

COHEN & STEERS QUALITY INCOME REALTY FUND INC
Form N-CSRS
September 01, 2011

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)

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, 2011

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, 2011. The net asset value (NAV) at that date was \$10.46 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 \$9.77.

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

	Six Months Ended June 30, 2011
Cohen & Steers Quality Income Realty Fund at Market Value ^a	17.02%
Cohen & Steers Quality Income Realty Fund at NAV ^a	13.36%
FTSE NAREIT Equity REIT Index ^b	10.20%
S&P 500 Index ^b	6.02%
Blended benchmark 80% FTSE NAREIT Equity REIT Index, 20% BofA Merrill Lynch REIT Preferred Index ^b	9.39%

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 Merrill Lynch REIT Preferred Index is an unmanaged index of real estate preferred securities.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

The Fund makes regular quarterly distributions at a level rate (the "Policy"). Distributions paid by the Fund are subject to recharacterization for tax purposes and are taxable up to the amount of the Fund's investment company taxable income and net realized gains. As a result of the Policy, the Fund may pay distributions in excess of the Fund's investment company taxable income and 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.

Investment Review

For the six-month period ended June 30, 2011, U.S. real estate securities had good performance in absolute terms as well as relative to the broader equity market. REITs benefited from a steady improvement in real estate fundamentals, low and declining capital costs and an increasing number of transactions that revealed rising property values.

However, REITs, along with financial markets in general, faced frequent volatility resulting from natural disasters and economic uncertainty. Stocks came under pressure in March following the earthquake in Japan, and then again in June amid renewed fears of a Greek default and disappointing U.S. economic reports. The period ended on a positive note with news of passage of an austerity plan by Greece's parliament and encouraging U.S. manufacturing data.

Regional malls paced the rally

Nearly all property sectors had gains, led by regional mall owners (+15.8% total return^c within the index). The sector's strong showing reflected stabilizing retail sales and continued investor interest in acquiring regional malls that the Westfield Group was marketing for sale.

The apartment sector (+14.1%) outperformed amid increased demand, strong pricing power and very low new supply. Occupancies have been supported by positive demographics and fewer people having the confidence to purchase single-family homes.

Office companies (+12.5%) performed well as a group, but results varied widely. Those located in urban areas tended to benefit from improving leasing trends and rising global investment demand for office assets located in major cities. Office operators with suburban properties continued to face challenging fundamentals.

The health care sector (+6.0%) underperformed on relatively high valuations and uncertainty surrounding various Medicare budget proposals. Hotels (-2.4%) struggled amid high oil prices and concerns regarding the durability of global economic growth.

^c Sector returns as measured by the FTSE NAREIT Equity REIT Index.

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REIT Preferred securities also advanced

Preferred securities issued by REITs had a total return of +5.9% in the period as measured by the BofA Merrill Lynch REIT Preferred Index. The group was aided by the factors that lifted real estate common shares and by demand for quality income in a low-yield environment.

Fund performance

Factors that helped the Fund's performance compared with its blended benchmark included stock selection in the office and health care sectors. Within offices, we stayed focused on urban properties located in areas with above-average employment growth. Our underweight in health care property companies also aided returns. The Fund's allocation to REIT preferreds helped performance due to favorable security selection.

Stock selection in the hotel sector detracted from performance, as it did in the apartment sector, although our overweight in apartments partly offset the selection effect.

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 period compared with its benchmarks, which are not leveraged.

Impact of derivatives on Fund performance

In connection with its use of leverage, the Fund pays interest on borrowings based on a floating rate under the terms of its credit agreement. To reduce the impact that changes in interest rates could have on the performance of the Fund with respect to these borrowings, we used interest rate swaps to exchange the floating rate for a fixed rate.

During the period, the Fund's use of swaps had a negative impact on the NAV and performance of the Fund.

Investment Outlook

We have modified our estimates for 2011 GDP growth and employment gains very modestly downward, but we expect the economy to remain on an expansionary path. Heading into the second half of the year, we expect to see some normalization as Japan recovers from its recent disaster and as U.S. home prices begin to stabilize.

REITs had traded at a premium to net asset value through much of the six-month period, but ended June trading close to NAV, on average, partly reflecting a trend of rising NAVs due to higher property values revealed by increased transaction activity.

We favor economically sensitive sectors, including hotels, regional malls and high-growth urban offices protected from new supply. Among regional mall companies, we are focused on geographic locations with attractive income profiles that can better withstand inflation in food and gas prices. We are cautious toward health care

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property stocks based, in part, on their high premiums to net asset value and persistent and likely secular threats to Medicare reimbursement rates.

With bond yields reaching new lows for the year, REIT preferreds should remain an attractive alternative to other sources of income, even high-yield bonds, whose absolute yields are near all-time lows. Given solid fundamentals and REIT preferreds' income spreads over government and corporate bonds that are still above average, we continue to see potential for good performance in the months ahead.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

Sincerely,

MARTIN COHEN

Co-chairman

ROBERT H. STEERS

Co-chairman

JOSEPH M. HARVEY

Portfolio Manager

WILLIAM F. SCAPELL

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 QUALITY INCOME REALTY 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, 2011, leverage represented 29% 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, 2011, we have fixed the rate on 70% of our borrowings at an average interest rate of 3.0% for an average remaining period of 2.9 years (when we first entered into the swaps, the average term was 5.2 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 although this strategy will increase expenses when the rate on the Fund's borrowings is below the weighted average rate on the swaps.

Leverage Facts^a

Leverage (as a % of managed assets)	29%
% Fixed Rate	70%
% Variable Rate	30%
Weighted Average Rate on Swaps	3.0%
Weighted Average Term on Swaps	2.9 years
Current Rate on Borrowings ^b	1.2%

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 Data as of June 30, 2011. Information is subject to change.

^b See Note 6 in Notes to Financial Statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

JUNE 30, 2011

Top Ten Holdings^a
(Unaudited)

Security	Value	% of Managed Assets
Simon Property Group	\$ 145,920,256	9.1%
Equity Residential	81,856,200	5.1
Vornado Realty Trust	77,323,280	4.8
Boston Properties	70,401,915	4.4
ProLogis	65,423,841	4.1
Public Storage	41,336,149	2.6
General Growth Properties	38,849,931	2.4
Ventas	32,029,337	2.0
UDR	31,765,073	2.0
Liberty Property Trust	30,604,186	1.9

^a Top ten holdings are determined on the basis of the value of individual securities held. All of the securities listed above are common stock. 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, 2011 (Unaudited)

		Number of Shares	Value
COMMON STOCK	111.4%		
BANK	0.2%		
SJB Escrow Corp., Class A, 144A ^{a,b,c,d}		119,300	\$ 2,386,000
REAL ESTATE	111.2%		
DIVERSIFIED	10.0%		
American Assets Trust ^{e,f}		281,905	6,328,767
BGP Holdings PLC (EUR)(Australia) ^{b,c,d}		3,927,678	0
Forest City Enterprises ^{d,e,f}		1,483,932	27,705,011
Great Eagle Holdings Ltd. (Hong Kong) ^c		1,231,743	4,104,611
Vornado Realty Trust ^{e,f}		829,827	77,323,280
			115,461,669
HEALTH CARE	10.2%		
Cogdell Spencer ^{e,f,g}		1,579,106	9,458,845
HCP ^{e,f}		418,513	15,355,242
Health Care REIT ^{e,f}		324,580	17,017,730
Nationwide Health Properties ^{e,f}		484,659	20,069,729
Senior Housing Properties Trust ^e		976,557	22,861,199
Ventas ^{e,f}		607,652	32,029,337
			116,792,082
HOTEL	10.5%		
DiamondRock Hospitality Co. ^e		876,052	9,400,038
Hersha Hospitality Trust		2,000,699	11,143,894
Hospitality Properties Trust ^{e,f}		327,569	7,943,548
Host Hotels & Resorts ^{e,f}		1,635,546	27,722,505
Hyatt Hotels Corp., Class A ^{d,e}		556,466	22,714,942
RLJ Lodging Trust		462,600	8,035,362
Starwood Hotels & Resorts Worldwide		288,065	16,143,163
Strategic Hotels & Resorts ^d		1,013,179	7,173,307
Sunstone Hotel Investors ^{d,e,f}		1,071,453	9,932,369
			120,209,128

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 (Unaudited)

		Number of Shares	Value
INDUSTRIAL	6.5%		
First Industrial Realty Trust ^d		670,400	\$ 7,676,080
ProLogis ^{e,f}		1,825,442	65,423,841
Segro PLC (United Kingdom) ^{c,e}		429,799	2,154,948
			75,254,869
OFFICE	14.8%		
Boston Properties ^{e,f}		663,168	70,401,915
Brandywine Realty Trust ^{e,f}		809,291	9,379,683
Douglas Emmett ^f		207,646	4,130,079
Hudson Pacific Properties ^g		625,596	9,715,506
Kilroy Realty Corp.		405,712	16,021,567
Liberty Property Trust ^{e,f}		939,355	30,604,186
Mack-Cali Realty Corp. ^{e,f}		235,244	7,748,937
SL Green Realty Corp. ^{e,f}		266,850	22,113,859
			170,115,732
RESIDENTIAL	23.0%		
APARTMENT	21.7%		
Apartment Investment & Management Co. ^{e,f}		1,010,651	25,801,920
Associated Estates Realty Corp. ^e		770,890	12,526,962
AvalonBay Communities ^{e,f}		229,322	29,444,945
BRE Properties ^{e,f}		164,175	8,189,049
Campus Crest Communities ^{e,f}		593,937	7,685,545
Education Realty Trust ^{e,f}		757,961	6,495,726
Equity Residential ^{e,f}		1,364,270	81,856,200
Essex Property Trust ^{e,f}		90,037	12,181,106
Home Properties ^e		331,400	20,175,632
Post Properties ^e		315,487	12,859,250
UDR ^{e,f}		1,293,893	31,765,073
			248,981,408
MANUFACTURED HOME	1.3%		
Equity Lifestyle Properties ^{e,f}		243,356	15,195,149
TOTAL RESIDENTIAL			264,176,557

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 (Unaudited)

		Number of Shares	Value
SELF STORAGE	5.3%		
Public Storage ^{e,f}		362,566	\$ 41,336,149
Sovran Self Storage ^{e,f}		200,862	8,235,342
U-Store-It Trust		1,081,238	11,374,624
			60,946,115
SHOPPING CENTER	28.8%		
COMMUNITY CENTER	10.4%		
Acadia Realty Trust ^{e,f}		713,349	14,502,385
Developers Diversified Realty Corp. ^{e,f}		1,699,683	23,965,530
Federal Realty Investment Trust ^{e,f}		236,500	20,145,070
Kimco Realty Corp. ^{e,f}		1,164,950	21,714,668
Ramco-Gershenson Properties Trust		601,660	7,448,551
Regency Centers Corp.		566,755	24,920,217
Urstadt Biddle Properties, Class A		409,097	7,408,747
			120,105,168
REGIONAL MALL	18.4%		
General Growth Properties ^{e,f}		2,327,737	38,849,931
Macerich Co. ^e		124,087	6,638,655
Pennsylvania REIT ^{e,f}		547,312	8,592,798
Simon Property Group ^{e,f}		1,255,444	145,920,256
Westfield Group (Australia) ^c		802,900	7,483,458
Westfield Retail Trust (Australia) ^c		1,459,900	4,255,532
			211,740,630
TOTAL SHOPPING CENTER			331,845,798
SPECIALTY	2.1%		
Digital Realty Trust ^{e,f}		207,402	12,813,295
DuPont Fabros Technology ^{e,f}		439,694	11,080,289
			23,893,584
TOTAL REAL ESTATE			1,278,695,534
TOTAL COMMON STOCK (Identified cost \$957,213,291)			1,281,081,534

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 (Unaudited)

		Number of Shares	Value
PREFERRED SECURITIES \$25 PAR VALUE	22.1%		
FINANCE MORTGAGE LOAN/BROKER	0.4%		
Countrywide Capital IV, 6.75%, due 4/1/33		90,000	\$ 2,227,500
Countrywide Capital V, 7.00%, due 11/1/36		100,000	2,492,000
			4,719,500
INSURANCE	0.8%		
MULTI-LINE FOREIGN	0.6%		
ING Groep N.V., 7.05% ^e		185,000	4,521,400
ING Groep N.V., 7.375%		100,000	2,470,000
			6,991,400
REINSURANCE FOREIGN	0.2%		
Endurance Specialty Holdings Ltd., 7.50%, Series B		98,500	2,457,575
TOTAL INSURANCE			9,448,975
INTEGRATED TELECOMMUNICATIONS SERVICES	0.2%		
Qwest Corp., 7.375%, due 6/1/51		100,000	2,568,000
REAL ESTATE	20.7%		
DIVERSIFIED	2.7%		
Capital Lease Funding, 8.125%, Series A		112,000	2,800,000
Cousins Properties, 7.75%, Series A		60,000	1,498,200
DuPont Fabros Technology, 7.875%, Series A ^e		200,000	5,060,000
DuPont Fabros Technology, 7.625%, Series B ^e		150,000	3,733,500
Entertainment Properties Trust, 7.75%, Series B ^e		70,000	1,739,500
Lexington Realty Trust, 6.50%, Series C (\$50 par value) ^e		88,169	3,965,401
Lexington Realty Trust, 7.55%, Series D ^e		515,025	12,679,915
			31,476,516
HEALTH CARE	1.5%		
Cogdell Spencer, 8.50%, Series A		80,000	2,008,000
Health Care REIT, 7.875%, Series D ^e		88,600	2,277,020
Health Care REIT, 7.625%, Series F ^e		371,254	9,530,090

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Health Care REIT, 6.50%, Series I (\$50 Par Value) (Convertible)	60,000	3,099,000
		16,914,110

See accompanying notes to financial statements.

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COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 (Unaudited)

		Number of Shares	Value
HOTEL	4.0%		
Ashford Hospitality Trust, 9.00%, Series E ^e		405,000	\$ 10,210,050
Hersha Hospitality Trust, 8.00%, Series B		150,000	3,706,500
Hospitality Properties Trust, 8.875%, Series B ^{e,f}		94,825	2,458,812
Hospitality Properties Trust, 7.00%, Series C ^e		163,499	4,038,425
LaSalle Hotel Properties, 7.25%, Series G ^{e,f}		350,195	8,653,319
LaSalle Hotel Properties, 7.50%, Series H		99,900	2,495,502
Pebblebrook Hotel Trust, 7.875%, Series A		220,000	5,530,800
Sunstone Hotel Investors, 8.00%, Series A ^e		160,450	3,921,398
Sunstone Hotel Investors, 8.00%, Series D		180,000	4,312,800
			45,327,606
INDUSTRIAL	0.9%		
First Industrial Realty Trust, 7.25%, Series J		121,000	2,897,950
First Potomac Realty Trust, 7.75%, Series A		100,000	2,534,000
Monmouth Real Estate Investment Corp., 7.63%, Series A ^b		200,000	4,982,000
			10,413,950
OFFICE	2.7%		
BioMed Realty Trust, 7.375%, Series A ^{e,f}		224,499	5,700,030
CommonWealth REIT, 6.50%, Series D (Convertible) ^{e,f}		173,800	3,875,740
Corporate Office Properties Trust, 7.625%, Series J ^e		263,900	6,734,728
Cousins Properties, 7.50%, Series B ^{e,f}		307,775	7,678,986
Kilroy Realty Corp., 7.50%, Series F ^e		133,800	3,382,464
SL Green Realty Corp., 7.625%, Series C ^e		165,034	4,140,703
			31,512,651
RESIDENTIAL	3.9%		

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APARTMENT	3.5%		
Alexandria Real Estate Equities, 7.00%, Series D ^e		200,000	5,230,000
Apartment Investment & Management Co., 8.00%, Series T ^e		148,861	3,766,184
Apartment Investment & Management Co., 7.75%, Series U ^e		1,024,750	25,803,205
Apartment Investment & Management Co., 8.00%, Series V ^e		201,200	5,098,408
			39,897,797

See accompanying notes to financial statements.

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COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 (Unaudited)

		Number of Shares	Value
MANUFACTURED HOME	0.4%		
Equity Lifestyle Properties, 8.034%, Series A		170,000	\$ 4,306,100
TOTAL RESIDENTIAL			44,203,897
SHOPPING CENTER	4.5%		
COMMUNITY CENTER	2.1%		
Cedar Shopping Centers, 8.875%, Series A ^e		200,000	5,028,000
Developers Diversified Realty Corp., 7.375%, Series H ^e		284,331	7,142,395
Kite Realty Group Trust, 8.25%, Series A		100,000	2,506,000
Ramco-Gershenson Properties Trust, 7.25%, Series D (\$50 Par Value) (Convertible)		135,000	6,774,300
Urstadt Biddle Properties, 8.50%, Series C (\$100 par value) ^{b,e}		30,000	3,270,000
			24,720,695
REGIONAL MALL	2.4%		
CBL & Associates Properties, 7.75%, Series C ^e		155,000	3,885,850
CBL & Associates Properties, 7.375%, Series D ^{e,f}		726,988	18,000,223
Simon Property Group, 8.375%, Series J (\$50 par value) ^b		86,309	5,261,396
			27,147,469
TOTAL SHOPPING CENTER			51,868,164
SPECIALTY	0.5%		
Entertainment Properties Trust, 9.00%, Series E		191,000	5,567,650
TOTAL REAL ESTATE			237,284,544
TOTAL PREFERRED SECURITIES \$25 PAR VALUE (Identified cost \$238,973,483)			254,021,019
PREFERRED SECURITIES CAPITAL SECURITIES	2.8%		
BANK	1.0%		
Citigroup Capital III, 7.625%, due 12/1/36		4,000,000	4,213,920
Farm Credit Bank of Texas, 10.00%, due 12/15/20 (\$1,000 Par Value), Series		6,000	6,858,750

I ^e			11,072,670
BANK FOREIGN	0.3%		
LBG Capital No.1 PLC, 8.00%, due 12/29/49, 144A (United Kingdom) ^a		4,300,000	3,891,500
	See accompanying notes to financial statements.		

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 (Unaudited)

		Number of Shares	Value
INSURANCE	1.1%		
PROPERTY CASUALTY	0.7%		
Liberty Mutual Group, 7.80%, due 3/15/37, 144A ^{a,e}		4,525,000	\$ 4,558,937
Liberty Mutual Group, 10.75%, due 6/15/58, 144A ^{a,e}		3,110,000	4,159,625
			8,718,562
REINSURANCE FOREIGN	0.4%		
Catlin Insurance Co., 7.249%, due 12/31/49, 144A ^a		4,640,000	4,454,400
TOTAL INSURANCE			13,172,962
REAL ESTATE DIVERSIFIED	0.4%		
IVG Immobilien AG, 8.00%(Germany) ^b		3,500,000	4,339,573
TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost \$29,780,453)			32,476,705
		Principal Amount	
CORPORATE BONDS	2.4%		
REAL ESTATE INDUSTRIAL	0.7%		
Country Garden Holdings Co., 11.125%, due 2/23/18, 144A (Hong Kong) ^a		\$ 3,000,000	3,105,000
First Industrial LP, 7.60%, due 7/15/28		5,081,000	4,951,490
			8,056,490
OFFICE	0.7%		
BR Properties SA, 9.00%, due 10/29/49, 144A (Brazil) ^{a,b}		7,500,000	7,875,000
SHOPPING CENTER	1.0%		
BR Malls International Finance Ltd., 8.50%, due 1/29/49, 144A (Brazil) ^a		4,000,000	4,255,200
General Shopping Finance Ltd., 10.00%, due 11/29/49, 144A ^a		7,415,000	7,822,825
			12,078,025
TOTAL CORPORATE BONDS (Identified cost \$26,524,007)			28,009,515

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 (Unaudited)

		Number of Shares	Value
SHORT-TERM INVESTMENTS	0.9%		
MONEY MARKET FUNDS			
Federated Government Obligations Fund, 0.01% ^h (Identified cost \$10,650,000)		10,650,000	\$ 10,650,000
TOTAL INVESTMENTS (Identified cost \$1,263,141,234)	139.6%		1,606,238,773
LIABILITIES IN EXCESS OF OTHER ASSETS	(39.6)		(455,823,624)
NET ASSETS (Equivalent to \$10.46 per share based on 109,998,718 shares of common stock outstanding)	100.0%		\$ 1,150,415,149

Glossary of Portfolio Abbreviations

EUR Euro Currency

REIT Real Estate Investment Trust

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

^a Resale is restricted to qualified institutional investors. Aggregate holdings equal 3.7% of net assets of the Fund, of which 0.9% is illiquid.

^b Illiquid security. Aggregate holdings equal 2.4% of net assets of the Fund.

^c Fair valued security. This security has been valued at its fair value as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors. Aggregate fair value securities represent 1.8% of the net assets of the Fund, of which 1.6% have been fair valued pursuant to foreign security fair value pricing procedures approved by the Board of Directors.

^d Non-income producing security.

^e A portion or all of the security is pledged in connection with the revolving credit agreement: \$943,772,764 has been pledged as collateral.

^f A portion or all of the security has been rehypothecated in connection with the Fund's revolving credit agreement in the aggregate amount of \$451,454,909

^g A portion of the security is segregated as collateral for interest rate swap transactions: \$9,207,000 has been segregated as collateral.

^h Rate quoted represents the seven day yield of the fund.

See accompanying notes to financial statements.

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COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 (Unaudited)

Interest rate swaps outstanding at June 30, 2011 are as follows:

Counterparty	Notional Amount	Fixed Rate Payable	Floating Rate ^a (resets monthly) Receivable	Termination Date	Unrealized Depreciation
Merrill Lynch Derivative Products AG	\$ 15,000,000	2.934%	0.186%	July 25, 2012	\$ (416,544)
Merrill Lynch Derivative Products AG	\$ 35,000,000	3.430%	0.186%	November 22, 2012	(1,464,880)
Merrill Lynch Derivative Products AG	\$ 88,000,000	3.600%	0.186%	January 29, 2014	(6,096,163)
Royal Bank of Canada	\$ 20,000,000	3.615%	0.186%	January 16, 2013	(982,524)
Royal Bank of Canada	\$ 70,000,000	1.865%	0.190%	June 13, 2015	(1,020,625)
Royal Bank of Canada	\$ 46,000,000	2.474%	0.190%	February 10, 2016	(1,447,146)
UBS AG	\$ 5,000,000	3.600%	0.185%	January 17, 2013	(244,328)
UBS AG	\$ 13,000,000	3.639%	0.185%	April 17, 2013	(730,363)
UBS AG	\$ 30,000,000	3.615%	0.186%	February 28, 2014	(2,129,791)
					\$ (14,532,364)

^a Based on LIBOR (London Interbank Offered Rate). Represents rates in effect at June 30, 2011.

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**STATEMENT OF ASSETS AND LIABILITIES**

June 30, 2011 (Unaudited)

ASSETS:	
Investments in securities, at value (Identified cost \$1,263,141,234)	\$ 1,606,238,773
Cash (includes \$8,354,000 pledged as collateral for open swap positions)	8,406,111
Receivable for:	
Investment securities sold	10,176,138
Dividends and interest	7,080,305
Other assets	64,461
Total Assets	1,631,965,788
LIABILITIES:	
Unrealized depreciation on interest rate swap transactions	14,532,364
Payable for:	
Revolving credit agreement	460,000,000
Investment securities purchased	3,351,600
Dividends declared on common shares	2,215,974
Investment management fees	1,091,729
Interest expense	31,575
Administration fees	26,307
Directors' fees	88
Other liabilities	301,002
Total Liabilities	481,550,639
NET ASSETS	\$ 1,150,415,149
NET ASSETS consist of:	
Paid-in capital	\$ 987,790,604
Dividends in excess of net investment income	(26,074,747)
Accumulated net realized loss	(139,774,636)
Net unrealized appreciation	328,473,928
	\$ 1,150,415,149
NET ASSET VALUE PER COMMON SHARE:	
(\$1,150,415,149 ÷ 109,998,718 shares outstanding)	\$ 10.46
MARKET PRICE PER COMMON SHARE	\$ 9.77
MARKET PRICE DISCOUNT TO NET ASSET VALUE PER COMMON SHARE	(6.60)%

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**STATEMENT OF OPERATIONS**

For the Six Months Ended June 30, 2011 (Unaudited)

Investment Income:	
Dividend income (net of \$21,735 of foreign withholding tax)	\$ 17,803,340
Interest income	2,342,233
Rehypothecation income	130,281
Total Income	20,275,854
Expenses:	
Investment management fees	6,660,315
Interest expense	2,960,469
Administration fees	289,858
Shareholder reporting expenses	145,679
Custodian fees and expenses	125,192
Professional fees	54,484
Directors' fees and expenses	44,769
Transfer agent fees and expenses	12,520
Registration and filing fees	5,713
Line of credit fees	507
Miscellaneous	99,083
Total Expenses	10,398,589
Reduction of Expenses (See Note 2)	(156,713)
Net Expenses	10,241,876
Net Investment Income	10,033,978
Net Realized and Unrealized Gain (Loss):	
Net realized gain (loss) on:	
Investments	82,872,140
Foreign currency transactions	8,965
Interest rate swap transactions	(4,245,075)
Net realized gain	78,636,030
Net change in unrealized appreciation (depreciation) on:	
Investments	50,594,107
Foreign currency translations	(4,586)
Interest rate swap transactions	(1,044,289)
Net change in unrealized appreciation (depreciation)	49,545,232
Net realized and unrealized gain	128,181,262
Net Increase in Net Assets Resulting from Operations	\$ 138,215,240

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, 2011	For the Year Ended December 31, 2010
Change in Net Assets Applicable to Common Shares:		
From Operations:		
Net investment income	\$ 10,033,978	\$ 27,490,858
Net realized gain	78,636,030	87,376,886
Net change in unrealized appreciation	49,545,232	167,066,630
Net increase in net assets resulting from operations	138,215,240	281,934,374
Less Dividends and Distributions to Common Shareholders from:		
Net investment income	(39,599,538)	(41,256,099)
Net realized gain		(17,530,927)
Total dividends and distributions to common shareholders	(39,599,538)	(58,787,026)
Capital Stock Transactions:		
Increase in net assets from common share transactions		112,023,521
Total increase in net assets applicable to common shares	98,615,702	335,170,869
Net Assets Applicable to Common Shares:		
Beginning of period	1,051,799,447	716,628,578
End of period ^a	\$ 1,150,415,149	\$ 1,051,799,447

^a Includes dividends in excess of net investment income and accumulated undistributed net investment income of \$26,074,747 and \$3,490,813, 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, 2011 (Unaudited)

Decrease in Cash:	
Cash Flows from Operating Activities:	
Net increase in net assets resulting from operations	\$ 138,215,240
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Purchases of long-term investments	(507,440,879)
Net purchases, sales and maturities of short-term investments	18,050,811
Net amortization/accretion of premium (discount)	(5,800)
Proceeds from sales and maturities of long-term investments	521,958,560
Net decrease in dividends and interest receivable and other assets	777,896
Net decrease in interest expense payable, accrued expenses and other liabilities	(55,545)
Net change in unrealized depreciation on investments	(50,594,107)
Net change in unrealized depreciation on interest rate swaps	1,044,289
Net realized gain from investments	(82,872,140)
Cash provided for operating activities	39,078,325
Cash Flows from Financing Activities:	
Distributions paid on common shares	(39,726,251)
Decrease in cash	(647,926)
Cash at beginning of period	9,054,037
Cash at end of period	\$ 8,406,111

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

FINANCIAL HIGHLIGHTS (Unaudited)

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

Per Share Operating Performance:	For the Six Months Ended		For Year Ended December 31,			
	June 30, 2011	2010	2009	2008	2007	2006
Net asset value per common share, beginning of period	\$ 9.56	\$ 7.44	\$ 5.38	\$ 15.66	\$ 25.61	\$ 21.38
Income from investment operations:						
Net investment income	0.09	0.41	0.27	0.77	1.06	1.10
Net realized and unrealized gain (loss)	1.17	2.25	2.20	(8.92)	(7.22)	7.48
Total income (loss) from investment operations	1.26	2.66	2.47	(8.15)	(6.16)	8.58
Less dividends and distributions to preferred shareholders from:						
Net investment income			(0.00) ^a	(0.33)	(0.22)	(0.17)
Net realized gain					(0.38)	(0.37)
Total dividends and distributions to preferred shareholders			(0.00) ^a	(0.33)	(0.60)	(0.54)
Total from investment operations applicable to common	1.26	2.66	2.47	(8.48)	(6.76)	8.04

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shares						
Anti-dilutive effect from the purchase of common shares		0.01				
Anti-dilutive effect from the issuance of reinvested common shares				0.00 ^a	0.00 ^a	
Less dividends and distributions to common shareholders from:						
Net investment income	(0.36)	(0.39)	(0.26)	(0.34)	(0.89)	(0.95)
Net realized gain		(0.16)			(1.53)	(2.30)
Tax return of capital			(0.15)	(1.46)	(0.77)	(0.56)
Total dividends and distributions to common shareholders	(0.36)	(0.55)	(0.41)	(1.80)	(3.19)	(3.81)
Net increase (decrease) in net asset value per common share	0.90	2.12	2.06	(10.28)	(9.95)	4.23
Net asset value, per common share, end of period	\$ 10.46	\$ 9.56	\$ 7.44	\$ 5.38	\$ 15.66	\$ 25.61
Market value, per common share, end of period	\$ 9.77	\$ 8.65	\$ 6.07	\$ 3.80	\$ 14.52	\$ 24.74
Total net asset value return ^b	13.36% ^c	37.80%	54.24% ^d	58.62% ^e	27.49%	39.55%
Total market value return ^b	17.02% ^c	52.82%	77.83%	68.42%	30.40%	49.81%
		See accompanying notes to financial statements.				
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COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

FINANCIAL HIGHLIGHTS (Unaudited) (Continued)

Ratios/Supplemental Data:	For the Six Months Ended	For Year Ended December 31,				
	June 30, 2011	2010	2009	2008	2007	2006
Net assets applicable to common shares, end of period (in millions)	\$ 1,150.4	\$ 1,051.8	\$ 716.6	\$ 210.9	\$ 609.1	\$ 995.3
Ratio of expenses to average daily net assets applicable to common shares (before expense reduction) ^e	1.87% ^f	2.10%	3.42%	2.11%	1.52%	1.47%
Ratio of expenses to average daily net assets applicable to common shares (net of expense reduction) ^e	1.84% ^f	1.98%	3.18%	1.76%	1.14%	1.00%
Ratio of expenses to average daily net assets	1.31% ^f	1.36%	2.61%	1.72%		

applicable
to
common
shares
(net of
expense
reduction
and
excluding
interest
expense)^e

Ratio of
net
investment
income to
average
daily net
assets
applicable
to
common
shares
(before
expense
reduction)^e

1.78% ^f	2.87%	5.62%	6.36%	3.73%	4.06%
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Ratio of
net
investment
income to
average
daily net
assets
applicable
to
common
shares
(net of
expense
reduction)^e

1.81% ^f	2.99%	5.85%	6.71%	4.12%	4.53%
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Ratio of
expenses
to
average
daily
managed
assets
(before
expense
reduction)^{e,g}

1.33% ^f	1.43%	2.04%	1.20%	1.02%	1.01%
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Ratio of
expenses

1.31% ^f	1.35%	1.90%	1.00%	0.76%	0.69%
--------------------	-------	-------	-------	-------	-------

to
average
daily
managed
assets
(net of
expense
reduction)^{e,g}

Portfolio turnover rate	31% ^c	77%	77%	23%	26%	18%
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Preferred Shares/Revolving Credit Agreement:

Liquidation value, end of period (in 000's)				\$ 120,825	\$ 434,000	\$ 434,000
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Total shares outstanding (in 000's)				5	17	17
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Asset coverage ratio for revolving credit agreement	350%	329% ^h	294% ^h	3,786%		
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Asset coverage per \$1,000 for revolving credit agreement	\$ 3,501	\$ 3,286	\$ 2,938	\$ 37,859		
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Asset coverage ratio for auction market preferred shares				262% ⁱ	240%	329%
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Asset coverage per share for auction market preferred shares ^h				\$ 65,500	\$ 60,088	\$ 82,333
				\$ 25,000	\$ 25,000	\$ 25,000

Liquidation preference per share			
Average market value per share ^j	\$ 25,000	\$ 25,000	\$ 25,000

^a Amount is less than \$0.005.

^b Total market value return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effects of brokerage commissions. Total net asset value return measures the changes in value over the period indicated, taking into account dividends as reinvested. Dividends and distributions, if any, are assumed for purposes of these calculations, to be reinvested at prices obtained under the Fund's dividend reinvestment plan.

^c Not annualized.

^d Reflects adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values differ from the net asset value and returns reported on December 31, 2008.

^e Ratios do not reflect dividend payments to preferred shareholders, where applicable.

^f Annualized.

^g Average daily managed assets represent net assets applicable to common shares plus liquidation preference of preferred shares and/or the outstanding balance of the revolving credit agreement.

^h For the period June 1, 2009 through June 10, 2010, the Fund utilized temporary relief from the Securities and Exchange Commission permitting the Fund to maintain 200% asset coverage.

ⁱ Includes the effect of the outstanding borrowings from the revolving credit agreement.

^j Based on weekly prices.

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Note 1. Significant Accounting Policies

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

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Portfolio Valuation: Investments in securities that are listed on the 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 on such day or, if no asked price is available, at the bid price. Exchange traded options are valued at their last sale price as of the close of options trading on applicable exchanges. In the absence of a last sale, options are valued at the average of the quoted bid and asked prices as of the close of business. Over-the-counter options quotations are provided by the respective counterparty when such prices are believed by Cohen & Steers Capital Management, Inc. (the investment manager), pursuant to delegation by the Board of Directors to reflect the fair market value.

Securities not listed on the New York Stock Exchange but listed on other domestic or foreign securities exchanges are valued in a similar manner. Securities traded on more than one securities exchange are valued at the last sale price 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. If after the close of a foreign market, but prior to the close of business on the day the securities are being valued, market conditions change significantly, certain foreign securities may be fair valued pursuant to procedures established by the Board of Directors.

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by the investment manager to be over-the-counter, are valued at the official closing prices as reported by 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 on such day, or if no asked price is available, at the bid price. However, certain fixed-income securities may be valued on the basis of prices provided by a pricing service when such prices are believed by the investment manager, pursuant to delegation by the Board of Directors, to reflect the fair market value of such securities.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Securities for which market prices are unavailable, or securities for which the investment manager determines that the bid and/or asked price or a counterparty valuation 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, but are not limited to, recent transactions in comparable securities, information relating to the specific security and developments in the markets. Interest rate swaps are valued utilizing quotes received from an outside pricing service.

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

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

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

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

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

When foreign fair value pricing procedures are utilized, securities are categorized as Level 2. The utilization of these procedures results in transfers between Level 1 and Level 2. The following is a summary of the inputs used as of June 30, 2011 in valuing the Fund's investments carried at value:

	Total	Quoted Prices In Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock Bank	\$ 2,386,000	\$	\$	\$ 2,386,000
Common Stock Real Estate Diversified	115,461,669	111,357,058	4,104,611	
Common Stock Real Estate Industrial	75,254,869	73,099,921	2,154,948	
Common Stock Real Estate Shopping Center Regional Mall	211,740,630	200,001,640	11,738,990	
Common Stock Other Industries	876,238,366	876,238,366		
Preferred Securities \$25 Par Value	254,021,019	254,021,019		
Preferred Securities Capital Securities	32,476,705		32,476,705	
Corporate Bonds Real Estate Industrial	8,056,490		8,056,490	
Corporate Bonds Real Estate Office	7,875,000			7,875,000
Corporate Bonds Real Estate Shopping Center	12,078,025		4,255,200	7,822,825
Money Market Funds	10,650,000		10,650,000	
Total Investments	\$ 1,606,238,773	\$ 1,514,718,004	\$ 73,436,944	\$ 18,083,825
Other Financial Instruments*	\$ (14,532,364)	\$	\$ (14,532,364)	\$

* Other financial instruments are interest rate swap contracts.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

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

	Total Investments in Securities	Common Stock Bank	Corporate Bonds Real Estate Office	Corporate Bonds Real Estate Shopping Center
Balance as of December 31, 2010	\$ 9,848,500	\$ 2,386,000	\$ 7,462,500	\$
Change in unrealized appreciation	412,500		412,500	
Transfers into Level 3	7,822,825			7,822,825
Balance as of June 30, 2011	\$ 18,083,825	\$ 2,386,000	\$ 7,875,000	\$ 7,822,825

Investments classified as Level 3 infrequently trade and have significant unobservable inputs. The Level 3 common stock and corporate bonds have been fair valued utilizing inputs and assumptions which include book value, recent comparables in similar securities, as well as liquidity and market risk factors. Transfers are recognized at the end of the period.

Security Transactions and Investment Income: Security transactions are recorded on trade date. Realized gains and losses on investments sold are recorded on the basis of identified cost. Interest income is recorded on the accrual basis. Discounts are accreted and premiums are amortized over the life of the respective securities. Dividend income is recorded on the ex-dividend date, except for certain dividends on foreign securities, which are recorded as soon as the Fund is informed after the ex-dividend date. The Fund records distributions received in excess of income from underlying investments as a reduction of cost of investments and/or an increase in realized gain. Such amounts are based on estimates if actual amounts are not available, and actual amounts of income, realized gain and return of capital may differ from the estimated amounts. The Fund adjusts the estimated amounts of the components of distributions (and consequently its net investment income) as an increase to unrealized appreciation/(depreciation) and realized gain/(loss) on investments as necessary once the issuers provide information about the actual composition of the distributions.

Options: The Fund may write put or call options on an index and put or covered call options on a security with the intention of earning option premiums. Option premiums may increase the Fund's realized gains and therefore may help increase distributable income. When a Fund writes (sells) an option, an amount equal to the premium received by the Fund is recorded in the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When an option expires, the Fund realizes a gain on the option to the extent of the premiums received. Premiums received from writing options which are exercised or closed, are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option on a security is exercised, the premium

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

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

Foreign Currency Translations: The books and records of the Fund are maintained in U.S. dollars as follows: (1) the foreign currency market value of investment securities, other assets and liabilities and foreign currency contracts are translated at the exchange rates prevailing at the end of the period; and (2) purchases, sales, income and expenses are translated at the exchange rates prevailing on the respective dates of such transactions. The resultant exchange gains and losses are recorded as realized and unrealized gain/loss on foreign exchange transactions. Pursuant to U.S. federal income tax regulations, certain foreign exchange gains/losses included in realized and unrealized gain/loss are included in or are a reduction of ordinary income for federal income tax purposes. The Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the changes in the market prices of the securities.

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

Interest Rate Swaps: The Fund uses interest rate swaps in connection with borrowing under its credit agreement. The interest rate swaps are intended to reduce the risk that an increase in short-term interest rates could have on the performance of the Fund's common shares as a result of the floating rate structure of interest owed pursuant to the credit agreement. In these interest rate swaps, the Fund agrees to pay the other party to the interest rate swap (which is known as the counterparty) a fixed rate payment in exchange for the counterparty agreeing to pay the Fund a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on the credit agreement. The payment obligation is based on the notional amount of the swap. Depending on the state of interest rates in general, the use of interest rate swaps could enhance or harm the overall performance of the common shares. The market value of interest rate swaps is based on pricing models that consider the time value of money, volatility, the current market and contractual prices of the underlying financial instrument. Unrealized appreciation is reported as an asset and unrealized depreciation is reported as a liability on the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be paid or received on swaps, is reported as unrealized appreciation or depreciation in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

swap agreements. Swap agreements involve, to varying degrees, elements of market and counterparty risk, and exposure to loss in excess of the related amounts reflected in the Statement of Assets and Liabilities. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that such amount is positive.

For each swap counterparty, the Fund entered into an International Swap and Derivatives Association Inc. Master Agreement and related annexes thereto ("ISDAs") which sets forth the general terms and conditions of the Fund's swap transactions. During 2008, the Fund notified Merrill Lynch Derivatives Product AG ("MLDP") and UBS AG ("UBS") that it breached certain terms and conditions of its ISDAs. On November 21, 2008, UBS granted a conditional waiver to the Fund stating that UBS did not intend to presently exercise its rights under the ISDA. MLDP has required that the Fund post collateral in the form of cash or U.S. Treasury securities. The collateral amount is determined by the approximate unrealized depreciation of a particular swap transaction on each valuation date. As of June 30, 2011, this amount was \$8,354,000 and was pledged in cash by the Fund to MLDP. At June 30, 2011, the Fund continues to operate under the existing terms of all of its various ISDAs, including those with MLDP and UBS. However, MLDP and UBS reserve any and all rights to take any future action with respect to such events, including termination of outstanding swap transactions; termination or renegotiation of the ISDAs; requiring posting of collateral in the form of cash or U.S. Treasury securities representing the unrealized depreciation on outstanding interest rate swap transactions or continuation under the current terms of the ISDAs. Any action resulting in the early termination of an interest rate swap transaction would cause the Fund to realize any market depreciation that existed on such transaction. In addition to realizing such losses, the early termination of a swap transaction may generate additional expenses for the Fund.

Dividends and Distributions to Shareholders: Dividends from net investment income and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which may differ from GAAP. Dividends from net investment income, if any, are declared and paid quarterly. Net realized capital gains, unless offset by any available capital loss carryforward, are typically distributed to shareholders at least annually. Dividends and distributions to shareholders are recorded on the ex-dividend date and are automatically reinvested in full and fractional shares of the Fund in accordance with the Fund's Reinvestment Plan unless the shareholder has elected to have them paid in cash. Distributions paid by the Fund are subject to recharacterization for tax purposes.

Income Taxes: It is the policy of the Fund to continue to qualify as a regulated investment company, if such qualification is in the best interest of the shareholders, by complying with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies, and by distributing substantially all of its taxable earnings to its shareholders. Accordingly, no provision for federal income or excise tax is necessary. Dividend and interest income from holdings in non-U.S. securities is recorded net of non-U.S. taxes paid. Management has analyzed the Fund's tax positions taken on federal income tax returns as well as its tax positions in non-U.S. jurisdictions where it trades for all open tax years and has concluded that as of June 30, 2011, no

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

additional provisions for income tax would be required in the Fund's financial statements. The Fund's tax positions for the tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service, state departments of revenue and by foreign tax authorities.

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

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

For the services under the investment management agreement, the Fund pays the investment manager a management fee, accrued daily and paid monthly, at an annual rate of 0.85% of the Fund's average daily managed asset value. Managed asset value is the net asset value of the common shares plus the amount of any borrowings used for leverage outstanding.

The investment manager has contractually agreed to waive its management fee in the amount of 0.02% of average daily managed asset value in 2011.

Administration Fees: The Fund has entered into an administration agreement with the investment manager under which the investment manager performs certain administrative functions for the Fund and receives a fee, accrued daily and paid monthly, at the annual rate of 0.02% of the Fund's average daily managed asset value. For the six months ended June 30, 2011, the Fund incurred \$156,713 in administration fees. Additionally, the Fund pays State Street Bank and Trust Company as co-administrator under a fund accounting and administration agreement.

Directors' and Officers' Fees: Certain directors and officers of the Fund are also directors, officers, and/or employees of the investment manager. The Fund does not pay compensation to any affiliated directors and officers except for the Chief Compliance Officer, who received \$12,705 from the Fund for the six months ended June 30, 2011.

Note 3. Purchases and Sales of Securities

Purchases and sales of securities, excluding short-term investments, for the six months ended June 30, 2011, totaled \$496,797,009 and \$509,871,408, respectively.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Note 4. Income Tax Information

As of June 30, 2011, the federal tax cost and net unrealized appreciation on securities were as follows:

Cost for federal income tax purposes	\$ 1,263,141,234
Gross unrealized appreciation	\$ 349,916,366
Gross unrealized depreciation	(6,818,827)
Net unrealized appreciation	\$ 343,097,539

As of December 31, 2010, the Fund had a net capital loss carryforward of \$207,975,158, of which \$30,308,345 will expire on December 31, 2015, \$125,762,518 will expire on December 31, 2016 and \$51,904,295 will expire on December 31, 2017. This carryforward may be used to offset future capital gains to the extent provided by regulations. Included in the net capital loss carryforward is \$139,611,642 of capital loss carryforwards that were acquired from the Fund's mergers with Cohen & Steers Premium Income Realty Fund, Inc. ("RPF"), Cohen & Steers Advantage Income Realty Fund, Inc. ("RLF") and Cohen & Steers Worldwide Realty Income Fund, Inc. ("RWF") (See Note 10). Federal tax rules limit the Fund's use of these capital loss carryforwards. The Regulated Investment Company Modernization Act of 2010 (the "Act") requires that capital loss carryforwards incurred after the effective date of the Act be used before those previously incurred, thereby increasing the chances that all or a portion of these losses will not be able to be utilized prior to their expiration.

Note 5. Capital Stock

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

During the six months ended June 30, 2011, and the year ended December 31, 2010, the Fund issued no shares of common stock for the reinvestment of dividends.

On December 14, 2010, the Board of Directors approved the continuation of the delegation of its authority to management to effect repurchases, pursuant to management's discretion and subject to market conditions and investment considerations, of up to 10% of the Fund's common shares outstanding ("Share Repurchase Program") as of January 1, 2011 through the fiscal year ended December 31, 2011. During the six months ended June 30, 2011, the Fund did not effect any repurchases. During the year ended December 31, 2010, the Fund repurchased 1,068,654 Treasury shares of its common stock at an average price of \$6.60 per share (including brokerage commissions) at a weighted average discount of 17.5%. These repurchases, which had a total cost of \$7,048,807, resulted in an increase of \$0.01 to the Fund's net asset value per share.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Note 6. Borrowings

The Fund had a \$460,000,000 revolving credit agreement (the credit agreement) with BNP Paribas Prime Brokerage Inc. (BNPP). The Fund pays a facility fee of 0.55% per annum (prior to May 19, 2011, the rate was 0.95%) on the unused portion of the credit agreement. The credit agreement has a 270-day rolling term that resets daily; however, if the Fund exceeds certain net asset value triggers, the credit agreement may convert to a 60-day rolling term that resets daily. The Fund is required to pledge portfolio securities as collateral in an amount up to two times the loan balance outstanding and has granted a security interest in the securities pledged to, and in favor of, BNPP as security for the loan balance outstanding. If the Fund fails to meet certain requirements, or maintain other financial covenants required under the credit agreement, the Fund may be required to repay immediately, in part or in full, the loan balance outstanding under the credit agreement necessitating the sale of portfolio securities at potentially inopportune times. The credit agreement also permits, subject to certain conditions, BNPP to rehypothecate portfolio securities pledged by the Fund up to the amount of the loan balance outstanding. The Fund continues to receive dividends and interest on rehypothecated securities. The Fund also has the right under the credit agreement to recall the rehypothecated securities from BNPP on demand. If BNPP fails to deliver the recalled security in a timely manner, the Fund will be compensated by BNPP for any fees or losses related to the failed delivery or, in the event a recalled security will not be returned by BNPP, the Fund, upon notice to BNPP, may reduce the loan balance outstanding by the amount of the recalled security failed to be returned. The Fund will receive a portion of the fees earned by BNPP in connection with the rehypothecation of portfolio securities.

As of June 30, 2011, the Fund has outstanding borrowings of \$460,000,000. During the six months ended June 30, 2011, the Fund borrowed an average daily balance of \$460,000,000 at a weighted average borrowing cost of 1.28%. As of June 30, 2011, the aggregate value of rehypothecated securities was \$451,454,909. During the six months ended June 30, 2011, the Fund earned \$130,281 in fees from rehypothecated securities.

Note 7. Derivative Investments

The following tables present the value of derivatives held at June 30, 2011 and the effect of derivatives held during the six months ended June 30, 2011, along with the respective location in the financial statements. The balance of outstanding interest rate swaps at June 30, 2011 is representative of the volume outstanding throughout the six months ended June 30, 2011.

Statement of Assets and Liabilities

Derivatives	Assets		Liabilities	
	Location	Fair Value	Location	Fair Value
Interest rate contracts	Unrealized appreciation		Unrealized depreciation	\$ (14,532,364)

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Statement of Operations

Derivatives	Location	Realized Loss	Change in Unrealized Depreciation
Interest rate contracts	Net Realized and Unrealized Gain (Loss)	\$ (4,245,075)	\$ (1,044,289)

Note 8. Legal Proceedings

The Board of Directors of the Fund received a letter from a law firm on behalf of purported holders of the Fund's common shares demanding that the Board of Directors take action against the investment manager and the Fund's directors and officers to recover, for the benefit of the Fund, alleged damages related to such parties' alleged breaches of fiduciary duties related to the redemption of the Fund's auction preferred shares at their liquidation preference. In response to the demand letter, the Fund's Board of Directors established a committee of independent directors to investigate the claims, and the committee retained independent counsel to assist it in conducting its investigation (the "Special Committee").

Subsequently, the Fund was named as a nominal defendant in a putative shareholder derivative action captioned *Klein v. Cohen & Steers Capital Management, Inc., et al.* filed in the Supreme Court of the State of New York, County of New York on September 8, 2010 (the "Complaint"). The Complaint, filed purportedly on behalf, and for the benefit, of the Fund, name as defendants the investment manager, Cohen & Steers, Inc., the investment manager's parent company, and the Fund's current officers, including the two Interested Directors (collectively, the "Defendants"), and name the Fund as a nominal defendant. The Complaint contains the same basic allegations contained in the demand letter and seeks a declaration that the investment manager and Fund officers have breached their fiduciary duties, indeterminate monetary damages in favor of the Fund and an award of plaintiffs' costs and disbursements in pursuing the action. In derivative actions, Maryland law requires a report to shareholders when indemnification or expense advances are provided to Directors. The respective Funds are hereby reporting that the Interested Directors, along with the other Defendants, received indemnification and expense advances with respect to the Complaint.

On November 1, 2010, after an extensive investigation conducted with the assistance of independent counsel, the Special Committee determined that the Fund should not pursue claims based on the allegations in the demand letter and rejected the demands made in the letter.

On April 14, 2011, Cohen & Steers, Inc. announced the voluntary dismissal by plaintiffs of the Complaint in its entirety with prejudice. The court approved the dismissal without any settlement or concessions by the Defendants or Fund.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Note 9. Other

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

Note 10. Mergers

On June 29, 2009, the Boards of Directors of the Fund and each of RPF, RLF and RWF approved a proposal, subject to approval by the relevant fund's shareholders, to merge RPF, RLF and RWF with and into the Fund in accordance with the Maryland General Corporation Law. The purpose of the transaction was to combine four funds managed by the investment manager with comparable investment objectives and strategies. On November 24, 2009, RPF's, RLF's and the Fund's shareholders approved their respective mergers. After the close of business on December 18, 2009, the Fund acquired all of the net assets of RPF and RLF with the investment portfolio constituting the principal asset.

Although the Fund's shareholders approved the merger with RWF, RWF failed to receive a sufficient number of votes to approve the merger. On December 10, 2009, both RWF's and the Fund's Boards of Directors determined that the merger remained in the best interest of shareholders of both funds and set new record and shareholder meeting dates of December 17, 2009 and February 26, 2010, respectively.

On February 26, 2010, RWF's shareholders approved the merger with the Fund and as of the close of business on March 12, 2010, the Fund acquired all the net assets of RWF based upon the respective valuations. The acquisition was accomplished by a tax-free exchange of 15,740,708 shares worth \$119,072,328 of RWF for 14,702,451 shares of the Fund. The net assets of RWF and the Fund immediately before the acquisition were \$119,072,328 (including \$14,284,114 of unrealized appreciation) and \$780,443,201, respectively. The combined net assets of the Fund immediately following the acquisition were \$899,515,529. For financial reporting purposes, assets received and shares issued by the Fund were recorded at fair value; however the cost basis of the investments received from RWF was carried forward to align ongoing reporting of the Fund's realized and unrealized gains and losses with amounts distributed to shareholders for tax purposes.

Merger related expenses, which were borne by the Fund, were approximately \$413,000.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Assuming the acquisition of RWF had been completed on January 1, 2010, the Fund's pro-forma results of operations for the year ended December 31, 2010, are as follows:

Net investment income	\$ 28,036,111
Net realized and unrealized gain	260,361,616
Net increase in net assets resulting from operations	\$ 288,397,727

Because the combined investment portfolios have been managed as a single integrated portfolio since the acquisitions were completed, it is not possible to separate the amounts of changes in net assets attributable to RWF that have been included in the Fund's statement of operations.

Note 11. Subsequent Events

Events and transactions occurring after June 30, 2011 and through the date that the financial statements were issued, have been evaluated in the preparation of the financial statements and no additional disclosure is required.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

PROXY RESULTS (Unaudited)

Cohen & Steers Quality Income Realty Fund, Inc. shareholders voted on the following proposals at the annual meeting held on April 28, 2011. The description of each proposal and number of shares voted are as follows:

Common Shares

	Shares Voted For	Authority Withheld
<u>To elect Directors:</u>		
Bonnie Cohen	101,411,749.369	2,569,578.599
Richard E. Kroon	101,766,778.553	2,214,549.415
Willard H. Smith Jr.	101,606,045.749	2,375,282.219

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

(periods ended June 30, 2011) (Unaudited)

Based on Net Asset Value			Based on Market Value		
One Year	Five Years	Since Inception (2/28/02)	One Year	Five Years	Since Inception (2/28/02)
46.80%	2.47%	8.51%	66.79%	1.66%	7.36%

The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return will vary and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance results reflect the effect of leverage resulting from the issuance of preferred shares and/or borrowings under a credit agreement. Current total returns of the Fund can be obtained by visiting our Web site at cohenandsteers.com.

DIVIDEND REINVESTMENT PLAN

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

OTHER INFORMATION

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

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

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

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

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.

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

Change to Investment Policy

The Board of Directors approved revisions to the ratings criteria for determining whether a security is deemed investment grade or below investment grade. The determination of whether a security is deemed investment grade or below investment grade will be determined at the time of investment. A security will be considered to be investment grade if it is rated as such by one nationally recognized statistical rating organization (NRSRO) (for example minimum Baa3 or BBB- by Moody's or S&P) or, if unrated, is judged to be investment grade by the investment manager.

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT

The Board of Directors of the Fund, including a majority of the directors who are not parties to the Fund's investment management agreement (the "Management Agreement"), or interested persons of any such party ("Independent Directors"), has the responsibility under the 1940 Act to approve the Fund's Management Agreement for its initial two year term and its continuation annually thereafter at a meeting of the Board of Directors called for the purpose of voting on the approval or continuation. At a telephonic meeting held on June 14, 2011 and at a meeting held in person on June 21-22, 2011, the Management Agreement was discussed and was unanimously continued for a term ending June 30, 2012, by the Fund's Board of Directors, including the Independent Directors. The Independent Directors were represented by independent counsel who assisted them in their deliberations during the meeting and executive session.

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

(i) *The nature, extent and quality of services provided by the Investment Manager:* The Board of Directors reviewed the services that the Investment Manager provides to the Fund, including, but not limited to, making the day-to-day investment decisions for the Fund, and generally managing the Fund's investments in

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

accordance with the stated policies of the Fund. The Board of Directors also discussed with officers and portfolio managers of the Fund the types of transactions that were being done on behalf of the Fund. Additionally, the Board of Directors took into account the services provided by the Investment Manager to its other funds, including those that have investment objectives and strategies similar to the Fund. The Board of Directors next considered the education, background and experience of the Investment Manager's personnel, noting particularly that the favorable history and reputation of the portfolio managers for the Fund has had, and would likely continue to have, a favorable impact on the Fund. The Board of Directors further noted the Investment Manager's ability to attract qualified and experienced personnel. After consideration of the above factors, among others, the Board of Directors concluded that the nature, extent and quality of services provided by the Investment Manager are adequate and appropriate.

(ii) Investment performance of the Fund and the Investment Manager: The Board of Directors considered the investment performance of the Fund compared to Peer Funds and compared to a relevant benchmark and blended benchmark. The Board of Directors considered that the Fund outperformed the benchmark, the blended benchmark and the median of the Peer Funds for the one-year period, and the Peer Funds' median for the three-year period, ended March 31, 2011. The Board of Directors also noted that the Fund underperformed the benchmark, and the blended benchmark for the three- and five-year periods, and the Peer Funds' median for the five-year period, ended March 31, 2011. The Board of Directors engaged in discussions with the Investment Manager regarding the contributors and detractors to the Fund's performance during the periods, as well as the impact of leverage on the Fund's performance. The Board of Directors also considered supplemental information provided by the Investment Manager, including a narrative summary of factors affecting performance and the Investment Manager's performance in managing other real estate funds. The Board of Directors then determined that Fund performance, in light of all the considerations noted above, was satisfactory.

(iii) Cost of the services provided and profits realized by the Investment Manager from the relationship with the Fund: Next, the Board of Directors considered the management fees and administrative fees payable by the Fund, as well as the Fund's expense ratio. As part of its analysis, the Board of Directors gave consideration to the fee and expense analyses provided by the independent data provider. The Board of Directors considered the Fund's actual and contractual management fees, and the Fund's total expense ratios at managed and common asset levels compared to the medians of the Peer Funds. The Board of Directors noted that the Fund's actual management fees at managed and common asset levels were higher than the median of the Peer Funds, and that the contractual management fee at managed asset levels was also higher than the median of the Peer Funds. The Board of Directors also noted that the Fund's total expense ratios including investment-related expenses at common and managed asset levels were higher than the medians of the Peer Funds, and that total expense ratios excluding investment-related expenses were higher than the median at common asset levels and lower than the median at managed asset levels. The Board of Directors considered the impact of leverage levels and change to the capital structure by replacing auction market preferred securities with borrowings on the Fund's fees and expenses at managed and common asset levels. The Board of Directors also noted that the Investment Manager continues to waive a portion of its management fee through 2011. The Board of Directors then considered the administrative

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

services provided by the Investment Manager, including compliance and accounting services, and, further noted that the Fund pays an administration fee to the Investment Manager. The Board of Directors concluded that, in light of market conditions, the Fund's current expense structure is satisfactory.

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

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

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

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

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

Cohen & Steers Privacy Policy

Facts	What Does Cohen & Steers Do With Your Personal Information?
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: <ul style="list-style-type: none"> • Social Security number and account balances • Transaction history and account transactions • Purchase history and wire transfer instructions
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Cohen & Steers chooses to share; and whether you can limit this sharing.

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

Questions? Call 800.330.7348

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

Cohen & Steers Privacy Policy (Continued)

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

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

Cohen & Steers Investment Solutions

**COHEN & STEERS
GLOBAL REALTY SHARES**

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

**COHEN & STEERS
INSTITUTIONAL GLOBAL REALTY SHARES**

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

COHEN & STEERS REALTY INCOME FUND

- Designed for investors seeking total return, investing primarily in real estate securities with an emphasis on both income and capital appreciation
- Symbols: CSEIX, CSBIX*, CSCIX, CSDIX

**COHEN & STEERS
INTERNATIONAL REALTY FUND**

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

**COHEN & STEERS
EMERGING MARKETS REAL ESTATE FUND**

- Designed for investors seeking total return, investing primarily in emerging market real estate securities
- Symbols: APFAX, APFCX, APFIX

COHEN & STEERS REALTY SHARES

- Designed for investors seeking total return, investing primarily in REITs
- Symbol: CSRSX

**COHEN & STEERS
INSTITUTIONAL REALTY SHARES**

- Designed for institutional investors seeking total return, investing primarily in REITs

- Symbol: CSRIX

**COHEN & STEERS
GLOBAL INFRASTRUCTURE FUND**

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

**COHEN & STEERS
DIVIDEND VALUE FUND**

- Designed for investors seeking high current income and long-term growth of income and capital appreciation, investing primarily in dividend paying common stocks and preferred stocks
- Symbols: DVFAX, DVFCX, DVFIX

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

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

Distributed by Cohen & Steers Securities, LLC.

**COHEN & STEERS
GLOBAL REALTY MAJORS ETF**

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

Distributed by ALPS Distributors, Inc.

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

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

Distributed by SEI Investments Distribution Co.

** Class B shares are no longer offered except through dividend reinvestment and permitted exchanges by existing Class B shareholders.*

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

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

OFFICERS AND DIRECTORS

Robert H. Steers
Director and co-chairman

Martin Cohen
Director and co-chairman

Michael G. Clark
Director

Bonnie Cohen
Director

George Grossman
Director

Richard E. Kroon
Director

Richard J. Norman
Director

Frank K. Ross
Director

Willard H. Smith Jr.
Director

C. Edward Ward, Jr.
Director

Adam M. Derechin
President and chief executive officer

Joseph M. Harvey
Vice president

William F. Scapell
Vice president

Thomas N. Bohjalian
Vice president

Yigal D. Jhirad
Vice president

Francis C. Poli
Secretary

James Giallanza
Treasurer and chief financial officer

Lisa D. Phelan
Chief compliance officer

KEY INFORMATION

Investment Manager

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

Fund Co-administrator and Custodian

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

Transfer Agent Common Shares

The Bank of New York Mellon
480 Washington Boulevard
Jersey City, NJ 07310
(866) 227-0757

Legal Counsel

Stroock & Stroock & Lavan, LLP
180 Maiden Lane
New York, NY 10038

New York Stock Exchange Symbol: RQI

Web site: cohenandsteers.com

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

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COHEN & STEERS

QUALITY INCOME REALTY FUND

280 PARK AVENUE

NEW YORK, NY 10017

SEMIANNUAL REPORT

JUNE 30, 2011

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Item 2. Code of Ethics.

Not applicable.

Item 3. Audit Committee Financial Expert.

Not applicable.

Item 4. Principal Accountant Fees and Services.

Not applicable.

Item 5. Audit Committee of Listed Registrants.

Not applicable.

Item 6. Schedule of Investments.

Included in Item 1 above.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

Item 11. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of this report.

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

Item 12. Exhibits.

(a)(1) Not applicable.

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

(a)(3) Not applicable.

(b) Certifications of chief executive officer and chief financial officer as required by Rule 30a-2(b) 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 and Chief Executive Officer

Date: August 31, 2011

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 Chief Executive Officer
(Principal Executive Officer)

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

Date: August 31, 2011
