COHEN & STEERS QUALITY INCOME REALTY FUND INC
Form N-CSR
March 09, 2018

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 10017

(Address of principal executive offices) (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: December 31, 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 year ended December 31, 2017. The total returns for the Fund and its comparative benchmarks were:

	Six Months Ended December 31, 2017	Year Ended December 31, 2017
Cohen & Steers Quality Income Realty Fund at Net Asset Value[a]	3.61%	9.18%
Cohen & Steers Quality Income Realty Fund at Market Value[a]	4.33%	11.69%
FTSE NAREIT Equity REIT Index[b]	2.46%	5.23%
Blended Benchmark 80% FTSE NAREIT Equity REIT Index/20% ICE BofAML REIT Preferred Securities Index[b]	2.45%	6.84%
S&P 500 Index[b]	11.42%	21.83%

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 U.S. 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 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.

[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 net asset value (NAV) per share of the Fund.

[b] The FTSE NAREIT Equity REIT Index contains all tax-qualified real estate investment trusts (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 ICE BofAML 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 REITs. 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.

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

U.S. real estate benefited from an improving economy in 2017, which drove demand for nearly all types of property and pushed occupancy rates in many markets to near-record levels. REIT balance sheets were generally in strong shape and companies continued to access capital at historically attractive levels. And although new supply became a greater factor in some sectors, it generally remained consistent with long-term averages.

Despite these strong fundamental conditions, REITs trailed the broader stock market by a wide margin amid concerns over rising interest rates and the growing challenges facing retail landlords. The disparity in returns resulted in a widening gap in REIT valuations relative to equities: REIT earnings multiples remained relatively stable, ending 2017 at the low end of their five-year range, while those of the broader equity market expanded materially, climbing to a five-year high.

Toward the end of the year, investors turned their focus to sweeping tax cuts, signed into law on December 22, 2017, adding fuel to an already healthy U.S. economy. Because REITs pay little to no taxes, they are expected to see little direct benefit from a lower corporate tax rate. However, we believe REITs held outside of U.S. open-end funds, closed-end funds, exchange-traded funds (ETFs) and unit investment trusts gained added investor appeal due to a new 20% deduction on pass-through income, reducing the effective tax rate on REIT income distributions. Additionally, lower taxes offered the prospect of a stronger business environment and increased consumer spending that could benefit overall demand for real estate.

REIT preferred securities outpaced real estate common shares and most classes of fixed income in the period, rising 13.4% as measured by the ICE BofAML REIT Preferred Securities Index. Supported by economic growth, REIT credit fundamentals generally improved amid strong demand and relatively limited new supply across most property types.

Fund Performance

The Fund had a positive total return for the year and outperformed its blended benchmark on both a NAV and market price basis. Performance during the year varied significantly among different property sectors, with e-commerce trends having a major influence on REIT returns, weighing on retail sectors while lifting REITs that provide infrastructure for the digital ecosystem.

2

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

Data centers were among the strongest performers, as the continued adoption of cloud computing and rising digital media consumption increased the need for data storage and computing power. Our overweight in data centers was an important contributor to the Fund s relative performance. The Fund also had an out-of-index allocation to cell tower REITs, which enjoyed substantial gains due to demand for faster mobile networks and more bandwidth. Late in the period, tower companies were aided by news that Sprint would not seek to merge with T-Mobile, positioning it to become a stronger standalone entity that will need to spend more to build out its network.

Industrial warehouse companies also benefited from e-commerce growth, which has prompted the need for better logistics capabilities close to population centers that enable rapid and cheap delivery of goods to stores and consumers. However, the Fund was underweight the sector based on our view that its growth story was well known and near-term valuations had become stretched.

Regional malls struggled amid soft year-over-year sales comparisons for major brick-and-mortar retailers, department store closings and tenant bankruptcies. The Fund s underweight allocation and favorable stock selection in the sector aided relative performance. The Fund s exposure was concentrated in owners of high-quality regional malls that ended the year largely unchanged. The stocks recovered from earlier losses as bids for GGP and Australia s Westfield, both of which own Class A malls in the U.S., boosted expectations that activist investors could target other higher-quality companies in the sector. We chose not to own lower-tier mall companies, which lagged far behind on continuing concerns about future occupancy rates and capital expenditure requirements.

Shopping centers also declined on tenant bankruptcies, increasing vacancies and downward pressure on rents. Investors were also concerned that grocery store anchor tenants may face competition from Amazon s entry into the space. Our underweight and stock selection in the sector contributed to relative performance, as we largely avoided the weakest stocks in the sector.

Hotels, which are levered to business travel and spending, rose on the improving economic outlook. The Fund held overweight positions in several companies, including Pebblebrook Hotel Trust and Host Hotels & Resorts, both of which outperformed on healthy fundamentals.

Among residential sectors, manufactured homes and single family homes for rent benefited from the improving job market and favorable supply-demand trends. Essentially no new supply has been created in either sector in recent years, while demand has been increasing. Our stock selection and overweight in single family homes contributed to relative performance, including an overweight position in Starwood Waypoint Homes, which rose on its merger with Invitation Homes, creating a combined company with 82,000 homes in its rental portfolio. The Fund s overweight in manufactured homes also contributed to relative performance.

Apartments also generally benefited from an improving job market and expensive coastal housing markets. However, our stock selection and overweight in the sector detracted from relative performance, due primarily to our overweight in student housing landlord American Campus Communities, which reported underwhelming results.

Office owners displayed a broad dispersion in returns: West Coast office companies produced solid gains, while New York-focused REITs underperformed amid more challenging conditions related to increased supply, continued space densification and reduced demand from banks and financial service companies, their primary tenants. Beneficial stock selection in offices contributed relative performance.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

The self storage sector trailed the benchmark as growth continued to decelerate after peaking in 2016 amid rising supply. Demand picked up in hurricane-affected areas in Texas and Florida in the fall, however. Favorable stock selection in the sector aided the Fund s relative performance, including an overweight in Extra Space Storage, although this was offset by our underweight in the sector.

Health care underperformed due to concerns about skilled nursing government reimbursement and supply in the area of senior housing. Medical office building and life-science-focused companies generally performed well amid steady fundamentals. Our underweight and security selection in health care positively impacted relative performance.

In the specialty sector, which comprises companies engaged in a wide variety of businesses, our underweight allocation and stock selection detracted from relative performance. We chose not to own document storage company Iron Mountain. Viewed as a defensive company, Iron Mountain rallied on efficiency gains and from an earlier announced acquisition. The timing of our allocations to CoreCivic, which operates detention facilities, also hampered relative performance.

The Fund s underweight allocation and security selection in REIT preferreds detracted from relative performance, including not owning several issues from self storage company Public Storage that outperformed the benchmark.

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 12-month period ended December 31, 2017.

Sincerely,

THOMAS N. BOHJALIAN *Portfolio Manager*	WILLIAM F. SCAPELL *Portfolio Manager*

JASON YABLON

Portfolio Manager

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 December 31, 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 NAV 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	2.4%[a]
Weighted Average Term on Financing	3.6 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 NAV 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 for the 2021 and 2022 fixed-rate tranches 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 December 31, 2017. Information is subject to change.

[c] See Note 6 in Notes to Financial Statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

December 31, 2017

Top Ten Holdings[a]

(Unaudited)

Security	Value	% of Managed Assets
Simon Property Group	$ 94,304,323	4.9
Equinix	91,125,320	4.7
Prologis	89,697,284	4.6
UDR	66,588,253	3.4
Equity Residential	65,643,180	3.4
Host Hotels & Resorts	58,644,582	3.0
Essex Property Trust	54,338,421	2.8
Crown Castle International Corp.	50,277,872	2.6
Healthcare Trust of America, Class A	46,977,153	2.4
Mid-America Apartment Communities	46,036,066	2.4

[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

December 31, 2017

		Number of Shares	Value
COMMON STOCK	106.2%		
COMMUNICATIONS TOWERS	3.4%		
Crown Castle International Corp.		452,913	$ 50,277,872
REAL ESTATE	102.8%		
DATA CENTERS	10.4%		
CyrusOne[a,b]		383,706	22,842,018
Digital Realty Trust[a,b]		359,662	40,965,502
Equinix[a,b]		201,062	91,125,320
			154,932,840
DIVERSIFIED	1.4%		
American Assets Trust[a,b]		337,860	12,919,767
BGP Holdings PLC (EUR) (Australia)[c,d]		3,927,678	0
JBG SMITH Properties[a,b]		204,084	7,087,837
			20,007,604
HEALTH CARE	9.0%		
HCP[a,b]		1,239,948	32,337,844
Healthcare Trust of America, Class A[a,b]		1,563,820	46,977,153
National Health Investors[a,b]		263,998	19,900,169
Physicians Realty Trust[a,b]		1,913,060	34,415,949
			133,631,115
HOTEL	6.8%		
Host Hotels & Resorts[a,b]		2,954,387	58,644,582
Pebblebrook Hotel Trust		467,408	17,373,555
Sunstone Hotel Investors[a,b]		1,493,037	24,679,902
			100,698,039
INDUSTRIALS	6.1%		
Prologis[a,b]		1,390,440	89,697,284
NET LEASE	4.3%		

Four Corners Property Trust		849,169	21,823,643
Gaming and Leisure Properties		615,634	22,778,458
Gramercy Property Trust		727,008	19,382,033
			63,984,134
OFFICE	16.1%		
Alexandria Real Estate Equities[a,b]		276,221	36,071,700

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
Boston Properties[a,b]		294,272	$ 38,264,188
Douglas Emmett[a,b]		828,297	34,009,875
Highwoods Properties		376,096	19,147,047
Hudson Pacific Properties[a,b]		554,129	18,978,918
Kilroy Realty Corp.[a,b]		450,652	33,641,172
SL Green Realty Corp.		264,705	26,716,676
Vornado Realty Trust[a,b]		408,169	31,910,653
			238,740,229
Residential	25.4%		
Apartment	16.8%		
Apartment Investment & Management Co., Class A[a]		385,952	16,869,962
Equity Residential[a,b]		1,029,374	65,643,180
Essex Property Trust[a,b]		225,125	54,338,421
Mid-America Apartment Communities		457,797	46,036,066
UDR[a,b]		1,728,667	66,588,253
			249,475,882
Manufactured Home	3.0%		
Sun Communities[a,b]		474,661	44,039,048
Single Family	3.0%		
Invitation Homes		1,919,622	45,245,490
Student Housing	2.6%		
American Campus Communities[a,b]		942,138	38,655,922
Total Residential			377,416,342
Self Storage	6.5%		
Extra Space Storage[a,b]		352,420	30,819,129
Life Storage[a,b]		266,266	23,716,313
Public Storage[a,b]		202,733	42,371,197
			96,906,639

Shopping Centers	12.5%		
Community Center	4.1%		
Brixmor Property Group[a,b]		758,339	14,150,606
Regency Centers Corp.[a,b]		450,728	31,181,363
Weingarten Realty Investors[a]		492,937	16,202,839
			61,534,808

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
Regional Mall	8.4%		
GGP[a,b]		1,280,586	$ 29,952,907
Simon Property Group[a,b]		549,111	94,304,323
			124,257,230
Total Shopping Centers			185,792,038
Specialty	4.3%		
CoreCivic[a]		502,099	11,297,227
Lamar Advertising Co., Class A		313,287	23,258,427
QTS Realty Trust, Class A[a]		539,499	29,219,266
			63,774,920
Total Real Estate			1,525,581,184
Total Common Stock (Identified cost $1,089,610,233)			1,575,859,056
Preferred Securities $25 Par Value	16.5%		
Banks	0.7%		
GMAC Capital Trust I, 7.201% , due 2/15/40, Series 2 (TruPS) (FRN) (3 Month US LIBOR + 5.785%)[e]		250,000	6,487,500
Huntington Bancshares, 6.25%, Series D[f]		113,600	3,196,704
			9,684,204
Financial Diversified Financial Services	0.2%		
KKR & Co. LP, 6.75%, Series A[f]		120,000	3,241,200
Industrials	0.2%		
CHS, 6.75% to 9/30/24[f,g]		107,931	2,856,933
Real Estate	15.4%		
Diversified	4.6%		
Colony NorthStar, 8.25%, Series B[f]		34,183	868,932
Colony NorthStar, 8.50%, Series D[f]		191,097	4,884,439

Colony NorthStar, 8.75%, Series E[a,f]	172,107	4,572,883
Colony NorthStar, 7.15%, Series I[a,f]	105,000	2,643,900
EPR Properties, 9.00%, Series E (Convertible)[a,f]	251,000	9,174,050
EPR Properties, 5.75%, Series G[f]	195,000	4,880,850
Investors Real Estate Trust, 6.625%, Series C[f]	98,959	2,575,408
Lexington Realty Trust, 6.50%, Series C ($50 Par Value)[a,f]	76,395	3,920,973
National Retail Properties, 5.70%, Series E[f]	175,615	4,488,720

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
National Retail Properties, 5.20%, Series F[f]		111,902	$ 2,807,621
Urstadt Biddle Properties, 6.75%, Series G[f]		50,000	1,318,000
Urstadt Biddle Properties, 6.25%, Series H[f]		122,556	3,204,840
VEREIT, 6.70%, Series F[a,f]		710,890	18,177,457
Wells Fargo Real Estate Investment Corp., 6.375%, Series A[f]		207,537	5,497,655
			69,015,728
FINANCE	0.2%		
Ventas Realty LP/Ventas Capital Corp., 5.45%, due 3/15/43		130,054	3,271,508
HOTEL	2.4%		
Ashford Hospitality Trust, 7.375%, Series F[f]		216,000	5,486,400
Ashford Hospitality Trust, 7.50%, Series H[f]		100,000	2,541,000
Ashford Hospitality Trust, 7.50%, Series I[f]		165,000	4,143,150
LaSalle Hotel Properties, 6.30%, Series J[f]		134,000	3,449,160
Pebblebrook Hotel Trust, 6.50%, Series C[f]		160,000	4,043,200
Summit Hotel Properties, 6.45%, Series D[f]		123,000	3,136,500
Summit Hotel Properties, 6.25%, Series E[f]		185,000	4,748,950
Sunstone Hotel Investors, 6.95%, Series E[f]		180,000	4,714,200
Sunstone Hotel Investors, 6.45%, Series F[f]		127,100	3,239,779
			35,502,339
INDUSTRIALS	1.3%		
Monmouth Real Estate Investment Corp., 6.125%, Series C[f]		200,000	5,008,000
PS Business Parks, 5.75%, Series U[a,b,f]		217,978	5,503,945
PS Business Parks, 5.70%, Series V[f]		120,000	3,036,000
Rexford Industrial Realty, 5.875%, Series A[f]		85,500	2,175,975
STAG Industrial, 6.875%, Series C[f]		120,000	3,141,600
			18,865,520
MANUFACTURED HOME	0.1%		
UMH Properties, 6.75%, Series C[f]		58,725	1,597,320
MORTGAGE	0.2%		
		120,000	3,098,400

Annaly Capital Management, 6.95% to 9/30/22, Series F[f,g]			
NET LEASE	0.4%		
Gladstone Commercial Corp., 7.00%, Series D[f]		20,000	518,000

See accompanying notes to financial statements.

11

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
Spirit Realty Capital, 6.00%, Series A[f]		189,071	$ 4,696,524
			5,214,524
Office	1.1%		
SL Green Realty Corp., 6.50%, Series I[f]		197,446	4,951,946
Vornado Realty Trust, 6.625%, Series G[f]		180,000	4,503,600
Vornado Realty Trust, 6.625%, Series I[f]		172,420	4,327,742
Vornado Realty Trust, 5.70%, Series K[f]		86,024	2,172,966
			15,956,254
Residential	1.5%		
Apartment	0.7%		
Apartment Investment & Management Co., 6.875%[a,f]		204,000	5,589,600
Blue Rock Residential Growth REIT, 8.25%, Series A[f]		157,100	4,143,905
			9,733,505
Single Family	0.8%		
American Homes 4 Rent, 5.50%, Series C[f]		70,000	1,991,500
American Homes 4 Rent, 6.50%, Series D[f]		201,340	5,512,689
American Homes 4 Rent, 6.35%, Series E[f]		177,900	4,765,941
			12,270,130
Total Residential			22,003,635
Self Storage	0.3%		
National Storage Affiliates Trust, 6.00% to 10/11/22, Series A[f]		120,000	3,124,800
Public Storage, 4.90%, Series E[f]		75,286	1,873,869
			4,998,669
Shopping Centers	2.6%		
Community Center	1.4%		
Cedar Realty Trust, 7.25%, Series B[a,f]		109,652	2,769,809
DDR Corp., 6.375%, Series A[f]		172,703	4,542,089

DDR Corp., 6.50%, Series J[a,f]		416,300	10,449,130
Saul Centers, 6.875%, Series C[f]		99,725	2,518,056
			20,279,084
REGIONAL MALL	1.2%		
GGP, 6.375%, Series A[f]		231,468	5,842,252

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
Pennsylvania REIT, 7.20%, Series C[f]		158,825	$ 4,113,568
Pennsylvania REIT, 6.875%, Series D[f]		120,000	3,013,200
Taubman Centers, 6.25%, Series K[f]		187,582	4,732,694
			17,701,714
Total Shopping Centers			37,980,798
Specialty	0.7%		
Digital Realty Trust, 6.625%, Series C[f]		150,000	4,138,500
Digital Realty Trust, 6.35%, Series I[f]		234,000	6,437,340
			10,575,840
Total Real Estate			228,080,535
Total Preferred Securities $25 Par Value (Identified cost $227,690,598)			243,862,872

		Principal Amount	
Preferred Securities Capital Securities	6.7%		
Banks	1.4%		
Bank of America Corp., 6.30% to 3/10/26, Series DD[a,b,f,g]		$ 7,000,000	7,927,500
Farm Credit Bank of Texas, 10.00%, 144A, Series I[a,f,h]		6,000	7,170,000
JPMorgan Chase & Co., 6.75% to 2/1/24, Series S[f,g]		4,500,000	5,101,875
			20,199,375
Banks Foreign	2.6%		
BNP Paribas SA, 7.625% to 3/30/21, 144A (France)[f,g,h]		2,000,000	2,205,000
Credit Agricole SA, 8.125% to 12/23/25, 144A (France)[f,g,h]		2,000,000	2,403,712
Credit Suisse Group AG, 7.50% to 12/11/23, 144A (Switzerland)[f,g,h]		2,891,000	3,310,050
DNB Bank ASA, 6.50% to 3/26/22 (Norway)[f,g]		3,000,000	3,232,500
Dresdner Funding Trust I, 8.151%, due 6/30/31, 144A (Germany)[h]		4,000,000	5,317,512
HBOS Capital Funding LP, 6.85% (United Kingdom)[f]		2,600,000	2,674,360
Lloyds Banking Group PLC, 7.50% to 6/27/24 (United Kingdom)[f,g]		4,000,000	4,545,000

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Principal Amount	Value
Royal Bank of Scotland Group PLC, 7.648% to 9/30/31 (United Kingdom)[f,g]		$ 4,000,000	$ 5,240,000
Royal Bank of Scotland Group PLC, 8.625% to 8/15/21 (United Kingdom)[f,g]		4,300,000	4,853,625
UBS Group AG, 7.125% to 2/19/20 (Switzerland)[f,g]		4,200,000	4,468,779
			38,250,538
COMMUNICATIONS	0.6%		
Crown Castle International Corp., 6.875%, due 8/1/20, Series A (Convertible)[a]		7,700	8,706,198
INSURANCE	0.6%		
LIFE/HEALTH INSURANCE FOREIGN	0.3%		
La Mondiale Vie, 7.625% to 4/23/19 (France)[f,g]		3,750,000	3,978,506
PROPERTY CASUALTY FOREIGN	0.3%		
QBE Insurance Group Ltd., 6.75% to 12/2/24, due 12/2/44 (Australia)[g]		4,052,000	4,609,150
TOTAL INSURANCE			8,587,656
REAL ESTATE	1.1%		
FINANCE	0.9%		
AT Securities BV, 5.25% to 7/21/23 (Netherlands)[f,g]		7,500,000	7,613,325
CyrusOne LP/CyrusOne Finance Corp., 5.00%, due 3/15/24, 144A[h]		2,000,000	2,080,000
CyrusOne LP/CyrusOne Finance Corp., 5.375%, due 3/15/27, 144A[h]		4,000,000	4,210,000
			13,903,325
SPECIALTY	0.2%		
Equinix, 5.375%, due 5/15/27		3,000,000	3,217,500
TOTAL REAL ESTATE			17,120,825
UTILITIES	0.4%		
Enel SpA, 8.75% to 9/24/23, due 9/24/73, 144A (Italy)[g,h]		5,250,000	6,542,813
TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost $89,529,426)			99,407,405

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
SHORT-TERM INVESTMENTS	1.1%		
MONEY MARKET FUNDS			
State Street Institutional Treasury Money Market Fund, Premier Class, 1.15%[i]		16,664,500	$ 16,664,500
TOTAL SHORT-TERM INVESTMENTS (Identified cost $16,664,500)			16,664,500
TOTAL INVESTMENTS IN SECURITIES (Identified cost $1,423,494,757)	130.5%		1,935,793,833
LIABILITIES IN EXCESS OF OTHER ASSETS	(30.5)		(451,868,500)
NET ASSETS (Equivalent to $13.59 per share based on 109,161,402 shares of common stock outstanding)	100.0%		$ 1,483,925,333

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. $938,191,277 in aggregate has been pledged as collateral.

[b] A portion of the security has been rehypothecated in connection with the Fund s credit agreement. $422,786,217 in aggregate has been rehypothecated.

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

[d] Non-income producing security.

[e] Variable rate. Rate shown is in effect at December 31, 2017.

[f] Perpetual security. Perpetual securities have no stated maturity date, but they may be called/redeemed by the issuer. The date indicated, if any, represents the next call date.

[g] Security converts to floating rate after the indicated fixed-rate coupon period.

[h] Resale is restricted to qualified institutional investors. Aggregate holdings amounted to $33,239,087 or 2.2% 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

December 31, 2017

ASSETS:	
Investments in securities, at value[a] (Identified cost $1,423,494,757)	$ 1,935,793,833
Receivable for dividends and interest	10,001,593
Other assets	458,716
Total Assets	1,946,254,142
LIABILITIES:	
Payable for:	
Credit agreement	460,000,000
Investment management fees	1,402,752
Dividends and distributions declared	435,245
Interest expense	123,945
Administration fees	99,018
Directors fees	156
Other liabilities	267,693
Total Liabilities	462,328,809
NET ASSETS	$ 1,483,925,333
NET ASSETS consist of:	
Paid-in capital	$ 927,715,106
Accumulated undistributed net investment income	6,277,711
Accumulated undistributed net realized gain	37,633,440
Net unrealized appreciation	512,299,076
	$ 1,483,925,333
NET ASSET VALUE PER SHARE:	
($1,483,925,333 ÷ 109,161,402 shares outstanding)	$ 13.59
MARKET PRICE PER SHARE	$ 12.65
MARKET PRICE PREMIUM (DISCOUNT) TO NET ASSET VALUE PER SHARE	(6.92)%

[a] Includes $938,191,277 pledged, of which $422,786,217 has been rehypothecated, in connection with the Fund s credit agreement, as describe in Note 6.

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2017

Investment Income:	
Dividend income	$ 57,048,265
Interest income	6,098,337
Rehypothecation income	95,547
Total Investment Income	63,242,149
Expenses:	
Investment management fees	16,479,853
Interest expense	9,315,170
Administration fees	796,602
Shareholder reporting expenses	621,117
Custodian fees and expenses	134,168
Directors fees and expenses	105,695
Professional fees	89,710
Transfer agent fees and expenses	30,406
Miscellaneous	184,293
Total Expenses	27,757,014
Net Investment Income (Loss)	35,485,135
Net Realized and Unrealized Gain (Loss):	
Net realized gain (loss) on:	
Investments in securities	52,878,247
Foreign currency transactions	445,810
Net realized gain (loss)	53,324,057
Net change in unrealized appreciation (depreciation) on investments in securities	34,630,115
Net Realized and Unrealized Gain (Loss)	87,954,172
Net Increase (Decrease) in Net Assets Resulting from Operations	$ 123,439,307

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Change in Net Assets:		
From Operations:		
Net investment income (loss)	$ 35,485,135	$ 39,126,481
Net realized gain (loss)	53,324,057	94,113,972
Net change in unrealized appreciation (depreciation)	34,630,115	(32,250,587)
Net increase (decrease) in net assets resulting from operations	123,439,307	100,989,866
Dividends and Distributions to Shareholders from:		
Net investment income	(34,817,682)	(38,341,402)
Net realized gain	(69,977,264)	(66,453,544)
Total dividends and distributions to shareholders	(104,794,946)	(104,794,946)
Total increase (decrease) in net assets	18,644,361	