COHEN & STEERS REIT & PREFERRED INCOME FUND INC
Form N-CSRS
September 03, 2010

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 811-21326

Cohen & Steers REIT and Preferred Income Fund, Inc.
(Exact name of registrant as specified in charter)

280 Park Avenue, New York, NY — 10017
(Address of principal executive offices) — (Zip code)

Adam M. Derechin
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, 2010

Item 1. Reports to Stockholders.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

To Our Shareholders:

We would like to share with you our report for the six months ended June 30, 2010. The net asset value (NAV) at that date was $13.12 per common share. The Fund's common stock is traded on the New York Stock Exchange (NYSE) and its share price can differ from its NAV; at period end, the Fund's closing price on the NYSE was $10.56.

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

	Six Months Ended June 30, 2010
Cohen & Steers REIT and Preferred Income Fund at Market Value[a]	5.62%
Cohen & Steers REIT and Preferred Income Fund at NAV[a]	5.86%
FTSE NAREIT Equity REIT Index[b]	5.56%
S&P 500 Index[b]	6.65%
BofA Merrill Lynch Fixed Rate Preferred Index[b]	4.68%
Blended benchmark 50% FTSE NAREIT Equity REIT Index/50% BofA Merrill Lynch Fixed Rate Preferred Index[b]	5.40%

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 Web site at cohenandsteers.com.

The Fund implements fair value pricing when the daily change in a specific U.S. market index exceeds a predetermined percentage. Fair value pricing adjusts the valuation of non-U.S. holdings to account for such index change following the close of foreign markets. This standard practice has been adopted by a majority of the fund industry to deter investors from arbitraging funds with a large percentage of non-U.S. holdings. In the event fair value pricing is implemented on the first and/or last day of a performance measurement period, the Fund's return may diverge from the relative performance of its benchmark index, which does not use fair value pricing. An investor cannot invest directly in an index.

[a] As a closed-end investment company, the price of the Fund's NYSE-traded shares will be set by market forces and at times may deviate from the NAV per share of the Fund.

[b] The FTSE NAREIT Equity REIT Index is an unmanaged, market-capitalization-weighted index of all publicly traded REITs that invest predominantly in the equity ownership of real estate. The index is designed to reflect the performance of all publicly traded equity REITs as a whole. The S&P 500 Index is an unmanaged index of common stocks that is frequently used as a general measure of stock market performance. The BofA Merrill Lynch Fixed Rate Preferred Index is an unmanaged index of preferred securities.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

The Fund may pay distributions in excess of its investment company taxable income and net realized capital 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.

Investment Review

U.S. real estate stocks made gains across virtually all sectors in the first six months of 2010. The group began to rise in February as fourth-quarter 2009 earnings generally met expectations and indicated stabilization in occupancies and rents. REITs gave back some ground when risk factors, such as Europe's sovereign debt crisis, weighed on capital markets. They nonetheless outperformed the broad U.S. equity market by a wide margin for the period.

The apartment sector (which had a total return of +16.3% for the period)[c] benefited from improved pricing power due to growth in employment that encouraged household formation, which subsequently led to demand for apartment units. The hotel sector (+10.8%) was another top performer. Revenue per available room began to grow again and signaled that a sustainable recovery might be at hand.

Regional malls (+6.0%) also outperformed, led by highly leveraged companies that recapitalized. Shopping centers (+3.2%), which tend to have more stable anchor tenants such as grocery stores, lagged in the cyclical recovery.

The office sector (+0.8%) had mixed performance. Offices in major city centers have seen a trough in occupancies and fewer rent concessions, and in certain cases have even started to raise rents. Companies in suburban markets generally struggled, primarily due to lack of demand from tenants. The industrial sector (13.8%) was the only sector to end the period in negative territory. ProLogis, the largest weight in the sector, had disappointing earnings and was pressured by concerns over its exposure to Europe.

Acquisition activity picked up

There was an increase in earnings-accretive acquisition announcements, a development we have been expecting. Ventas, a REIT that operates senior housing and health care properties, acquired a portfolio of 95 medical office buildings and ambulatory facilities at a price between $300 million and $400 million. The transaction gave Ventas a 100% interest in some of the properties and joint venture interests in the others, which

[c] Sector returns as measured by the FTSE NAREIT Equity REIT Index. Past performance does not guarantee future results. This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

could result in significant value creation. The deal also highlights how joint ventures are becoming an attractive source of acquisition opportunities, as partners buy each other out at reasonable prices.

Preferreds had positive returns

Preferred securities advanced despite concerns about Europe's sovereign debt crisis and the possibility of U.S. financial reform legislation (financial companies are the primary issuer of preferreds). Bank preferreds advanced. Earnings were generally good and indicated that large institutions could be close to seeing a peak in their loan loss provisioning. Preferreds issued by media companies outperformed amid signs of a turnaround in advertising spending. REIT preferreds benefited from the factors that lifted real estate common shares, including a flow of equity and bond deals that supported REITs' credit improvements.

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), enhanced the Fund's performance for the year compared with its benchmarks, which are not leveraged.

Regarding the Fund's allocation to REITs, our overweight in the industrial sector, most specifically ProLogis, hampered performance. The stock declined in part due to concerns over its European property exposure. That notwithstanding, we believe the company is attractive and is experiencing positive momentum in Europe.

Within the health care sector, our out-of-index allocation to Brookdale Senior Living declined. Unlike more traditional net lease health care companies, Brookdale's underlying fundamentals are more dependent on a healthy economy specifically, strong employment and a stable housing market. Brookdale was also affected by a large equity offering by existing shareholders. Security selection in the regional mall sector also detracted from relative return; we favored higher-quality companies that trailed in the cyclical rally.

Factors that helped performance included our stock selection and underweight in office REITs; we focused on owners of urban properties. Our stock selection and overweight in the apartment sector also aided relative performance. We believe that apartments will be the main beneficiaries of household formation over the next year.

The Fund's allocation to preferred securities performed about in line with the BofA Merrill Lynch Fixed Rate Preferred Index. Compared with the blended benchmark, our underweight in preferreds was beneficial, as they trailed REIT common shares in the period.

Investment Outlook

We expect the economy and jobs picture to improve through the rest of 2010, although the potential magnitude of the recovery is unclear. There will likely be statistical aberrations, both high and low, with respect to employment and other critical data. Nonetheless, we believe the cyclical upturn will continue, albeit at a more moderate pace. Even modest economic growth should allow for single-digit earnings growth among REITs, with even higher rates of dividend growth as REIT payout ratios move up from historically low levels.

The trend of companies making purchases that are accretive to earnings and NAV could gain further momentum, in our view. At the same time, we have been witnessing a recovery in fundamentals in certain sectors. Combined with what we believe will be low single-digit U.S. GDP growth in 2010, the onset of the acquisition and fundamental-recovery stages for REITs should be a positive long-term development.

With respect to preferred securities, we believe total-return prospects remain attractive. The group had an average yield of 7.4% as of June 30, compared with yields of 4.3% for comparably rated corporate bonds and 3.0% for the 10-year Treasury. With interest rates likely to remain exceptionally low for an extended period, preferreds should remain appealing to investors seeking high and stable levels of income. For the near term, we expect most return to come from their high income; however, if balance sheets continue to improve in the months ahead, as we believe they will, we could see catalysts for stronger performance.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

Sincerely,

MARTIN COHEN	ROBERT H. STEERS
Co-chairman	*Co-chairman*
JOSEPH M. HARVEY	WILLIAM F. SCAPELL
Portfolio Manager	*Portfolio Manager*

THOMAS N. BOHJALIAN

Portfolio Manager

The views and opinions in the preceding commentary are subject to change. 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 any of our funds, visit cohenandsteers.com, where you will find daily net asset values, fund fact sheets and portfolio highlights. You can also access newsletters, education tools and market updates covering the global real estate, listed infrastructure, utilities, large cap value and preferred securities sectors.

In addition, our Web site contains comprehensive information about our firm, including our most recent press releases, profiles of our senior investment professionals and an overview of our investment approach.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

Our Leverage Strategy
(Unaudited)

Our current leverage strategy utilizes borrowings up to the maximum permitted by the 1940 Act to provide additional capital for the Fund, with an objective of increasing the net income available for shareholders. As of June 30, 2010, leverage represented 34%[a] of the Fund's managed assets.

It has been our philosophy to utilize interest rate swap transactions to seek to reduce the interest rate risk inherent in our utilization of leverage. Considering that borrowings have variable interest rate payments, we seek to lock in those rates on a significant portion of this additional capital through interest rate swap agreements (where we effectively convert our variable rate obligation to a fixed rate obligation for the term of the swap agreements). Specifically, as of June 30, 2010, we have fixed the rate on 53% of our borrowings at an average interest rate of 3.6% for an average remaining period of 3.2 years (when we first entered into the swaps, the average term was 5.6 years). 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 a portion of the Fund's leveraging costs for the term of the swap agreements partially protects the Fund's expenses from an increase in short-term interest rates.

Leverage Facts[b]

Leverage (as a % of managed assets)[a]	34%
% Fixed Rate	53%
% Variable Rate	47%
Weighted Average Rate on Swaps	3.6%
Weighted Average Term on Swaps	3.2 years
Current Rate on Debt[c]	1.4%

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 common 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 a realized investment yield that is greater than the total cost of leverage, the leverage strategy will produce higher current net investment income for the common shareholders. On the other hand, to the extent that the total cost of leverage exceeds the incremental income gained from employing such leverage, the common 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 common shareholders. Specifically, in an up market, leverage will typically generate greater capital appreciation than if the Fund was 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 common shareholders. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed.

[a] On June 1, 2009, the Securities and Exchange Commission (the "SEC") issued an order (the "Order") to the Fund providing an exemption from Section 18(a)(1) of the 1940 Act. The Order temporarily permits the Fund to maintain 200% asset coverage for debt used to replace auction market preferred securities ("AMPS") rather than 300% asset coverage required by Section 18(a)(1) for debt. Effective June 15, 2010, it was no longer necessary for the Fund to utilize the temporary relief and the Fund began complying with the 300% asset coverage required by Section 18(a)(1). The decrease in asset coverage below 300% was caused by a decrease in market value of the Fund's portfolio securities and is not deemed to be a violation of Section 18(a)(1).

[b] Data as of June 30, 2010. Information is subject to change.

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

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

JUNE 30, 2010

Top Ten Holdings[a]
(Unaudited)

Security	Value	% of Managed Assets
Simon Property Group	$ 50,650,276	5.2%
Public Storage	21,351,581	2.2
Host Hotels & Resorts	18,821,666	1.9
HSBC Capital Funding LP, 10.176%, due 12/29/49, 144A	17,667,130	1.8
Equity Residential	17,285,180	1.8
AgFirst Farm Credit Bank, 7.30%, due 10/14/49, 144A	15,853,374	1.6
JPMorgan Chase & Co., 7.90%, due 12/31/49	15,511,485	1.6
Vornado Realty Trust	15,053,962	1.6
ProLogis	13,887,703	1.4
Centaur Funding Corp., 9.08%, due 4/21/20, 144A	13,504,545	1.4

[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 REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS

June 30, 2010 (Unaudited)

		Number of Shares	Value
COMMON STOCK	69.1%		
FINANCIAL BANK	0.3%		
SJB Escrow Corp., Class A, 144A[a,b,c,d]		107,000	$ 2,140,000
REAL ESTATE	68.8%		
DIVERSIFIED	4.8%		
Dexus Property Group (Australia)[d]		3,555,549	2,281,520
Duke Realty Corp.		257,790	2,925,916
Forest City Enterprises[c,e]		463,800	5,250,216
Lexington Realty Trust[e,f]		764,067	4,592,043
Vornado Realty Trust[e,f]		206,360	15,053,962
			30,103,657
HEALTH CARE	6.1%		
Brookdale Senior Living[c,e,f]		379,443	5,691,645
HCP[e,f]		323,830	10,443,517
Health Care REIT		206,071	8,679,711
LTC Properties		200,000	4,854,000
Nationwide Health Properties[e,f]		247,610	8,857,010
			38,525,883
HOTEL	5.6%		
Chesapeake Lodging Trust[c,g]		44,487	703,784
Hersha Hospitality Trust		797,797	3,606,042
Hospitality Properties Trust[e,f]		309,202	6,524,162
Host Hotels & Resorts[e,f]		1,396,266	18,821,666
Strategic Hotels & Resorts[c]		562,800	2,470,692
Sunstone Hotel Investors[c]		317,662	3,154,384
			35,280,730
INDUSTRIAL	3.2%		
EastGroup Properties		130,180	4,631,804
ProLogis[e,f]		1,370,948	13,887,703
Segro PLC (United Kingdom)[d]		516,200	1,946,295
			20,465,802

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2010 (Unaudited)

		Number of Shares	Value
MORTGAGE	0.4%		
MFA Financial[e]		336,040	$ 2,486,696
OFFICE	8.8%		
BioMed Realty Trust[e]		286,552	4,610,622
Boston Properties[e,g]		175,078	12,490,065
BR Properties SA (Brazil)		354,946	2,526,901
Brookfield Properties Corp. (Canada)[e]		180,630	2,536,045
Douglas Emmett		313,300	4,455,126
Hongkong Land Holdings Ltd. (USD) (Singapore)[d,e]		486,600	2,405,273
ING Office Fund (Australia)[d,e]		4,412,077	2,129,973
Kilroy Realty Corp.			