

COHEN & STEERS QUALITY INCOME REALTY FUND INC
 Form N-30B-2
 May 20, 2005

 COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

April 27, 2005

To Our Shareholders:

We are pleased to submit to you our report for Cohen & Steers Quality Income Realty Fund for the quarter ended March 31, 2005. The net asset value at that date was \$20.00 per common share. The fund's common stock is traded on the New York Stock Exchange and its share price can differ from its net asset value; at quarter end, the fund's closing share price on the NYSE was \$18.45 per share. The total return, including income, for Cohen & Steers Quality Income Realty Fund and the comparative benchmarks were:

| | TOTAL RETURN, QUARTERLY ENDED 3/31/05 | |
|--|---|------------------------|
| | MARKET PRICE ^a | NET ASSET VALUE (a) |
| | ----- | ----- |
| Cohen & Steers Quality Income Realty Fund..... | -8.6% | -9.2% |
| NAREIT Equity REIT Index(b)..... | -7.1% | -7.1% |
| Morgan Stanley REIT Preferred Index(c)..... | -0.7% | -0.7% |

The asset mix of the fund at quarter-end consisted of 77.4% REIT common stocks, 21.8% preferred stocks and other fixed-income investments, and 0.8% cash. The preferred allocation provides diversification benefits and helps increase the income potential of the fund.

During the quarter, three monthly dividends of \$0.14 per share were paid to common shareholders. In addition, the fund's board of directors declared three monthly dividends of \$0.14 per share payable in April, May, and June.

INVESTMENT REVIEW

Over the past several quarters we have focused on the rebound in real estate fundamentals when determining the outlook for real estate stocks. The performance of real estate stocks during the past two years, in our view, demonstrates that the market has come to appreciate the budding turnaround in property occupancies and rents.

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- (a) As a closed-end investment company, the price of the fund's New York Stock Exchange-traded shares will be set by market forces and at times may deviate from the net asset value per share of the fund.
 - (b) The NAREIT Equity REIT Index ('Equity REITs') is an unmanaged market-capitalization-weighted index of all tax-qualified Equity REITs listed on the NYSE, AMEX, and the Nasdaq that have 75% or more of their gross invested book assets invested directly or indirectly in the equity ownership of real estate.

- (c) The Morgan Stanley REIT Preferred Index is an unmanaged index of all exchange-traded perpetual preferred securities of equity REITs, weighted by capitalization and considered representative of real estate preferred stock performance.

1

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

More recently, however, forces outside the real estate industry have begun to shape the behavior of the REIT and broader markets. Headwinds have started to blow, perhaps not hard enough to endanger the U.S. economic and real estate recoveries, but sufficient enough, we believe, to slow their pace and generate upheaval in some segments of the economy.

The financial press has invoked a laundry list of concerns, including the trade deficit, the federal budget deficit, the over-consuming and financially stretched consumer, a housing bubble and fears of higher long-term interest rates. Our belief is that most of these are not immediately threatening. Our unease rests largely with rising oil prices and with the Federal Reserve's persistent monetary tightening. As the Fed reverses the accommodative monetary stance that returned the economy to a normal growth trajectory, we believe economic growth should moderate until these interest rate increases work their way through the system. The flattening yield curve (short-term and long-term interest rates almost equal) is hinting at this, as it typically does.

REIT share prices have fallen farther than most of the broader equity market indexes, in an abrupt turnaround from last year. Health care, which had a -11.2% total return, was the worst performing property sector in the first quarter -- not surprising given that, unlike most types of real estate, flattish lease terms tend to make this group more interest rate-sensitive. Industrial and mixed office/industrial REITs, returning -10.5% and -9.7%, respectively, were the next worst performing groups. Apparent profit taking in the first quarter made some of the best performing stocks last year the worst performers. Two mall companies, Mills Corporation and Macerich Company, and Maguire Properties, an office REIT, were among the poorest performing stocks in our portfolio, returning -16.1%, -14.2% and -11.6%, respectively. Stock selection in the regional mall and office sectors were the largest detractors from our relative performance.

Self storage was the best performing property type in the quarter with a 0.8% total return. U-Store-It Trust, which returned 1.5%, was one of our best performing stocks. Our strongest investment was Equity Office Properties, which returned 5.2%. Our overweight in the office sector, which returned -3.3%, driven in our view by the sustained recovery in office fundamentals, contributed significantly to our relative performance. The largest contributor to our performance during the quarter was our allocation to REIT preferred stocks. REIT preferreds, 21.8% of the portfolio, were down only slightly in the quarter, significantly exceeding REIT common stocks on a total return basis.

Our view of why REIT share prices declined during the quarter is distinct from popular perception, and hence our outlook for the future is different as well. The conventional wisdom surrounding REITs is that their outperformance compared to the broader markets during the past five years necessitates that they are now overvalued. Additionally, many believe that interest rates are a

key determinant of REIT stock prices and that the rise in interest rates will cause REITs to underperform -- despite historical evidence to the contrary. Finally, many fear that a continual rise in interest rates will burst the real estate 'bubble' -- a condition which, we believe, may exist in some overheated single-family housing markets but certainly not among commercial property types.

Our perspective is somewhat different. We believe REITs' substantial outperformance in 2004 resulted in many individuals and institutions being over-allocated to the REIT asset class at the beginning of 2005,

2

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

precipitating some re-balancing of portfolios away from REITs. Many investors have reduced their REIT holdings, which we believe reflects the dispassionate, disciplined re-allocation by long-time REIT investors. Perhaps a more simple explanation is that, after strong returns, investors merely took profits, in a financial market environment that already was subject to overall poor investor sentiment.

In the meantime, despite this choppy period in the market for REITs, many companies took advantage of expanding acquisition opportunities. We believe that most commercial property types are in recovery in most regions of the U.S., and that REITs, in response, are beginning to expand their portfolios more rapidly. The flow of real estate assets from private hands to public companies has accelerated dramatically in the last quarter. Announcements of billion dollar acquisitions have become routine. However, in contrast to the mid-1990s when REITs made huge volumes of acquisitions and issued large amounts of common stock to pay for them, today's acquisitions appear to be financed largely with lower cost capital. In the first quarter alone, REITs announced purchases of over \$10 billion of privately held real estate while raising only \$1.3 billion of equity capital. These acquisitions can potentially enhance their growth rates and have increased the scope of property portfolios they control.

INVESTMENT OUTLOOK

Many investors seem to be concerned that we are inevitably headed for a REIT bear market similar to the one that began in 1998. However, in early 1998, real estate fundamentals peaked after accelerating for six years. Buildings were full and a construction boom was underway. Valuations were excessive -- REITs traded at a 25% premium to the value of their underlying real estate assets -- and investor sentiment was positive. None of these conditions exist today, in our view.

We believe that investors may want to consider the environment REITs faced in the 1994 period. The Fed had aggressively raised short-term interest rates from 3% to 5.5% by year-end, removing the accommodative monetary stimulus that had jump-started the economy out of the early-1990s recession. The rate of GDP growth and job growth slowed from white-hot levels to more sustainable levels and the economic expansion was able to sustain itself for another six years as a result. As the stock market began to incorporate expectations for a slowing economy, REIT returns moderated in 1994, to just 3.2% (the S&P 500 returned 1.3% in 1994), after generating average annual total returns of 23% the prior three years. As the economy stabilized after this 'mid-course correction,' REITs went

on to generate an average return of 24% annually for the next three years.

While the Fed's current tightening cycle will inevitably cause some dislocations, and while current economic growth may slow somewhat in the near term, we believe we are still at the beginning of a recovery in most real estate markets. REIT earnings growth, in our view, may not accelerate as quickly, near-term, as the economy undergoes this correction, although we believe there will be continued healthy growth. Very little new construction is underway and we believe replacement costs -- the long run determinant of real estate value -- will continue to rise with raw material costs. Vacancy rates have declined while effective rents have risen, a trend that we believe will continue. We therefore expect REITs to enjoy a strong period of internal growth, even without the benefit of

3

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

new property acquisitions. In addition, we believe profitable acquisition and development opportunities exist for the skilled players who can access inexpensive capital.

By our estimates, REIT stocks are trading at approximately the value of their underlying assets. However, the most recent round of real estate asset sales would suggest that our estimates of asset value might be too low. It seems unusual at this stage in the cycle that REITs should trade at or below asset value, when, as we believe, fundamentals are improving and growth opportunities are plentiful. As a result we believe that REIT investments will continue to deliver competitive total returns.

Sincerely,

MARTIN COHEN
MARTIN COHEN
President

ROBERT H. STEERS
ROBERT H. STEERS
Chairman

JOSEPH M. HARVEY
JOSEPH M. HARVEY
Portfolio Manager

JAMES S. CORL
JAMES S. CORL
Portfolio Manager

VISIT COHEN & STEERS ONLINE AT COHENANDSTEERS.COM

For more information about any of our funds, visit cohenandsteers.com, where you'll find daily net asset values, fund fact sheets and portfolio highlights. You can also access newsletters, education tools and market updates covering the REIT, utility 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)

While we do not attempt to predict what future interest rates will be, 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. Our leverage strategy involves issuing auction market preferred shares (AMPS) to raise additional capital for the fund, with an objective of increasing the net income available for shareholders. As of March 31, 2005, AMPS represented 36% of the fund's managed net assets. Considering that AMPS have variable dividend rates, we seek to lock in the rate on a majority 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, we have fixed the rate on 65% of our borrowings at an average interest rate of 4.8%, for an average remaining period of 2.6 years (when we first entered into the swaps, the average term was 5 years). By locking in a large portion of our leveraging costs, we have endeavored to adequately protect the dividend-paying ability of the fund, which is one of the reasons the fund has been able to increase its monthly dividend on several occasions. 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 from any impact that an increase in short-term interest rates may have as a result of the use of leverage.

LEVERAGE FACTS (a)

| | |
|--|-----------|
| Leverage (as % of managed net assets)..... | 36% |
| % Fixed Rate..... | 65% |
| % Variable Rate..... | 35% |
| Average Rate on Swaps..... | 4.8% |
| Average Term on Swaps..... | 2.6 years |
| Current Rate on AMPS..... | 3.1% |

(a) Data as of March 31, 2005. Information subject to change.

 COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

MARCH 31, 2005
 TOP TEN HOLDINGS
 (Unaudited)

| SECURITY | MARKET VALUE | % OF MANAGED ASSETS |
|--|-----------------|------------------------|
| | ----- | ----- |
| 1. Vornado Realty Trust..... | \$45,956,697 | 3.79% |
| 2. Mack-Cali Realty Corp. | 45,475,430 | 3.75 |
| 3. Ventas..... | 44,091,840 | 3.64 |
| 4. Macerich Co. | 43,042,621 | 3.55 |
| 5. Liberty Property Trust..... | 41,596,060 | 3.43 |
| 6. Equity Office Properties Trust..... | 39,602,872 | 3.27 |
| 7. Mills Corp. | 39,008,460 | 3.22 |
| Crescent Real Estate Equities Co., 6.75%, Series | | |
| 8. A..... | 38,869,424 | 3.21 |
| 9. Prentiss Properties Trust..... | 34,166,832 | 2.82 |
| 10. Brandywine Realty Trust..... | 32,401,560 | 2.68 |

SECTOR BREAKDOWN
 (Based on Managed Assets)
 (Unaudited)

[PIE CHART]

| | |
|--|--------|
| Specialty | 0.16% |
| Cash & Liabilities in Excess of Other Assets | 0.44% |
| Self Storage | 1.16% |
| Mortgage | 3.16% |
| Hotel | 6.12% |
| Health Care | 11.26% |
| Diversified | 13.13% |
| Residential | 13.69% |
| Shopping Center | 20.19% |
| Office/Industrial | 30.69% |

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SCHEDULE OF INVESTMENTS
MARCH 31, 2005 (UNAUDITED)

| | | NUMBER OF SHARES | VALUE | DIVIDEND YIELD (a) |
|---------------------------------------|-------------|---------------------|--------------|-----------------------|
| | | ----- | ----- | ----- |
| EQUITIES | 155.15% (b) | | | |
| COMMON STOCK | 121.03% | | | |
| DIVERSIFIED | 13.29% | | | |
| Capital Trust -- Class A..... | | 66,100 | \$ 2,193,198 | 6.63% |
| Colonial Properties Trust..... | | 582,300 | 22,366,143 | 7.03 |
| Crescent Real Estate Equities Co..... | | 996,900 | 16,289,346 | 9.18 |
| iStar Financial..... | | 400,500 | 16,492,590 | 7.12 |
| Vornado Realty Trust..... | | 663,443 | 45,956,697 | 4.39 |
| | | | ----- | |
| | | | 103,297,974 | |
| | | | ----- | |
| HEALTH CARE | 17.33% | | | |
| Health Care Property Investors..... | | 1,113,500 | 26,133,845 | 7.16 |
| Healthcare Realty Trust..... | | 224,600 | 8,184,424 | 7.14 |
| Health Care REIT..... | | 969,625 | 31,028,000 | 7.50 |
| LTC Properties..... | | 49,100 | 851,885 | 6.92 |
| Nationwide Health Properties..... | | 1,205,300 | 24,359,113 | 7.32 |
| Ventas..... | | 1,766,500 | 44,091,840 | 5.77 |
| | | | ----- | |
| | | | 134,649,107 | |
| | | | ----- | |
| HOTEL | 2.38% | | | |
| Hospitality Properties Trust..... | | 391,300 | 15,800,694 | 7.13 |
| Strategic Hotel Capital..... | | 183,400 | 2,695,980 | 5.99 |
| | | | ----- | |
| | | | 18,496,674 | |
| | | | ----- | |
| INDUSTRIAL | 2.98% | | | |
| First Industrial Realty Trust..... | | 612,900 | 23,186,007 | 7.35 |
| | | | ----- | |
| MORTGAGE | 4.73% | | | |
| Gramercy Capital Corp. (c)..... | | 785,000 | 13,776,750 | 4.51 |
| Newcastle Investment Corp..... | | 776,928 | 22,997,069 | 8.45 |
| | | | ----- | |
| | | | 36,773,819 | |
| | | | ----- | |

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- (a) Dividend yield is computed by dividing the security's current annual dividend rate by the last sale price on the principal exchange or market.
- (b) Percentages indicated are based on the net assets applicable to common shares of the fund.
- (c) This security is restricted and cannot be resold without prior registration under the Securities Act of 1933 unless pursuant to an exemption therefrom. The fund prices this security at fair value using procedures approved by the fund's board of directors.
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 COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

 SCHEDULE OF INVESTMENTS -- (CONTINUED)
 MARCH 31, 2005 (UNAUDITED)

| | | NUMBER OF SHARES | VALUE | DIVIDEND YIELD |
|--|--------|---------------------|---------------|-------------------|
| | | ----- | ----- | ----- |
| OFFICE | 36.04% | | | |
| Arden Realty..... | | 826,800 | \$ 27,987,180 | 5.97% |
| BioMed Realty Trust..... | | 59,000 | 1,215,400 | 5.24 |
| Brandywine Realty Trust..... | | 1,140,900 | 32,401,560 | 6.20 |
| CarrAmerica Realty Corp. | | 1,010,600 | 31,884,430 | 6.34 |
| Equity Office Properties Trust..... | | 1,314,400 | 39,602,872 | 6.64 |
| Highwoods Properties..... | | 415,300 | 11,138,346 | 6.34 |
| HRPT Properties Trust..... | | 1,109,000 | 13,208,190 | 7.05 |
| Kilroy Realty Corp. | | 102,600 | 4,197,366 | 4.99 |
| Mack-Cali Realty Corp. | | 1,073,800 | 45,475,430 | 5.95 |
| Maguire Properties..... | | 604,800 | 14,442,624 | 6.70 |
| Prentiss Properties Trust..... | | 1,000,200 | 34,166,832 | 6.56 |
| Reckson Associates Realty Corp. | | 794,100 | 24,378,870 | 5.53 |
| | | | ----- | |
| | | | 280,099,100 | |
| | | | ----- | |
| OFFICE/INDUSTRIAL | 5.35% | | | |
| Liberty Property Trust..... | | 1,065,200 | 41,596,060 | 6.25 |
| | | | ----- | |
| RESIDENTIAL | 16.66% | | | |
| APARTMENT | 15.93% | | | |
| AMLI Residential Properties Trust..... | | 77,000 | 2,109,030 | 7.01 |
| American Campus Communities..... | | 130,800 | 2,746,800 | 6.43 |
| Archstone-Smith Trust..... | | 754,100 | 25,722,351 | 5.04 |
| AvalonBay Communities..... | | 307,200 | 20,548,608 | 4.25 |
| Camden Property Trust..... | | 366,600 | 17,241,198 | 5.40 |
| Education Realty Trust..... | | 220,700 | 3,670,241 | 7.16 |
| GMH Communities Trust..... | | 477,600 | 5,592,696 | 7.77 |
| Gables Residential Trust..... | | 586,900 | 19,543,770 | 7.24 |
| Home Properties..... | | 361,600 | 14,030,080 | 6.49 |
| Mid-America Apartment Communities..... | | 309,400 | 11,293,100 | 6.41 |
| Town & Country Trust..... | | 50,000 | 1,322,500 | 6.50 |
| | | | ----- | |
| | | | 123,820,374 | |
| | | | ----- | |
| MANUFACTURED HOME | 0.73% | | | |
| Affordable Residential Communities.... | | 448,700 | 5,676,055 | 9.88 |
| | | | ----- | |
| TOTAL RESIDENTIAL..... | | | 129,496,429 | |
| | | | ----- | |

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)
MARCH 31, 2005 (UNAUDITED)

| | NUMBER OF SHARES | VALUE | DIVIDEND YIELD |
|--|---------------------|--------------|-------------------|
| SELF STORAGE | 1.80% | | |
| Extra Space Storage..... | 314,300 | \$ 4,243,050 | 6.74% |
| Sovran Self Storage..... | 87,300 | 3,459,699 | 6.11 |
| U-Store-It Trust..... | 361,700 | 6,293,580 | 6.44 |
| | | 13,996,329 | |
| SHOPPING CENTER | 20.47% | | |
| COMMUNITY CENTER | 8.07% | | |
| Cedar Shopping Centers..... | 268,100 | 3,817,744 | 6.32 |
| Heritage Property Investment Trust.... | 449,100 | 13,329,288 | 7.08 |
| Inland Real Estate Corp. | 94,000 | 1,412,820 | 6.25 |
| Kramont Realty Trust..... | 1,293,300 | 30,263,220 | 5.56 |
| New Plan Excel Realty Trust..... | 222,700 | 5,591,997 | 6.57 |
| Urstadt Biddle Properties -- Class A..... | 544,000 | 8,296,000 | 5.77 |
| | | 62,711,069 | |
| REGIONAL MALL | 12.40% | | |
| Glimcher Realty Trust..... | 605,200 | 14,343,240 | 8.11 |
| Macerich Co. | 807,857 | 43,042,621 | 4.88 |
| Mills Corp. | 737,400 | 39,008,460 | 4.74 |
| | | 96,394,321 | |
| TOTAL SHOPPING CENTER..... | | 159,105,390 | |
| TOTAL COMMON STOCK (Identified cost -- \$696,702,694)..... | | 940,696,889 | |
| PREFERRED STOCK | 34.12% | | |
| DIVERSIFIED | 7.17% | | |
| Colonial Properties Trust, 8.125%, Series D..... | 64,900 | 1,643,268 | 8.02 |
| Colonial Properties Trust, 7.62%, Series E..... | 55,000 | 1,302,812 | 8.04 |
| Crescent Real Estate Equities Co., 6.75%, Series A (Convertible) (a)... | 1,806,200 | 38,869,424 | 7.84 |
| Digital Realty Trust, 8.50%, Series A..... | 122,000 | 3,172,000 | 8.17 |
| Entertainment Properties Trust, 7.75%, Series B..... | 128,000 | 3,207,680 | 7.73 |
| iStar Financial, 7.80%, Series F..... | 166,681 | 4,308,704 | 7.54 |
| iStar Financial, 7.65%, Series G..... | 87,300 | 2,193,849 | 7.59 |

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| | | | |
|---------------------------------------|--------|------------|------|
| iStar Financial, 7.50%, Series I..... | 40,200 | 998,970 | 7.55 |
| | | ----- | |
| | | 55,696,707 | |
| | | ----- | |

(a) 410,000 shares segregated as collateral for the interest rate swap transactions.

9

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)
MARCH 31, 2005 (UNAUDITED)

| | NUMBER OF SHARES | VALUE | DIVIDEND YIELD |
|--|---------------------|------------|-------------------|
| | ----- | ----- | ----- |
| HEALTH CARE | | | 0.23% |
| Health Care REIT, 7.625%, Series F.... | 28,300 | \$ 707,500 | 7.62% |
| Omega Healthcare Investors, 8.375%, Series D..... | 40,000 | 1,040,000 | 8.05 |
| | | ----- | |
| | | 1,747,500 | |
| | | ----- | |
| HOTEL | | | 7.16% |
| FelCor Lodging Trust, 9.00%, Series B..... | 652,500 | 16,769,250 | 8.02 |
| FelCor Lodging Trust, 8.00%, Series C..... | 104,300 | 2,451,050 | 8.31 |
| Host Marriott Corp., 10.00%, Series B..... | 14,100 | 354,192 | 9.92 |
| Host Marriott Corp., 10.00%, Series C..... | 30,700 | 785,613 | 9.77 |
| Host Marriott Corp., 8.875%, Series E..... | 10,000 | 269,500 | 8.23 |
| Innkeepers USA Trust, 8.00%, Series C..... | 91,300 | 2,291,630 | 7.97 |
| LaSalle Hotel Properties, 10.25%, Series A..... | 1,000,000 | 26,700,000 | 9.60 |
| Strategic Hotel Capital, 8.50%, Series A, 144A..... | 132,200 | 3,288,475 | 8.54 |
| Sunstone Hotel Investors, 8.00%, Series A..... | 111,000 | 2,769,450 | 8.00 |
| | | ----- | |
| | | 55,679,160 | |
| | | ----- | |
| MORTGAGE | | | 0.19% |
| Newcastle Investment Corp., 9.75%, | | | |

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| | | | |
|--|---------|------------|------|
| Series B..... | 56,000 | 1,506,400 | 9.08 |
| ----- | | | |
| OFFICE | 3.28% | | |
| Cousins Properties, 7.50%, Series B..... | 200,000 | 5,000,000 | 7.46 |
| HRPT Properties Trust, 8.75%, Series B..... | 120,000 | 3,207,600 | 8.18 |
| Highwoods Properties, 8.625%, Series A..... | 13,195 | 13,442,406 | 8.47 |
| Kilroy Realty Corp., 7.50%, Series F..... | 49,000 | 1,215,200 | 7.56 |
| Maguire Properties, 7.625%, Series A..... | 106,600 | 2,649,010 | 7.67 |
| ----- | | | |
| | | 25,514,216 | |
| ----- | | | |
| OFFICE/INDUSTRIAL | 0.17% | | |
| PS Business Parks, 8.75%, Series F.... | 4,100 | 107,010 | 8.38 |
| PS Business Parks, 7.00%, Series H.... | 40,000 | 971,200 | 7.20 |
| ProLogis, 8.54%, Series C..... | 4,000 | 234,250 | 7.29 |
| ----- | | | |
| | | 1,312,460 | |
| ----- | | | |

10

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)
MARCH 31, 2005 (UNAUDITED)

| | NUMBER OF SHARES | VALUE | DIVIDEND YIELD |
|---|---------------------|---------------|-------------------|
| ----- | | | |
| RESIDENTIAL | 4.67% | | |
| APARTMENT | 4.60% | | |
| Apartment Investment & Management Co., 10.10%, Series R..... | 940,000 | \$ 24,722,000 | 9.51% |
| Associated Estates Realty Corp., 8.70%, Series B..... | 90,000 | 2,304,000 | 8.50 |
| Home Properties, 9.00%, Series F..... | 196,000 | 5,141,080 | 8.65 |
| Mid-America Apartment Communities, 8.30%, Series H..... | 138,100 | 3,549,170 | 8.07 |
| ----- | | | |
| | | 35,716,250 | |
| ----- | | | |
| MANUFACTURED HOME | 0.07% | | |
| American Land Lease, 7.75%, Series A..... | 22,000 | 561,000 | 7.64 |
| ----- | | | |
| TOTAL RESIDENTIAL..... | | 36,277,250 | |

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| | | | | |
|--|--------|-----------|------------|------|
| SHOPPING CENTER | 10.99% | | | |
| COMMUNITY CENTER | 5.00% | | | |
| Cedar Shopping Centers, 8.875%, Series A..... | | 61,000 | 1,601,250 | 8.45 |
| Developers Diversified Realty Corp., 8.60%, Series F..... | | 1,039,400 | 27,325,826 | 8.18 |
| Federal Realty Investment Trust, 8.50%, Series B..... | | 276,300 | 7,321,950 | 8.02 |
| Urstadt Biddle Properties, 8.50%, Series C..... | | 24,000 | 2,640,000 | 7.73 |
| | | | 38,889,026 | |
| FREE STANDING | 0.09% | | | |
| Commercial Net Lease Realty, 9.00%, Series A..... | | 25,000 | 667,500 | 8.43 |
| REGIONAL MALL | 5.90% | | | |
| CBL & Associates Properties, 8.75%, Series B..... | | 430,000 | 23,073,800 | 8.15 |
| CBL & Associates Properties, 7.375%, Series D..... | | 325,000 | 8,034,000 | 7.46 |
| Glimcher Realty Trust, 8.75%, Series F..... | | 40,000 | 1,040,000 | 8.41 |
| Glimcher Realty Trust, 8.125%, Series G..... | | 40,000 | 1,004,000 | 8.09 |
| Mills Corp., 9.00%, Series B..... | | 55,300 | 1,459,920 | 8.56 |
| Mills Corp., 9.00%, Series C..... | | 159,600 | 4,175,136 | 8.60 |
| Mills Corp., 8.75%, Series E..... | | 84,000 | 2,194,080 | 8.37 |
| Simon Property Group, 8.75%, Series F..... | | 30,000 | 781,800 | 8.39 |
| Simon Property Group, 8.375%, Series J..... | | 14,000 | 910,000 | 6.44 |
| Taubman Centers, 8.30%, Series A..... | | 127,600 | 3,218,072 | 8.23 |
| | | | 45,890,808 | |
| TOTAL SHOPPING CENTER..... | | | 85,447,334 | |

11

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)
MARCH 31, 2005 (UNAUDITED)

| NUMBER OF SHARES | VALUE | DIVIDEND YIELD |
|---------------------|-------|-------------------|
|---------------------|-------|-------------------|

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| | | | |
|--|----------|--------------|---------------------|
| SPECIALTY | 0.26% | | |
| Capital Automotive REIT, 7.50%, Series A..... | | 80,000 | \$ 1,980,000 7.58% |
| | | | ----- |
| TOTAL PREFERRED STOCK (Identified cost -- \$248,302,703)..... | | | 265,161,027 |
| | | | ----- |
| TOTAL EQUITIES (Identified cost -- \$945,005,397)..... | | | 1,205,857,916 |
| | | | ----- |
| | | | |
| | | | PRINCIPAL AMOUNT |
| | | | ----- |
| COMMERCIAL PAPER | 1.31% | | |
| Prudential FDG Corp., 2.12%, due 04/01/05 (Identified cost -- \$10,161,000).... | | \$10,161,000 | 10,161,000 |
| | | | ----- |
| TOTAL INVESTMENTS (Identified cost -- \$955,166,397)..... | 156.46% | | 1,216,018,916 (a) |
| LIABILITIES IN EXCESS OF OTHER ASSETS..... | (0.62)% | | (4,773,212) |
| LIQUIDATION VALUE OF TAXABLE AUCTION MARKET PREFERRED SHARES: SERIES T, SERIES W, SERIES TH, AND SERIES F (Equivalent to \$25,000 per share based on 2,800 shares outstanding). | (36.03)% | | (280,000,000) |
| LIQUIDATION VALUE OF AUCTION MARKET PREFERRED SHARES: SERIES M28 AND SERIES M7 (Equivalent to \$25,000 per share based on 2,400 shares outstanding for Series M28 and 3,760 shares outstanding for Series M7)..... | (19.81)% | | (154,000,000) |
| | | | ----- |
| NET ASSETS APPLICABLE TO COMMON SHARES (Equivalent to \$20.00 per share based on 38,856,074 shares of capital stock outstanding)..... | 100.00% | | \$ 777,245,704 |
| | | | ----- |
| | | | ----- |

(a) At March 31, 2005, net unrealized appreciation was \$260,852,519 based on cost for federal income tax purposes of \$955,166,397. This consisted of aggregate gross unrealized appreciation on investments of \$262,868,941 and aggregate gross unrealized depreciation on investments of \$2,016,422.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)
MARCH 31, 2005 (UNAUDITED)

NOTE 1. INVESTMENTS IN INTEREST RATE SWAPS

The fund has entered into interest rate swap transactions with Merrill Lynch Derivative Products, UBS AG, Banc of America and Royal Bank of Canada. Under the agreements, the fund receives a floating rate of interest and pays a respective fixed rate of interest on the nominal values of the swaps. The fund has segregated 410,000 shares of Crescent Real Estate Equities Co., 6.75%, Series A as collateral for the interest rate swap transactions. Details of the interest rate swap transactions as of March 31, 2005 are as follows:

| COUNTERPARTY | NOTIONAL AMOUNT | FIXED RATE | FLOATING RATE (a) (RESET MONTHLY) | TERMINATION DATE |
|---|-----------------|------------|--------------------------------------|------------------|
| Banc of America..... | \$14,000,000 | 3.2120% | 2.7160% | October 2, 2008 |
| Merrill Lynch Derivative Products..... | \$46,000,000 | 4.5600% | 2.7450% | April 5, 2005 |
| Merrill Lynch Derivative Products..... | \$46,000,000 | 5.2100% | 2.7450% | April 5, 2007 |
| Merrill Lynch Derivative Products..... | \$46,000,000 | 5.5800% | 2.7450% | April 5, 2009 |
| Royal Bank of Canada..... | \$14,000,000 | 3.6800% | 2.8500% | October 22, 2008 |
| Royal Bank of Canada..... | \$44,000,000 | 4.2580% | 2.7600% | March 9, 2010 |
| UBS AG..... | \$24,000,000 | 4.4500% | 2.8100% | April 15, 2005 |
| UBS AG..... | \$24,000,000 | 5.1200% | 2.8100% | April 15, 2007 |
| UBS AG..... | \$24,000,000 | 5.4950% | 2.8100% | April 15, 2009 |

(a) Based on LIBOR (London Interbank Offered Rate). Represents rates in effect at March 31, 2005.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

FINANCIAL HIGHLIGHTS (a)
MARCH 31, 2005 (UNAUDITED)

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| | TOTAL NET ASSETS | NET ASSET VALUE PER SHARE |
|--|------------------|------------------------------|
| | ----- | ----- |
| NET ASSET VALUE: | | |
| Beginning of period: 12/31/04..... | \$874,240,743 | \$22.50 |
| Net investment income..... | \$ 9,217,615 | \$ 0.24 |
| Net realized and unrealized gain on investments and interest rate swap transactions..... | (86,996,801) | (2.25) |
| Distributions from net investment income to: | | |
| Common shareholders..... | (16,319,551) | (0.42) |
| Preferred shareholders..... | (2,896,302) | (0.07) |
| | ----- | ----- |
| Net decrease in net asset value..... | (96,995,039) | (2.50) |
| | ----- | ----- |
| End of period: 3/31/2005..... | \$777,245,704 | \$20.00 |
| | ----- | ----- |

(a) Financial information included in this report has been taken from the records of the fund without examination by independent accountants.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

AVERAGE ANNUAL TOTAL RETURNS
(PERIODS ENDED MARCH 31, 2005) (UNAUDITED)

| BASED ON NET ASSET VALUE | | BASED ON MARKET VALUE | |
|--------------------------|------------------------------|-----------------------|------------------------------|
| ONE YEAR | SINCE INCEPTION (2/28/02) | ONE YEAR | SINCE INCEPTION (2/28/02) |
| ----- | ----- | ----- | ----- |
| 4.55% | 20.62% | 2.93% | 16.27% |

The performance data quoted represent past performance. Past performance is no guarantee of future results. The rate of 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.

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

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the fund may purchase, from time to time, shares of its common stock in the open market.

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 1-800-330-7348, (ii) on our Web site at cohenandsteers.com, or (iii) on the Securities and Exchange Commission's (SEC) 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 (i) without charge, upon request, by calling 1-800-330-7348 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 1-800-330-7348, or (ii) on the SEC's website 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 1-800-SEC-0330.

Please note that the distributions paid by the fund to shareholders are subject to recharacterization for tax purposes. The final tax treatment of these distributions is reported to shareholders on their 1099-DIV forms, which are mailed to shareholders after the close of each fiscal year. The fund has adopted a level rate distribution policy. Under this policy, the fund may pay distributions in excess of the fund's net investment company taxable income and this excess would be a tax-free 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 distribution and this information will also be available at cohenandsteers.com. Distributions of capital decrease the fund's total assets and, therefore, could have the effect of increasing the fund's expense ratio. In

15

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

addition, in order to make these distributions, the fund may have to sell portfolio securities at a less than opportune time.

PRIVACY POLICY *

In the course of doing business with Cohen & Steers, you may share personal information with us. We are committed to maintaining the privacy of this information and recognize the importance of preventing unauthorized access to it. You may provide personal information on account applications and requests for forms or other literature (such as your address and social security number) and through account transactions with us (such as purchases, sales and account balances). You may also provide us with this information through written, electronic and telephone account inquiries.

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We do not sell personal information about current and former customers to anyone, and we do not disclose it unless necessary to process a transaction, service an account or as otherwise required or permitted by law. For example, we may disclose information to companies that perform administrative or marketing services for Cohen & Steers, such as transfer agents, or printers that assist us in the distribution of investor materials. These organizations will use this information only for purposes of providing the required services or as otherwise may be required by law. We may also share personal information within the Cohen & Steers family of companies to provide you with additional information about our products and services.

We maintain physical, electronic and procedural safeguards to protect your personal information. Within Cohen & Steers, we restrict access to your personal information to those employees who need it to perform their jobs, such as servicing your account or informing you of new products and services.

The accuracy of your personal information is important. If you need to correct or update your personal or account information, please call us at 800-330-7348. We will be happy to review, correct or update your personal or account information.

* This privacy policy applies to the following Cohen & Steers companies: Cohen & Steers Capital Management, Inc., Cohen & Steers Securities, LLC, Cohen & Steers Capital Advisors, LLC and the Cohen & Steers Funds.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

MEET THE COHEN & STEERS FAMILY OF OPEN-END FUNDS:

FOR TOTAL RETURN:

COHEN & STEERS
REALTY SHARES

DESIGNED FOR INVESTORS SEEKING MAXIMUM TOTAL
RETURN, INVESTING PRIMARILY IN REITS
SYMBOL: CSRSX

FOR HIGH CURRENT INCOME:

COHEN & STEERS
REALTY INCOME FUND

DESIGNED FOR INVESTORS SEEKING HIGH CURRENT
INCOME, INVESTING PRIMARILY IN REITS
SYMBOLS: CSEIX, CSBIX, CSCIX, CSDIX

FOR TOTAL RETURN:

COHEN & STEERS
INSTITUTIONAL REALTY SHARES

DESIGNED FOR INSTITUTIONAL INVESTORS SEEK
MAXIMUM TOTAL RETURN, INVESTING PRIMARILY
REITS
SYMBOL: CSRIX

FOR CAPITAL APPRECIATION:

COHEN & STEERS
REALTY FOCUS FUND

DESIGNED FOR INVESTORS SEEKING MAXIMUM CA
APPRECIATION, INVESTING IN A LIMITED NUMB
REITS AND OTHER REAL ESTATE SECURITIES
SYMBOLS: CSFAX, CSFBX, CSFCX, CSSPX

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FOR TOTAL RETURN:

COHEN & STEERS
INTERNATIONAL REALTY FUND

DESIGNED FOR INVESTORS SEEKING MAXIMUM TOTAL
RETURN, INVESTING PRIMARILY IN INTERNATIONAL
REAL ESTATE SECURITIES
SYMBOLS: IRFAX, IRFCX, IRFIX

FOR TOTAL RETURN:

COHEN & STEERS
UTILITY FUND

DESIGNED FOR INVESTORS SEEKING MAXIMUM TO
RETURN, INVESTING PRIMARILY IN UTILITIES
SYMBOLS: CSUAX, CSUBX, CSUCX, CSUIX

FOR MORE INFORMATION ABOUT ANY COHEN & STEERS FUND
OR TO OBTAIN A PROSPECTUS PLEASE CONTACT US AT:
1-800-330-7348, OR VISIT OUR WEB SITE AT COHENANDSTEERS.COM

PLEASE CONSIDER THE INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES OF THE
FUND CAREFULLY BEFORE INVESTING. THE PROSPECTUS CONTAINS THIS AND
OTHER INFORMATION ABOUT THE FUND.
PLEASE READ THE PROSPECTUS CAREFULLY BEFORE INVESTING.

COHEN & STEERS SECURITIES, LLC, DISTRIBUTOR

17

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

OFFICERS AND DIRECTORS

Robert H. Steers
Director and chairman

Martin Cohen
Director and president

Bonnie Cohen
Director

George Grossman
Director

Richard E. Kroon
Director

Richard J. Norman
Director

Frank K. Ross
Director

Willard H. Smith Jr.
Director

KEY INFORMATION

INVESTMENT MANAGER
Cohen & Steers Capital Management, Inc.
757 Third Avenue
New York, NY 10017
(212) 832-3232

FUND SUBADMINISTRATOR AND CUSTODIAN
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110

TRANSFER AGENT -- COMMON SHARES
Equiserve Trust Company
250 Royall Street
Canton, MA 02021
(800) 426-5523

TRANSFER AGENT -- PREFERRED SHARES
The Bank of New York
100 Church Street
New York, NY 10007

LEGAL COUNSEL
Simpson Thacher & Bartlett LLP

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C. Edward Ward, Jr.
Director

425 Lexington Avenue
New York, NY 10017

Adam Derechin
Vice president and assistant treasurer

New York Stock Exchange Symbol: RQI

Web site: cohenandsteers.com

Joseph M. Harvey
Vice president

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 of course no guarantee of future results and your investment may be worth more or less at the time you sell.

John McLean
Chief compliance officer

Lawrence B. Stoller
Assistant secretary

18

COHEN & STEERS
QUALITY INCOME REALTY FUND
757 THIRD AVENUE
NEW YORK, NEW YORK 10017

Announcing our new open-end fund, Cohen & Steers International Realty Fund

COHEN & STEERS

QUALITY INCOME REALTY FUND

QUARTERLY REPORT
MARCH 31, 2005