

COHEN & STEERS TOTAL RETURN REALTY FUND INC  
Form N-Q  
November 23, 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 811-07154

Cohen & Steers Total Return 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: September 30, 2009

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**Item 1. Schedule of Investments**

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## COHEN &amp; STEERS TOTAL RETURN REALTY FUND, INC.

## SCHEDULE OF INVESTMENTS

September 30, 2009 (Unaudited)

|                                    | Number<br>of Shares | Value      |
|------------------------------------|---------------------|------------|
| <b>COMMON STOCK 74.3%</b>          |                     |            |
| <b>DIVERSIFIED 5.9%</b>            |                     |            |
| Cousins Properties                 | 48,806              | \$ 404,114 |
| Dexus Property Group (Australia)   | 708,000             | 527,785    |
| Lexington Realty Trust             | 91,500              | 466,650    |
| Vornado Realty Trust               | 66,448              | 4,279,916  |
|                                    |                     | 5,678,465  |
| <b>HEALTH CARE 9.9%</b>            |                     |            |
| Assisted Living Concepts(a)        | 22,700              | 470,344    |
| Brookdale Senior Living            | 63,711              | 1,155,080  |
| Chartwell Seniors Housing (Canada) | 49,310              | 306,273    |
| Cogdell Spencer                    | 95,204              | 456,979    |
| HCP                                | 115,753             | 3,326,741  |
| Health Care REIT                   | 17,200              | 715,864    |
| Nationwide Health Properties       | 26,954              | 835,305    |
| Senior Housing Properties Trust    | 47,670              | 910,974    |
| Ventas                             | 31,888              | 1,227,688  |
|                                    |                     | 9,405,248  |
| <b>HOTEL 5.8%</b>                  |                     |            |
| Hospitality Properties Trust       | 59,830              | 1,218,737  |
| Host Hotels & Resorts              | 322,638             | 3,797,449  |
| Sunstone Hotel Investors           | 72,100              | 511,910    |
|                                    |                     | 5,528,096  |
| <b>INDUSTRIAL 4.7%</b>             |                     |            |
| AMB Property Corp.                 | 40,733              | 934,822    |
| ProLogis                           | 295,908             | 3,527,224  |
|                                    |                     | 4,462,046  |
| <b>MORTGAGE 0.5%</b>               |                     |            |
| MFA Financial                      | 60,055              | 478,038    |
| <b>OFFICE 13.2%</b>                |                     |            |
| BioMed Realty Trust                | 55,046              | 759,635    |

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|                                       | Number<br>of Shares | Value             |
|---------------------------------------|---------------------|-------------------|
| Boston Properties                     | 53,145              | \$ 3,483,655      |
| Brandywine Realty Trust               | 105,928             | 1,169,445         |
| Brookfield Properties Corp.           | 64,056              | 721,270           |
| Douglas Emmett                        | 53,700              | 659,436           |
| ING Office Fund (Australia)           | 1,063,700           | 525,502           |
| Kilroy Realty Corp.                   | 40,828              | 1,132,569         |
| Liberty Property Trust                | 45,549              | 1,481,709         |
| Mack-Cali Realty Corp.                | 51,522              | 1,665,706         |
| SL Green Realty Corp.                 | 22,636              | 992,588           |
|                                       |                     | 12,591,515        |
| <b>OFFICE/INDUSTRIAL 0.8%</b>         |                     |                   |
| PS Business Parks                     | 15,378              | 789,199           |
| <b>RESIDENTIAL 12.0%</b>              |                     |                   |
| <b>APARTMENT 11.4%</b>                |                     |                   |
| American Campus Communities           | 11,290              | 303,137           |
| Apartment Investment & Management Co. | 85,694              | 1,263,986         |
| Associated Estates Realty Corp        | 43,452              | 418,008           |
| AvalonBay Communities                 | 29,487              | 2,144,590         |
| Colonial Properties Trust             | 14,544              | 141,513           |
| Education Realty Trust                | 70,389              | 417,407           |
| Equity Residential                    | 116,841             | 3,587,019         |
| Home Properties                       | 12,338              | 531,644           |
| Post Properties                       | 33,466              | 602,388           |
| UDR                                   | 95,776              | 1,507,514         |
|                                       |                     | 10,917,206        |
| <b>MANUFACTURED HOME 0.6%</b>         |                     |                   |
| Equity Lifestyle Properties           | 12,587              | 538,598           |
| <b>TOTAL RESIDENTIAL</b>              |                     | <b>11,455,804</b> |
| <b>SELF STORAGE 6.3%</b>              |                     |                   |
| Public Storage                        | 53,960              | 4,059,950         |
| Sovran Self Storage                   | 33,967              | 1,033,616         |

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|  | Number<br>of Shares | Value             |
|--|---------------------|-------------------|
| U-Store-It Trust   | 146,300             | \$ 914,375        |
| <b>SHOPPING CENTER 15.2%</b>                             |                     |                   |
| <b>COMMUNITY CENTER 4.2%</b>                             |                     |                   |
| Developers Diversified Realty Corp.                      | 123,651             | 1,142,535         |
| Kimco Realty Corp.                                       | 98,546              | 1,285,040         |
| Regency Centers Corp.                                    | 18,113              | 671,087           |
| Weingarten Realty Investors                              | 47,450              | 945,204           |
|  |                     | 4,043,866         |
| <b>FREE STANDING 0.5%</b>                                |                     |                   |
| National Retail Properties                               | 21,601              | 463,773           |
| <b>REGIONAL MALL 10.5%</b>                               |                     |                   |
| Glimcher Realty Trust                                    | 62,362              | 228,868           |
| Macerich Co.   | 74,484              | 2,259,100         |
| Simon Property Group                                     | 108,198             | 7,512,187         |
|  |                     | 10,000,155        |
| <b>TOTAL SHOPPING CENTER</b>                             |                     | <b>14,507,794</b> |
| <b>TOTAL COMMON STOCK (Identified cost \$58,390,998)</b> |                     | <b>70,904,146</b> |
| <b>PREFERRED SECURITIES \$25 PAR VALUE 19.6%</b>         |                     |                   |
| <b>INSURANCE 0.2%</b>                                    |                     |                   |
| Allianz SE, 8.375%                                       | 10,250              | 245,590           |
| <b>REAL ESTATE 18.9%</b>                                 |                     |                   |
| <b>DIVERSIFIED 3.3%</b>                                  |                     |                   |
| Duke Realty Corp., 8.375%, Series O                      | 39,000              | 946,530           |
| Lexington Realty Trust, 6.50%, Series C (\$50 par value) | 24,900              | 742,767           |
| Lexington Realty Trust, 7.55%, Series D                  | 16,500              | 280,500           |
| Vornado Realty Trust, 6.625%, Series G                   | 19,975              | 421,273           |
| Vornado Realty Trust, 6.625%, Series I                   | 35,000              | 743,750           |
|  |                     | 3,134,820         |
| <b>HEALTH CARE 0.6%</b>                                  |                     |                   |
| Health Care REIT, 7.625%, Series F                       | 24,100              | 570,929           |

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|   | Number<br>of Shares | Value      |
|---|---------------------|------------|
| <b>HOTEL 0.5%</b>   |                     |            |
| Hospitality Properties Trust, 7.00%, Series C                   | 16,000              | \$ 311,200 |
| Sunstone Hotel Investors, 8.00%, Series A                       | 8,225               | 153,807    |
|   |                     | 465,007    |
| <b>INDUSTRIAL 1.2%</b>  |                     |            |
| AMB Property Corp., 6.75%, Series M                             | 26,684              | 557,696    |
| ProLogis, 6.75%, Series F                                       | 30,000              | 591,000    |
|   |                     | 1,148,696  |
| <b>OFFICE 1.0%</b>  |                     |            |
| BioMed Realty Trust, 7.375%, Series A                           | 32,800              | 729,800    |
| Maguire Properties, 7.625%, Series A                            | 31,465              | 209,242    |
|   |                     | 939,042    |
| <b>OFFICE/INDUSTRIAL 0.8%</b>                                   |                     |            |
| PS Business Parks, 6.70%, Series P                              | 37,100              | 784,665    |
|   |                     |            |
| <b>RESIDENTIAL- APARTMENT 3.9%</b>                              |                     |            |
| Alexandria Real Estate, 7.00%, Series D                         | 35,000              | 682,500    |
| Apartment Investment & Management Co., 9.375%, Series G         | 48,200              | 1,186,202  |
| Apartment Investment & Management Co., 7.75%, Series U          | 50,000              | 1,035,000  |
| Equity Residential, 6.48%, Series N                             | 15,000              | 314,100    |
| Mid-America Apartment Communities, 8.30%, Series H              | 20,300              | 499,989    |
|   |                     | 3,717,791  |
| <b>SELF STORAGE 0.6%</b>  |                     |            |
| Public Storage, 6.625%, Series M                                | 25,000              | 569,250    |
|   |                     |            |
| <b>SHOPPING CENTER 6.0%</b>                                     |                     |            |
| <b>COMMUNITY CENTER 5.2%</b>                                    |                     |            |
| Developers Diversified Realty Corp., 8.00%, Series G            | 30,000              | 570,000    |
| Developers Diversified Realty Corp., 7.375%, Series H           | 19,900              | 349,245    |
| Kimco Realty Corp., 7.75%, Series G                             | 40,025              | 974,609    |
| Regency Centers Corp., 7.45%, Series C                          | 49,500              | 1,123,650  |
| Regency Centers Corp., 7.25%, Series D                          | 19,020              | 422,244    |
| Saul Centers, 8.00%, Series A                                   | 18,700              | 432,344    |
| Urstadt Biddle Properties, 8.50%, Series C (\$100 par value)(b) | 4,000               | 394,000    |

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|   | Number<br>of Shares |    | Value             |
|---|---------------------|----|-------------------|
| Weingarten Realty Investors, 6.50%, Series F  | 34,028              | \$ | 680,560           |
|   |                     |    | 4,946,652         |
| <b>REGIONAL MALL 0.8%</b>   |                     |    |                   |
| CBL & Associates Properties, 7.75%, Series C  | 16,000              |    | 312,000           |
| Simon Property Group, 8.375%, Series J (\$50 par value)(b)                            | 8,130               |    | 475,605           |
|   |                     |    | 787,605           |
| <b>TOTAL SHOPPING CENTER</b>  |                     |    | <b>5,734,257</b>  |
| <b>SPECIALTY 1.0%</b>   |                     |    |                   |
| Digital Realty Trust, 8.50%, Series A   | 10,700              |    | 261,080           |
| Digital Realty Trust, 7.875%, Series B  | 13,200              |    | 314,292           |
| Entertainment Properties Trust, 9.00%, Series E                                       | 17,000              |    | 366,690           |
|   |                     |    | 942,062           |
| <b>TOTAL REAL ESTATE</b>  |                     |    | <b>18,006,519</b> |
| <b>TELECOMMUNICATION SERVICES 0.5%</b>  |                     |    |                   |
| Telephone & Data Systems, 7.60%, due 12/1/41, Series A                                | 20,000              |    | 460,000           |
| <b>TOTAL PREFERRED SECURITIES \$25 PAR VALUE</b><br>(Identified cost \$18,379,020)    |                     |    | <b>18,712,109</b> |
| <b>PREFERRED SECURITIES CAPITAL SECURITIES 2.3%</b>                                   |                     |    |                   |
| <b>BANK 0.5%</b>  |                     |    |                   |
| JPMorgan Chase, 7.90%, due 4/29/49  | 500,000             |    | 481,548           |
| <b>INSURANCE PROPERTY CASUALTY 1.3%</b>   |                     |    |                   |
| Liberty Mutual Group, 7.80%, due 3/15/37, 144A(c)                                     | 1,000,000           |    | 775,000           |
| Liberty Mutual Group, 10.75%, due 6/15/58, 144A(c)                                    | 500,000             |    | 482,500           |
|   |                     |    | 1,257,500         |
| <b>PIPELINES 0.5%</b>   |                     |    |                   |
| Enterprise Products Operating LP, 8.375%, due 8/1/66                                  | 500,000             |    | 468,090           |
| <b>TOTAL PREFERRED SECURITIES CAPITAL SECURITIES</b><br>(Identified cost \$2,382,190) |                     |    | <b>2,207,138</b>  |

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|  | Principal<br>Amount | Value          |
|--|---------------------|----------------|
| <b>CORPORATE BONDS 1.0%</b>                                |                     |                |
| <b>REAL ESTATE</b>   |                     |                |
| <b>INDUSTRIAL 0.5%</b>                                     |                     |                |
| ProLogis International Funding, 5.875%, due 10/23/14       | EUR 350,000         | \$ 440,468     |
| <b>SHOPPING CENTER COMMUNITY CENTER 0.5%</b>               |                     |                |
| Developers Diversified Realty Corp., 9.625%, due 3/15/2016 | \$ 500,000          | 502,164        |
| <b>TOTAL CORPORATE BONDS (Identified cost \$807,575)</b>   |                     | <b>942,632</b> |

|   | Number<br>of Shares |                      |
|---|---------------------|----------------------|
| <b>SHORT-TERM INVESTMENTS 2.4%</b>  |                     |                      |
| <b>MONEY MARKET FUNDS</b>   |                     |                      |
| Dreyfus Treasury Cash Management Fund, 0.00001%(d)  | 85,391              | 85,391               |
| Federated U.S. Treasury Cash Reserves Fund, 0.001%(d)   | 1,100,000           | 1,100,000            |
| Fidelity Institutional Money Market Treasury Only Fund, 0.080%(d)   | 1,100,000           | 1,100,000            |
| <b>TOTAL SHORT-TERM INVESTMENTS (Identified cost \$2,285,391)</b>   |                     | <b>2,285,391</b>     |
| <b>TOTAL INVESTMENTS (Identified cost \$82,245,174)</b>   | <b>99.6%</b>        | <b>95,051,416</b>    |
| <b>OTHER ASSETS IN EXCESS OF LIABILITIES</b>  | <b>0.4%</b>         | <b>364,110</b>       |
| <b>NET ASSETS (Equivalent to \$10.18 per share based on 9,374,179 shares of common stock outstanding)</b> | <b>100.0%</b>       | <b>\$ 95,415,526</b> |



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Glossary of Portfolio Abbreviations

EUR  
REIT

Euro  
Real Estate Investment Trust

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

(a) Non-income producing security.

(b) Illiquid security. Aggregate holdings equal 0.9% of net assets of the Fund.

(c) Resale is restricted to qualified institutional investors. Aggregate holdings equal 1.3% of net assets of the Fund.

(d) Rate quoted represents the seven day yield of the fund.

**NOTES TO FINANCIAL STATEMENTS**

**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. 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.

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. If after a close of the 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 Cohen & Steers Capital Management, Inc. (the advisor) 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 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.

Securities for which market prices are unavailable, or securities for which the advisor 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, but are not limited to, 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 with a maturity date of 60 days or less are valued at amortized cost, which approximates value.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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, 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 September 30, 2009 in valuing the Fund's investments carried at value:

|   | Fair Value Measurements at September 30, 2009 Using |  |   |  |
|---|---|--|---|--|
|   | Total   | Quoted Prices<br>In Active<br>Market for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Common Stock  | \$ 70,904,146                                       | \$ 70,904,146  | \$  | \$   |
| Preferred Securities - \$25 Par Value - Shopping<br>Center - Community Center | 4,946,652   | 4,552,652  | 394,000   |  |
| Preferred Securities -\$25 Par Value - Other<br>Industries                    | 13,765,457  | 13,765,457   |   |  |
| Preferred Securities - Capital Securities                                     | 2,207,138   |  | 2,207,138   |  |
| Corporate Bonds   | 942,632   |  | 942,632   |  |
| Money Market Funds  | 2,285,391   |  | 2,285,391   |  |
| <b>Total Investments</b>  | <b>\$ 95,051,416</b>                                | <b>\$ 89,222,255</b>   | <b>\$ 5,829,161</b>                                       |  |

## Note 2. Derivative Instruments

*Options:* The Fund may write covered call options on an index or a security with the intention of earning option premiums. Option premiums generate current income and may help increase distributable income. When a Fund writes (sells) an option, an amount equal to the premium

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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 or loss on the option to the extent of the premiums received. Premiums received from writing options which are exercised or are closed, are added to or offset against the proceeds or amount paid on the transaction to determine the realized 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.

**Note 3. Income Tax Information**

As of September 30, 2009, the federal tax cost and net unrealized appreciation on securities were as follows:

|                                      |    |             |
|--------------------------------------|----|-------------|
| Gross unrealized appreciation        | \$ | 17,785,854  |
| Gross unrealized depreciation        |    | (4,979,612) |
| Net unrealized appreciation          | \$ | 12,806,242  |
| Cost for federal income tax purposes | \$ | 82,245,174  |

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**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.

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**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 TOTAL RETURN REALTY FUND, INC.**

By: /s/ Adam M. Derechin  
Name: Adam M. Derechin  
Title: President

Date: November 23, 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

By: /s/ James Giallanza  
Name: James Giallanza  
Title: Treasurer and principal financial officer

Date: November 23, 2009

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