

COHEN & STEERS QUALITY INCOME REALTY FUND INC
Form N-Q
May 28, 2009

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

FORM N-Q

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

Investment Company Act file number 811-10481

Cohen & Steers Quality Income Realty Fund, Inc.
(Exact name of registrant as specified in charter)

280 Park Avenue
New York, NY
(Address of principal executive offices)

10017
(Zip code)

Francis C. Poli
280 Park Avenue
New York, NY 10017
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 832-3232

Date of fiscal year end: December 31

Date of reporting period: March 31, 2009

Item 1. Schedule of Investments

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS
March 31, 2009 (Unaudited)

	Number of Shares	Value
COMMON STOCK 109.8%		
DIVERSIFIED 4.6%		
Vornado Realty Trust	145,600	\$ 4,839,744
HEALTH CARE 21.6%		
HCP	349,709	6,242,306
Health Care REIT(a)	93,087	2,847,531
LTC Properties(a)	61,467	1,078,131
Nationwide Health Properties	165,753	3,678,059
Omega Healthcare Investors(a)	255,113	3,591,991
Senior Housing Properties Trust	55,806	782,400
Ventas	202,894	4,587,434
		22,807,852
HOTEL 2.3%		
Hospitality Properties Trust	108,419	1,301,028
Host Hotels & Resorts	293,239	1,149,497
		2,450,525
INDUSTRIAL 7.9%		
AMB Property Corp.	279,429	4,023,778
EastGroup Properties(a)	66,581	1,868,929
ProLogis	374,705	2,435,582
		8,328,289
OFFICE 20.9%		
BioMed Realty Trust	226,113	1,530,785
Boston Properties(b)	211,222	7,399,107
Highwoods Properties	92,162	1,974,110
Kilroy Realty Corp.	104,050	1,788,620
Liberty Property Trust	248,428	4,705,226
Mack-Cali Realty Corp.	239,750	4,749,447
		22,147,295
RESIDENTIAL- APARTMENT 19.4%		
American Campus Communities(a)	105,985	1,839,900
Apartment Investment & Management Co.	322,140	1,765,327

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	Number of Shares	Value
AvalonBay Communities	71,355	\$ 3,357,966
BRE Properties	44,028	864,270
Education Realty Trust	366,555	1,279,277
Equity Residential(b)	306,707	5,628,074
Home Properties	86,685	2,656,895
UDR	364,212	3,135,865
		20,527,574
SELF STORAGE 10.1%		
Extra Space Storage	194,216	1,070,130
Public Storage	131,273	7,252,833
Sovran Self Storage(a)	87,165	1,750,273
U-Store-It Trust	321,700	649,834
		10,723,070
SHOPPING CENTER 23.0%		
COMMUNITY CENTER 10.8%		
Federal Realty Investment Trust	98,083	4,511,818
Kimco Realty Corp.	134,601	1,025,660
Regency Centers Corp.	115,255	3,062,325
Urstadt Biddle Properties Class A(a)	96,817	1,299,284
Weingarten Realty Investors	158,420	1,508,158
		11,407,245
FREE STANDING 0.3%		
National Retail Properties	20,896	330,993
REGIONAL MALL 11.9%		
Macerich Co.	205,328	1,285,353
Simon Property Group	325,987	11,292,190
		12,577,543
TOTAL SHOPPING CENTER		24,315,781
TOTAL COMMON STOCK		
(Identified cost \$198,017,072)		116,140,130

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	Number of Shares	Value
PREFERRED SECURITIES \$25 PAR VALUE 57.6%		
BANK FOREIGN 0.0%		
Royal Bank of Scotland Group PLC, 7.25%, Series T	336	\$ 2,100
REAL ESTATE 57.6%		
DIVERSIFIED 6.6%		
Duke Realty Corp., 6.95%, Series M(a)	100,000	850,000
Duke Realty Corp., 7.25%, Series N(a)	91,000	783,510
Duke Realty Corp., 8.375%, Series O(a)	43,300	492,754
Entertainment Properties Trust, 7.75%, Series B(a)	72,845	706,597
Lexington Realty Trust, 7.55%, Series D(a)	207,500	1,664,150
Vornado Realty Trust, 6.625%, Series G(a)	110,000	1,542,200
Vornado Realty Trust, 6.625%, Series I(a)	65,000	984,750
		7,023,961
HEALTH CARE 5.4%		
HCP, 7.10%, Series F(a)	67,700	1,144,130
Health Care REIT, 7.625%, Series F(a)	197,600	3,817,632
Omega Healthcare Investors, 8.375%, Series D(a)	40,000	720,000
		5,681,762
HOTEL 4.9%		
Hospitality Properties Trust, 7.00%, Series C(a)	230,000	2,679,500
LaSalle Hotel Properties, 7.25%, Series G(a)	170,000	1,615,000
Sunstone Hotel Investors, 8.00%, Series A(a)	109,950	934,575
		5,229,075
OFFICE 8.5%		
BioMed Realty Trust, 7.375%, Series A(a)	266,500	2,859,545
Brandywine Realty Trust, 7.375%, Series D	30,525	277,777
Corporate Office Properties Trust, 7.625%, Series J(a)	182,600	3,288,626
Cousins Properties, 7.50%, Series B(a)	98,500	1,296,260
HRPT Properties Trust, 8.75%, Series B(a)	49,991	572,397
Kilroy Realty Corp., 7.50%, Series F(a)	55,500	710,400
		9,005,005

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	Number of Shares	Value
OFFICE/INDUSTRIAL 1.3%		
PS Business Parks, 6.70%, Series P(a)	100,401	\$ 1,431,718
RESIDENTIAL- APARTMENT 7.9%		
Apartment Investment & Management Co., 7.75%, Series U(a)	319,750	3,229,475
Apartment Investment & Management Co., 8.00%, Series V(a)	50,000	541,500
Associated Estates Realty Corp., 8.70%, Series B	6,170	85,455
Mid-America Apartment Communities, 8.30%, Series H(a)	135,275	2,976,050
UDR, 6.75%, Series G(a)	84,893	1,476,289
		8,308,769
SELF STORAGE 9.9%		
Public Storage, 6.95%, Series H(a)	200,000	3,602,000
Public Storage, 7.25%, Series I(a)	45,407	885,437
Public Storage, 6.75%, Series L(a)	140,000	2,429,000
Public Storage, 6.625%, Series M(a)	200,000	3,518,000
		10,434,437
SHOPPING CENTER 11.1%		
COMMUNITY CENTER 5.2%		
Kimco Realty Corp., 7.75%, Series G(a)	124,200	1,695,330
Urstadt Biddle Properties, 8.50%, Series C (\$100 par value)(a),(c)	24,000	2,003,760
Weingarten Realty Investors, 6.50%, Series F(a)	160,475	1,795,715
		5,494,805
FREE STANDING 3.9%		
National Retail Properties, 7.375%, Series C(a)	85,600	1,301,976
Realty Income Corp., 6.75%, Series E(a)	169,000	2,856,100
		4,158,076
REGIONAL MALL 2.0%		
CBL & Associates Properties, 7.375%, Series D(a)	223,000	1,445,040
Simon Property Group, 8.375%, Series J (\$50 par value)(a),(c)	14,000	628,950
		2,073,990
TOTAL SHOPPING CENTER		11,726,871

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	Number of Shares	Value
SPECIALTY 2.0%		
Digital Realty Trust, 8.50%, Series A(a)	122,000	\$ 2,127,680
		60,969,278
TOTAL PREFERRED SECURITIES \$25 PAR VALUE (Identified cost \$109,892,024)		60,971,378
PREFERRED SECURITIES CAPITAL SECURITIES 1.3%		
BANK 0.6%		
PNC Preferred Funding Trust I, 8.70%, due 12/31/49, 144A(d)	1,400,000	630,830
INSURANCE- PROPERTY CASUALTY 0.7%		
Liberty Mutual Group, 7.80%, due 3/15/37, 144A(c),(d)	2,000,000	762,588
TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost \$3,361,738)		1,393,418
	Principal Amount	
CORPORATE BONDS 1.8%		
INSURANCE- PROPERTY CASUALTY 0.9%		
Liberty Mutual Group, 10.75%, due 6/15/58, 144A(d)	\$ 2,000,000	981,130
REAL ESTATE-SHOPPING CENTER- REGIONAL MALL 0.9%		
Simon Property Group LP, 10.35%, due 4/1/19(a)	1,000,000	973,357
TOTAL CORPORATE BONDS (Identified cost \$2,939,703)		1,954,487
	Number of Shares	
SHORT-TERM INVESTMENT 2.5%		
MONEY MARKET FUND		
Federated U.S. Treasury Cash Reserves Fund, 0.01%(e) (Identified cost \$2,600,000)	2,600,000	2,600,000

Interest rate swaps outstanding at March 31, 2009 are as follows:

Counterparty	Notional Amount	Fixed Rate Payable	Floating Rate(a) (reset monthly) Receivable	Termination Date	Unrealized Depreciation
Merrill Lynch Derivative Products AG(b)	\$ 35,000,000	3.430%	0.523%	November 22, 2012	(2,274,483)
UBS AG(b)	\$ 13,000,000	3.639%	0.556%	April 17, 2013	(980,201)
UBS AG(b)	\$ 30,000,000	3.615%	0.523%	February 28, 2014	(2,308,242)
					\$ (5,562,926)

(a) Based on LIBOR (London Interbank Offered Rate). Represents rates in effect at March 31, 2009.

(b) Fair valued security. This security has been fair 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 holdings equal (5.3)% of net assets applicable to common shares of the Fund.

Note 1. Portfolio Valuation: Investments in securities that are listed on the New York Stock Exchange are valued, except as indicated below, at the last sale price reflected at the close of the New York Stock Exchange on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices for the day or, if no asked price is available, at the bid price.

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

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by Cohen & Steers Capital Management, Inc. (the investment manager) to be over-the-counter, but excluding securities admitted to trading on the Nasdaq National List, are valued at the official closing prices as reported by Nasdaq, the Pink Sheets, or such other comparable sources as the Board of Directors deem appropriate to reflect their fair market value. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices for the day, or if no asked price is available, at the bid price. 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 Board of Directors to reflect the fair market value of such securities. Where securities are traded on more than one exchange and also over-the-counter, the securities will generally be valued using the quotations the Board of Directors believes most closely reflect the value of such securities. Interest rate swaps are valued utilizing quotes received from an outside pricing service.

Portfolio securities primarily traded on foreign markets are generally valued at the closing values of such securities on their respective exchanges or if after the close of the foreign markets, 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.

Securities for which market prices are unavailable, or securities for which the investment manager determines that bid and/or asked price does not reflect market value, will be valued at fair value pursuant to procedures approved by the Fund's Board of Directors. Circumstances in which market prices may be unavailable include, but are not limited to, when trading in a security is suspended, the exchange on which the security is traded is subject to an unscheduled close or disruption or material events occur after the close of the exchange on which the security is principally traded. In these circumstances, the Fund determines fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors it deems appropriate. These may include recent transactions in comparable securities, information relating to the specific security and developments in the markets.

The Fund's use of fair value pricing may cause the net asset value of Fund shares to differ from the net asset value that would be calculated using market quotations. Fair value pricing

involves subjective judgments and it is possible that the fair value determined for a security may be materially different than the value that could be realized upon the sale of that security.

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

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

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

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

The following is a summary of the inputs used as of March 31, 2009 in valuing the Fund's investments carried at value:

	Fair Value Measurements at March 31, 2009 Using			
	Total	Quoted Prices In Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in Securities	\$ 183,059,413	\$ 174,478,798	\$ 8,580,615	\$
Other Financial Instruments*	(5,562,926)		(5,562,926)	

* Other financial instruments are interest rate swap contracts.

Note 2. Derivative Investments: The Fund has adopted the provisions of Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (FAS 161). This new standard requires funds to disclose information intended to enable financial statement users to understand how and why the fund uses derivative instruments, how derivative instruments are accounted for under FAS 133 and how derivative instruments affect the company's financial position, results of operations, and cash flows. All changes to the disclosures required in this report have been made in accordance with FAS 161.

The following is a summary of the market valuations of the Fund's derivative instruments:

Interest Rate Contracts	\$ (5,562,926)
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Interest Rate Swaps: The Fund uses interest rate swaps in connection with the sale of preferred shares and 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 the preferred shares and 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 preferred shares and 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 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 or paid to the counterparty over the contract's remaining life, to the extent that such amount is positive.

Note 3. Income Tax Information

As of March 31, 2009, the federal tax cost and net unrealized depreciation were as follows:

Gross unrealized appreciation	\$	3,415,116
Gross unrealized depreciation		(137,166,240)
Net unrealized depreciation	\$	(133,751,124)
Cost for federal income tax purposes	\$	316,810,537

Item 2. Controls and Procedures

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

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

Item 3. Exhibits.

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

By: /s/ Adam M. Derechin

Name: Adam M. Derechin
Title: President

Date: May 28, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Adam M. Derechin

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

Date: May 28, 2009

By: /s/ James Giallanza

Name: James Giallanza
Title: Treasurer and principal financial officer

