

COHEN & STEERS QUALITY INCOME REALTY FUND INC
Form N-Q
November 29, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT COMPANY

Investment Company Act file number: 811-10481

Exact Name of Registrant
(as specified in charter): Cohen & Steers Quality Income Realty Fund, Inc.

Address of Principal Executive Office: 757 Third Avenue
New York, NY 10017

Name and address of agent for service: John E. McLean
757 Third Avenue
New York, NY 10017

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

Date of fiscal year end: December 31

Date of reporting period: September 30, 2004

Item 1. Schedule of Investments

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2004 (UNAUDITED)

	NUMBER OF SHARES	VALUE	DIVIDEND YIELD (a)
	-----	-----	-----
EQUITIES	144.25% (b)		
COMMON STOCK	114.91%		
DIVERSIFIED	13.61%		
Capital Trust -- Class A.....	66,100	\$ 1,923,510	6.19%
Colonial Properties Trust.....	582,300	23,420,106	6.66
Crescent Real Estate Equities Co.....	1,396,200	21,976,188	9.53

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iStar Financial.....	400,500	16,512,615	6.77
Vornado Realty Trust.....	663,443	41,584,607	4.53

		105,417,026	

HEALTH CARE	17.85%		
Health Care Property Investors.....	1,190,400	30,950,400	6.42
Health Care REIT.....	969,625	34,130,800	6.82
LTC Properties.....	131,200	2,347,168	6.71
Nationwide Health Properties.....	1,205,300	25,009,975	7.13
Ventas.....	1,766,500	45,787,680	5.02

		138,226,023	

HOTEL	2.46%		
Hospitality Properties Trust.....	389,200	16,537,108	6.78
Strategic Hotel Capital.....	183,400	2,479,568	6.51

		19,016,676	

INDUSTRIAL	2.93%		
First Industrial Realty Trust.....	614,500	22,675,050	7.43

MORTGAGE	2.69%		
Newcastle Investment Corp.....	678,528	20,830,810	7.82

(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, on which such security trades.

(b) Percentages indicated are based on the net assets of the fund.

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COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)
SEPTEMBER 30, 2004 (UNAUDITED)

	NUMBER OF SHARES	VALUE	DIVIDEND YIELD
	-----	-----	-----
OFFICE	32.31%		
Arden Realty.....	826,800	\$ 26,937,144	6.20%
BioMed Realty Trust.....	59,000	1,037,810	6.14
Brandywine Realty Trust.....	1,140,900	32,492,832	6.18
CarrAmerica Realty Corp.....	1,010,600	33,046,620	6.12
Equity Office Properties Trust.....	1,314,400	35,817,400	7.34
Highwoods Properties.....	415,300	10,220,533	6.91

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HRPT Properties Trust.....	635,400	6,983,046	7.64
Kilroy Realty Corp.....	142,600	5,423,078	5.21
Mack-Cali Realty Corp.....	1,073,800	47,569,340	5.69
Maguire Properties.....	604,800	14,702,688	6.58
Prentiss Properties Trust.....	1,000,200	36,007,200	6.22

		250,237,691	

OFFICE/INDUSTRIAL	8.43%		
Liberty Property Trust.....	1,065,200	42,437,568	6.12
Reckson Associates Realty Corp.....	794,100	22,830,375	5.91

		65,267,943	

RESIDENTIAL	14.54%		
APARTMENT	14.12%		
AMLI Residential Properties Trust.....	77,000	2,352,350	6.28
Archstone-Smith Trust.....	754,100	23,859,724	5.44
AvalonBay Communities.....	307,200	18,499,584	4.65
Camden Property Trust.....	366,600	16,936,920	5.50
Gables Residential Trust.....	586,900	20,042,635	7.06
Home Properties.....	361,600	14,304,896	6.27
Mid-America Apartment Communities.....	309,400	12,051,130	6.01
Town & Country Trust.....	50,000	1,272,500	6.76

		109,319,739	

MANUFACTURED HOME	0.42%		
Affordable Residential Communities....	225,200	3,287,920	8.56

TOTAL RESIDENTIAL.....		112,607,659	

SELF STORAGE	0.44%		
Sovran Self Storage.....	87,300	3,420,414	6.18

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COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)
SEPTEMBER 30, 2004 (UNAUDITED)

		NUMBER OF SHARES	VALUE	DIVIDEND YIELD
		-----	-----	-----
SHOPPING CENTER	19.34%			
COMMUNITY CENTER	6.95%			
Cedar Shopping Centers.....	200,000	\$ 2,790,000	6.45%	
Heritage Property Investment Trust....	449,100	13,100,247	7.20	

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Kramont Realty Trust.....	1,293,300	24,055,380	6.99
New Plan Excel Realty Trust.....	222,700	5,567,500	6.60
Urstadt Biddle Properties -- Class A..	544,000	8,290,560	5.64

		53,803,687	

REGIONAL MALL	12.39%		
Glimcher Realty Trust.....	605,200	14,706,360	7.90
Macerich Co.....	807,857	43,050,700	4.58
Mills Corp.....	737,400	38,248,938	4.59

		96,005,998	

TOTAL SHOPPING CENTER.....		149,809,685	

SPECIALTY	0.31%		
American Campus Communities.....	130,800	2,427,648	7.27

TOTAL COMMON STOCK			
(Identified			
cost -- \$658,098,726).....		889,936,625	

PREFERRED STOCK	29.34%		
DIVERSIFIED	5.79%		
Colonial Properties Trust, 8.125%,			
Series D.....	64,900	1,714,009	7.69
Crescent Real Estate Equities Co.,			
6.75%, Series A (Convertible) (a)...	1,826,000	38,729,460	7.97
iStar Financial, 7.80%, Series F.....	94,600	2,385,812	7.73
iStar Financial, 7.65%, Series G.....	80,000	2,000,000	7.64

		44,829,281	

HEALTH CARE	0.14%		
Omega Healthcare Investors, 8.375%,			
Series D.....	40,000	1,042,000	8.02

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

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COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)
SEPTEMBER 30, 2004 (UNAUDITED)

NUMBER OF SHARES VALUE DIVIDEND YIELD

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HOTEL	6.25%			
FelCor Lodging Trust, 9.00%, Series B.....	652,500	\$ 16,704,000		8.79%
Host Marriott Corp., 10.00%, Series B.....	14,100	368,292		9.57
Host Marriott Corp., 10.00%, Series C.....	30,700	826,444		9.29
Host Marriott Corp., 8.875%, Series E.....	10,000	275,600		8.06
Innkeepers USA Trust, 8.00%, Series C.....	92,000	2,327,600		7.91
LaSalle Hotel Properties, 10.25%, Series A.....	1,000,000	27,900,000		9.18

		48,401,936		

MORTGAGE	0.19%			
Newcastle Investment Corp., 9.75%, Series B.....	56,000	1,505,840		9.07

OFFICE	2.54%			
HRPT Properties Trust, 8.75%, Series B.....	120,000	3,272,400		8.03
Highwoods Properties, 8.625%, Series A.....	13,195	13,764,034		8.27
Maguire Properties, 7.625%, Series A.....	106,600	2,654,340		7.67

		19,690,774		

OFFICE/INDUSTRIAL	0.05%			
PS Business Parks, 8.75%, Series F....	4,100	109,265		8.22
ProLogis, 8.54%, Series C.....	4,000	228,625		7.47

		337,890		

RESIDENTIAL -- APARTMENT	4.45%			
Apartment Investment & Management Co., 8.75%, Series D.....	5,530	139,743		8.67
Apartment Investment & Management Co., 10.10%, Series R.....	950,000	25,336,500		9.37
Home Properties, 9.00%, Series F.....	196,000	5,448,800		8.09
Mid-America Apartment Communities, 8.30%, Series H.....	138,100	3,558,837		8.07

		34,483,880		

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SCHEDULE OF INVESTMENTS -- (CONTINUED)
 SEPTEMBER 30, 2004 (UNAUDITED)

	NUMBER OF SHARES	VALUE	DIVIDEND YIELD
	-----	-----	-----
SHOPPING CENTER			
COMMUNITY CENTER			
Developers Diversified Realty Corp.,			
8.60%, Series F.....	1,039,400	\$ 27,855,920	8.02%
Federal Realty Investment Trust,			
8.50%, Series B.....	276,300	7,476,678	7.84
Urstadt Biddle Properties, 8.50%,			
Series C.....	24,000	2,622,000	7.78

		37,954,598	

FREE STANDING			
Commercial Net Lease Realty, 9.00%,			
Series A.....	25,000	681,250	8.26

OUTLET CENTER			
Chelsea Property Group, 8.375%,			
Series A.....	14,000	843,500	6.95

REGIONAL MALL			
CBL & Associates Properties, 8.75%,			
Series B.....	430,000	23,112,500	8.15
Glimcher Realty Trust, 8.75%,			
Series F.....	40,000	1,059,600	8.27
Glimcher Realty Trust, 8.125%,			
Series G.....	40,000	1,018,000	7.98
Mills Corp., 9.00%, Series B.....	55,300	1,503,054	8.28
Mills Corp., 9.00%, Series C.....	159,600	4,389,000	8.18
Mills Corp., 8.75%, Series E.....	84,000	2,268,000	8.11
Simon Property Group, 8.75%,			
Series F.....	30,000	809,700	8.11
Taubman Centers, 8.30%, Series A.....	127,600	3,281,872	8.09

		37,441,726	

TOTAL SHOPPING CENTER.....		76,921,074	

TOTAL PREFERRED STOCK (Identified cost -- \$208,568,719).....		227,212,675	

TOTAL EQUITIES (Identified cost -- \$866,667,445).....		1,117,149,300	

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SCHEDULE OF INVESTMENTS -- (CONTINUED)
SEPTEMBER 30, 2004 (UNAUDITED)

	PRINCIPAL AMOUNT	VALUE
	-----	-----
COMMERCIAL PAPER	0.36%	
State Street Corp., 1.40%, due 10/01/04 (Identified cost -- \$2,803,000).....	\$2,803,000	\$ 2,803,000
	-----	-----
TOTAL INVESTMENTS (Identified cost -- \$869,470,445).....	144.61%	1,119,952,300 (a)
LIABILITIES IN EXCESS OF OTHER ASSETS.....	(0.71)%	(5,505,760)
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 for Series T, Series W, Series TH and Series F).....	(36.15)%	(280,000,000)
LIQUIDATION VALUE OF AUCTION MARKET PREFERRED SHARES: SERIES M28 (Equivalent to \$25,000 per share based on 2,400 shares outstanding).....	(7.75)%	(60,000,000)
NET ASSETS APPLICABLE TO COMMON SHARES (Equivalent to \$19.93 per share based on 38,856,074 shares of capital stock outstanding).....	100.00%	\$ 774,446,540
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(a) At September 30, 2004, net unrealized appreciation was \$250,481,855 based on cost for federal income tax purposes of \$869,470,445. This consisted of aggregate gross unrealized appreciation on investments of \$252,228,742 and aggregate gross unrealized depreciation on investments of \$1,746,887.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)
SEPTEMBER 30, 2004 (UNAUDITED)

NOTE 1. INVESTMENTS IN INTEREST RATE SWAPS

The fund has entered into interest rate swap transactions with Merrill Lynch

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Derivative Products, UBS AG, Banc of America Securities, 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 September 30, 2004 are as follows:

COUNTERPARTY	NOTIONAL AMOUNT	FIXED RATE	FLOATING RATE (a) (RESET MONTHLY)	TERMINATION DATE
Banc of America Securities..... Merrill Lynch Derivative Products.....	14,000,000	3.2125%	1.6700%	October 2, 2008
Merrill Lynch Derivative Products.....	46,000,000	4.5600%	1.6963%	April 5, 2005
Merrill Lynch Derivative Products.....	46,000,000	5.2100%	1.6963%	April 5, 2007
Merrill Lynch Derivative Products.....	46,000,000	5.5800%	1.6963%	April 5, 2009
Royal Bank of Canada.....	14,000,000	3.6800%	1.8275%	October 22, 2008
UBS AG.....	24,000,000	4.4500%	1.7600%	April 15, 2005
UBS AG.....	24,000,000	5.1200%	1.7600%	April 15, 2007
UBS AG.....	24,000,000	5.4950%	1.7600%	April 15, 2009

(a) Based on LIBOR (London Interbank Offered Rate). Represents rates in effect at September 30, 2004.

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.

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- (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 QUALITY INCOME REALTY FUND, INC.

By: /s/ Robert H. Steers

Name: Robert H. Steers

Title: Chairman

Date: November 29, 2004

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/ Robert H. Steers

Name: Robert H. Steers

Title: Chairman, Secretary and
principal executive officer

Date: November 29, 2004

By: /s/ Martin Cohen

Name: Martin Cohen

Title: President, Treasurer and
principal financial officer

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