significant unobservable inputs (Level 3).

^d Illiquid security. Aggregate holdings equal 0.0% of the net assets of the Fund.

- e Non-income producing security.
- f Variable rate. Rate shown is in effect at June 30, 2017.
- g Perpetual security. Perpetual securities pay an indefinite stream of interest, but they may be called earlier by the issuer.
- h Resale is restricted to qualified institutional investors. Aggregate holdings amounting to \$30,864,447 or 2.1% of the net assets of the Fund, of which 0.0% are illiquid.
- i 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, 2017 (Unaudited)

ASSETS:

| | |
|--|----------------------|
| Investments in securities, at value ^a (Identified cost \$1,436,870,283) | \$ 1,929,432,588 |
| Cash | 9,875,165 |
| Receivable for: | |
| Dividends and interest | 8,689,697 |
| Investment securities sold | 425,497 |
| Other assets | 70,233 |
| Total Assets | 1,948,493,180 |

LIABILITIES:

| | |
|----------------------------|-------------------------|
| Payable for: | |
| Credit agreement | 460,000,000 |
| Investment management fees | 1,366,200 |
| Dividends declared | 459,334 |
| Interest expense | 51,311 |
| Administration fees | 32,146 |
| Directors' fees | 1,472 |
| Other liabilities | 245,972 |
| Total Liabilities | 462,156,435 |
| NET ASSETS | \$ 1,486,336,745 |

NET ASSETS consist of:

| | |
|--|-------------------------|
| Paid-in capital | \$ 927,598,268 |
| Dividends in excess of net investment income | (31,336,903) |
| Accumulated undistributed net realized gain | 97,513,075 |
| Net unrealized appreciation | 492,562,305 |
| | \$ 1,486,336,745 |

NET ASSET VALUE PER SHARE:

| | |
|---|-----------------|
| (\$1,486,336,745 ÷ 109,161,402 shares outstanding) | \$ 13.62 |
| MARKET PRICE PER SHARE | \$ 12.59 |
| MARKET PRICE PREMIUM (DISCOUNT) TO NET ASSET VALUE PER SHARE | (7.56)% |

^a Includes \$415,254,336 which has been rehypothecated in connection with the Fund's credit agreement, as described in Note 6.

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2017 (Unaudited)

| | |
|---|---------------|
| Investment Income: | |
| Dividend income | \$ 26,286,722 |
| Interest income | 3,167,972 |
| Rehypothecation income | 47,690 |
| Total Investment Income | 29,502,384 |
| Expenses: | |
| Investment management fees | 8,156,875 |
| Interest expense | 4,545,394 |
| Administration fees | 318,979 |
| Shareholder reporting expenses | 283,808 |
| Custodian fees and expenses | 81,522 |
| Directors' fees and expenses | 53,769 |
| Professional fees | 47,418 |
| Transfer agent fees and expenses | 13,217 |
| Miscellaneous | 88,325 |
| Total Expenses | 13,589,307 |
| Net Investment Income (Loss) | 15,913,077 |
| Net Realized and Unrealized Gain (Loss): | |
| Net realized gain (loss) on: | |
| Investments | 42,645,092 |
| Foreign currency transactions | 1,733 |
| Net realized gain (loss) | 42,646,825 |
| Net change in unrealized appreciation (depreciation) on investments | 14,893,344 |
| Net Realized and Unrealized Gain (Loss) | 57,540,169 |
| Net Increase (Decrease) in Net Assets Resulting from Operations | \$ 73,453,246 |

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, 2017 | For the Year Ended December 31, 2016 |
|---|--|--|
| Change in Net Assets: | | |
| From Operations: | | |
| Net investment income (loss) | \$ 15,913,077 | \$ 39,126,481 |
| Net realized gain (loss) | 42,646,825 | 94,113,972 |
| Net change in unrealized appreciation (depreciation) | 14,893,344 | (32,250,587) |
| Net increase (decrease) in net assets resulting from operations | 73,453,246 | 100,989,866 |
| Dividends and Distributions to Shareholders from: | | |
| Net investment income | (52,397,473) | (38,341,402) |
| Net realized gain | | (66,453,544) |
| Total dividends and distributions to shareholders | (52,397,473) | (104,794,946) |
| Total increase (decrease) in net assets | 21,055,773 | (3,805,080) |
| Net Assets: | | |
| Beginning of period | 1,465,280,972 | 1,469,086,052 |
| End of period ^a | \$ 1,486,336,745 | \$ 1,465,280,972 |

^a Includes dividends in excess of net investment income and accumulated undistributed net investment income of \$31,336,903 and \$5,147,493, 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, 2017 (Unaudited)

| | |
|--|---------------|
| Increase (Decrease) in Cash: | |
| Cash Flows from Operating Activities: | |
| Net increase (decrease) in net assets resulting from operations | \$ 73,453,246 |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities: | |
| Purchases of long-term investments | (366,827,952) |
| Proceeds from sales and maturities of long-term investments | 352,435,551 |
| Net purchases, sales and maturities of short-term investments | 14,400,000 |
| Net amortization of premium on investments | 143,461 |
| Net decrease in dividends and interest receivable and other assets | 2,376,375 |
| Net decrease in interest expense payable, accrued expenses and other liabilities | (143,383) |
| Net change in unrealized appreciation on investments | (14,893,344) |
| Net realized gain on investments | (42,645,092) |
| Cash provided by operating activities | 18,298,862 |
| Cash Flows from Financing Activities: | |
| Dividends and distributions paid | (52,418,570) |
| Increase (decrease) in cash | (34,119,708) |
| Cash at beginning of period | 43,994,873 |
| Cash at end of period | \$ 9,875,165 |
| Supplemental Disclosure of Cash Flow Information: | |

During the six months ended June 30, 2017, interest paid was \$4,568,439.

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.

| | For the Six Months Ended | For the Year Ended December 31, | | | | |
|--|-----------------------------|---------------------------------|----------|----------|-------------------|-------------------|
| Per Share Operating Performance: | June 30, 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Net asset value, beginning of period | \$ 13.42 | \$ 13.46 | \$ 13.54 | \$ 10.53 | \$ 10.91 | \$ 9.47 |
| Income (loss) from investment operations: | | | | | | |
| Net investment income (loss) ^a | 0.15 | 0.36 | 0.29 | 0.31 | 0.25 | 0.28 |
| Net realized and unrealized gain (loss) | 0.53 | 0.56 ^b | 0.58 | 3.46 | 0.08 ^c | 1.88 |
| Total from investment operations | 0.68 | 0.92 | 0.87 | 3.77 | 0.33 | 2.16 |
| Less dividends and distributions to shareholders from: | | | | | | |
| Net investment income | (0.48) | (0.35) | (0.28) | (0.30) | (0.26) | (0.21) |
| Net realized gain | | (0.61) | (0.68) | (0.46) | (0.46) | (0.51) |
| Total dividends and distributions to shareholders | (0.48) | (0.96) | (0.96) | (0.76) | (0.72) | (0.72) |
| Anti-dilutive effect from the issuance | | | | | 0.00 ^d | 0.00 ^d |

| | | | | | | |
|--|--------------------|----------|----------|----------|----------|----------|
| of reinvested shares | | | | | | |
| Anti-dilutive effect from the repurchase of shares | | | 0.01 | | 0.01 | |
| Net increase (decrease) in net asset value | 0.20 | (0.04) | (0.08) | 3.01 | (0.38) | 1.44 |
| Net asset value, end of period | \$ 13.62 | \$ 13.42 | \$ 13.46 | \$ 13.54 | \$ 10.53 | \$ 10.91 |
| Market value, end of period | \$ 12.59 | \$ 12.21 | \$ 12.22 | \$ 12.19 | \$ 9.48 | \$ 10.16 |
| Total net asset value return ^e | 5.37% ^f | 7.41% | 7.88% | 37.57% | 3.31% | 23.32% |
| Total market value return ^e | 7.06% ^f | 7.64% | 8.79% | 37.57% | 0.13% | 28.40% |

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

FINANCIAL HIGHLIGHTS (Unaudited) (Continued)

| Ratios/Supplemental Data: | For the Six Months Ended | For the Year Ended December 31, | | | | |
|--|-----------------------------|---------------------------------|-----------|-----------|-----------|-----------|
| | June 30, 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Net assets, end of period (in millions) | \$ 1,486.3 | \$1,465.3 | \$1,469.1 | \$1,484.8 | \$1,154.1 | \$1,200.8 |
| Ratio of expenses to average daily net assets | 1.86% ⁹ | 1.81% | | | | |