COHEN & STEERS QUALITY INCOME REALTY FUND INC
Form N-CSR
March 06, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-10481

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

280 Park Avenue, New York, NY	10017
(Address of principal executive offices)	(Zip code)

Adam M. Derechin

Cohen & Steers Capital Management, Inc.

280 Park Avenue

New York, New York 10017
(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2005

Item 1. Reports to Stockholders.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

February 8, 2006

To Our Shareholders:

We are pleased to submit to you our report for the six months and year ended December 31, 2005. The net asset value at that date was $21.38 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 year end, the fund's closing price on the NYSE was $19.24. The total return, including income, for Cohen & Steers Quality Income Realty Fund and the comparative benchmarks were:

	Total Returns			
	Market Price[a]		Net Asset Value[a]	
	Six Months Ended 12/31/05	Year Ended 12/31/05	Six Months Ended 12/31/05	Year Ended 12/31/05
Cohen & Steers Quality Income Realty Fund	0.76%	6.32%	0.77%	8.27%
NAREIT Equity REIT Index[b]	5.44%	12.16%	5.44%	12.16%
S&P 500 Index[b]	5.77%	4.91%	5.77%	4.91%
Blend- 80% NAREIT Equity REIT Index, 20% Merrill Lynch REIT Preferred Index[b]	4.35%	10.37%	4.35%	10.37%

A long-term capital gains distribution of $1.022 per common share was declared for shareholders of record on December 27, 2005 and was paid on December 30, 2005. In addition, during the quarter, three monthly dividends of $0.14 per share were paid to common shareholders.

Three monthly dividends of $0.14 per common share were declared and will be paid to common shareholders on January 31, 2006, February 28, 2006, and March 31, 2006.[c]

[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 is an unmanaged, market capitalization weighted index of all publicly traded REITs that invest predominantly in the equity ownership of real estate. The index is designed to reflect the performance of all publicly traded equity REITs as a whole. The S&P 500 Index is an unmanaged index of common stocks that is frequently used as a general measure of stock market performance. The Merrill Lynch REIT Preferred Index is an unmanaged index of real estate preferred securities.

[c] Please note that 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 after the close of each fiscal year on form 1099-DIV. To the extent the fund pays distributions in excess of its net investment company taxable income, 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 would be notified of the approximate amount of capital returned for each such distribution. Distributions of capital decrease the fund's total assets and, therefore, could have the effect of increasing the fund's expense ratio. In addition, in order to make these distributions, the fund may have to sell portfolio securities at a less than opportune time.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

Investment Review

One year ago, in our 2004 year-end letter to clients, we predicted that GDP growth in the 3.5% range and approximately two million new jobs would provide "a continued positive backdrop for real estate fundamentals, characterized by higher occupancies, rents and cash flows for most property types and in most regions of the country." Additionally, we expressed our belief that "REIT cash flows and dividends will continue their re-acceleration," resulting in "a salutary effect on stock prices." We are pleased to report that these predictions have been realized.

As the real estate recovery progressed in 2005, landlords re-acquired pricing power, private market valuations for real estate finally caught up with the public market, and the globalization of real estate securities investing and the proliferation of REIT-like structures around the globe continued. In 2005, an even stronger than expected U.S. economy drove demand for commercial and multi-family residential space, which was well in excess of the growth in available supply, resulting in higher occupancy levels and rising rents in most markets throughout the country. What is particularly noteworthy is that the improving real estate market conditions generally accelerated throughout the year. For example, reported rental income from apartment REITs and office rents nationally grew at a faster rate in the fourth quarter of 2005 than in the first three quarters.

The momentum and increasing visibility of the real estate recovery has had the effect of attracting an ever-growing backlog of private capital targeted at direct real estate investments. Not surprisingly, this capital flow had a direct impact on the REIT market in 2005 as seven public REITs were taken private in transactions totaling $19.5 billion in value (these transactions generated an average premium to the current share price of 11.9%), highlighting what we see as the underlying attractiveness of the real estate portfolios owned within the REIT sector. In our view, the premiums paid for these companies reflected not only the real estate owned by these companies, but also the proprietary future growth opportunities and management skill sets that some of these companies possessed.

Finally, no synopsis of the REIT market in 2005 would be complete without noting the explosion of cross-border capital flows within what is becoming a truly worldwide real estate securities market. U.S. companies are investing in global real estate and non-U.S. companies are investing in U.S. real estate. Likewise, many U.S. institutions that currently maintain a U.S. REIT allocation are examining the possibility of adding an international real estate securities allocation. We believe that this process will accelerate. Significant IPO and securitization activity took place as property investors availed themselves of the benefits of the public REIT format. In November, the largest-ever IPO of a REIT took place in Hong Kong when the Hong Kong government sold $3 billion in the stock of the Link REIT, a major owner of urban retail shopping centers. A potentially major catalyst for 2006 will be the likely creation of a REIT-like structure in both Germany and the U.K., two of the world's largest economies. Over time, we expect that this will drive an ever-increasing amount of the world's income producing property into publicly traded REIT-like vehicles, furthering the demand for REITs as a sought after asset class on the investment landscape both domestically and abroad.

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The fund met its primary investment objective of high current income and delivered an attractive absolute and relative return compared with the broader equity indexes. However, the fund underperformed the NAREIT Equity REIT Index due to its allocation to REIT preferred securities and our strategy of investing in REIT common stocks with above-average yields both designed to help the fund meet its income objective.

While the fund's current income was enhanced by our allocation to REIT preferred stocks, they detracted from the fund's total return for the year. We continue to believe, however, that having an allocation to REIT preferred stocks helps achieve three important objectives that we believe should serve investors well over the long-term: 1) they are designed to provide high current income that enables us to meet the fund's income objective; 2) they should help reduce the volatility of the overall fund; and 3) they have the potential to provide attractive returns in what we believe will be a low return environment.

In order to better understand the fund's underperformance relative to the NAREIT Equity REIT Index, we compared the total return for individual REIT stocks relative to their dividend yields. As illustrated in the chart below, we found a distinct negative correlation between total return and dividend yield. That is, REITs in the quintile with the highest yields had the lowest total return, while those in the quintile with the lowest yields had the highest returns.

REIT Total Returns by Dividend Yield Quintile 2005

It has been our experience that over longer periods of time REIT portfolios with an orientation toward high current income generally have delivered competitive total returns, but have generally done so with less volatility.

Looking at property sector performance in 2005, self storage companies led the way with a total return of 26.6%. Self storage emerged as a mainstream commercial property type in 2005. Fundamentals improved as economic activity drove significantly higher demand for storage units, pressuring rental rates higher across the board. A beneficiary of these trends was U-Store-It Trust, one of the fund's best performers this year with a 28.4% total return.

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Regional malls, last year's leading performance sector, came in a distant second this year with a 16.5% total return. Retail conditions remained strong throughout the year although investors have become increasingly worried that consumers burdened with higher interest and fuel costs, and without the benefit of continuously skyrocketing home prices, will curtail their spending. Our stock selection in this sector was the greatest detractor from the fund's performance as the prohibitively low dividend yields resulted in the fund being underweight the group. The Mills Corporation, our worst performer this year, declined 31.3% as a result of company-specific problems relating to an overly aggressive development pipeline.

The industrial and apartment sectors, both cyclical in nature, benefited from a strong economy and generated total returns of 15.4% and 14.7%, respectively, rounding out the top performing REIT sectors. Our stock selection in the apartment sector was a top contributor to our relative performance this year as three of the fund's holdings, AMLI Residential (24.8% total return), Gables Residential (24.9%) and Town & Country Trust (30.0%) reached agreements to be acquired at premiums to the market price.

The coastal theme was very powerful in the office markets as well in 2005. Companies concentrated in these areas dramatically outperformed the average office company's total return of 13.1%. The fund's performance benefited from our significant weights in Arden Realty Group (25.3%, additionally benefiting from an announced takeover) and Maguire Properties (19.2%) each benefiting from a very strong recovery in the west coast office market where their portfolios are concentrated. However, the fund was adversely impacted by its underweight in office companies concentrated on the east coast, which performed equally as well as the west coast office companies, but lacked the high current income requirement of the fund.

Shopping centers turned a major corner in 2005 as the deterioration in the grocery business worsened. A leading sector for the last several years, shopping centers underperformed in 2005, returning 9.3%. Having anticipated these difficulties, we maintained an underweight position in this sector throughout the year.

Although REIT share prices generally have demonstrated a low correlation to changes in interest rates over time, there are some property types with flatter, more bond-like income streams that may respond negatively to a rising interest rate environment for example, health care and net-leased free standing retail properties. Both of these sectors performed poorly this year, returning 1.8% and 0.5%, respectively. The fund's overweight position in health care was a detractor from the fund's relative performance, but this was partially offset by our stock selection.

Manufactured housing was the worst performing REIT sector in 2005, returning 2.6%. Stock selection was a detractor from our relative performance; specifically, Affordable Residential Communities, which declined 30.9%. We liquidated our position in Affordable Residential during the year.

Investment Outlook

Our view of the REIT sector for 2006 is generally similar to our outlook for 2005. We are anticipating steady forward progression in fundamentals for most major property types, driven by continued solid economic growth and

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restrained new construction. Occupancies and rents should continue to rise as the economic growth creates jobs and increased disposable income, which should drive continued cash flow and dividend growth for REITs. We believe that real estate cycles play out over several years. Historically, once the dynamic in the market for commercial space shifts from a lessees' market to a lessors' market, it has taken a while to reverse. On the other hand, a severe economic slowdown that interrupts demand, or a building boom that creates too much supply could disrupt the positive environment we predict, although in our view, neither of these is likely to occur over the next 18 months.

What we do expect for 2006 is slightly less economic growth than 2005. Due to the lagged impact of higher interest rates, a stronger dollar, higher energy prices and a presumed slowdown in owned-home price increases, which have enhanced consumer spending recently, we are projecting GDP growth in the 2.5% to 3.0% range for 2006.

In our view, another important theme for 2006 will be the rotation in economic strength from the consumer sector to the corporate sector. We believe the consumer slowdown should be replaced by an accelerating corporate sector that has begun ramping up its capital expenditures and hiring activity in the thirst for additional profit opportunities, which are once again available. In our view, this should result in a shift in relative strength among the major REIT property types.

Retail property types (as well as owner-occupied homes, which are not a part of our investment universe) have led the way over the last several years, driven by the strength of consumer spending and investing. While we do not subscribe to the view that the consumer is "tapped out" or is going to "roll over," the rate of growth in consumer spending should moderate.

At the same time, we believe that accelerated corporate activity should drive revenue growth for offices, industrial warehouses and hotels (where the business traveler is the provider of the marginal dollar of revenue), enabling these property types to challenge the recent years' leadership of retail REIT returns in 2006. Office property is the largest and most important commercial property type in the United States and has the largest representation in the REIT stock indexes. Offices are where our largely service-based economy transacts business. It is therefore instructive to examine how this bellwether property type should typify the continuing real estate recovery. As illustrated in the chart on the next page, vacancy rates in the United States are projected to continue to decline over the next two years, while effective rents are projected to continue to rise.

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U.S. Metro Office Trends

It is important to note that both the downward trend in office vacancies and the upward trend in effective rental rates (the actual economic rent paid, net of concessions) across the United States are well established. Equally importantly, however, the U.S. office market is a long way from the sub-9% vacancy rate and nearly $25 average rents (per square foot) established at the peak of the last cycle in 2000. Rents would have to increase nearly 25% (in nominal dollar terms that is, ignoring inflation, which has been substantial for all property values as replacement costs for offices and other assets have increased dramatically) from current levels and vacancies would have to decline another six percentage points to achieve the prior peak. We believe this process will take several years, potentially allowing the office sector a longer run in the current cycle.

We believe that rental apartment properties should also benefit from this rotation from the consumer sector to the corporate sector. Higher home prices and interest costs mean that owned housing today is less affordable than at any time in the last 20 years. We believe the percentage of households that rent their homes should continue to rise, driving higher occupancy levels and higher rents for apartments. In addition, continued hiring by corporate America, in our view, will also continue to drive household formation, the other primary driver of apartment demand.

REITs, on average, are trading at very slight premiums to the value of their underlying real estate assets a historically average level. REIT dividend yields are lower than in years past, partially as a result of lower payout ratios engineered to retain capital for reinvestment. However, REIT dividend growth has accelerated and, in our view, this should continue. Countering the fact that REIT cash flow multiples are above their historical average levels: our belief in above-average anticipated cash flow growth, given the accelerating rental revenue growth that we

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expect. In summary, our forecast for solid, yet slower, economic growth, improving real estate fundamentals and fair valuation levels present what we see as a favorable backdrop for REIT total return prospects for 2006. We also believe that REITs should continue to deliver their well-established diversification benefits to investors.

Sincerely,

MARTIN COHEN	ROBERT H. STEERS
Co-chairman	*Co-chairman*
JOSEPH M. HARVEY	JAMES S. CORL
Portfolio Manager	*Portfolio Manager*

WILLIAM J. SCAPELL

Portfolio Manager

The views and opinions in the preceding commentary are as of the date stated and are subject to change. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.

Visit Cohen & Steers online at cohenandsteers.com

For more information about any of our funds, visit cohenandsteers.com, where you'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 or 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 December 31, 2005, AMPS represented 34% of the fund's managed 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 55% of our borrowings at an average interest rate of 4.8% for an average remaining period of 2.9 years (when we first entered into the swaps, the average term was 5.6 years). By locking in a large portion or our leveraging costs, we have endeavored to adequately protect the dividend-paying ability of the fund. The use of leverage increases the volatility of the fund's net asset value in both up and down markets. However, we believe that locking in a portion of the fund's leveraging costs for the term of the swap agreements partially protects the fund 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 a % of managed assets)	34%
% Fixed Rate	55%
% Variable Rate	45%
Weighted Average Rate on Swaps	4.8%
Weighted Average Term on Swaps	2.9 years
Current Rate on AMPS	4.4%

[a] Data as of December 31, 2005. Information subject to change.

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DECEMBER 31, 2005

Top Ten Holdings
(Unaudited)

Security[a]	Market Value	% of Managed Assets
1. Ventas	$ 56,563,330	4.5%
2. Macerich Co	52,487,165	4.1
3. Vornado Realty Trust	50,327,652	4.0
4. Mack-Cali Realty Corp	46,388,160	3.7
5. Liberty Property Trust	45,643,820	3.6
6. Equity Office Properties Trust	43,080,732	3.4
7. Prentiss Properties Trust	39,207,384	3.1
8. Arden Realty	37,065,444	2.9
9. Crescent Real Estate Equities Co., 6.75% Series A	35,742,690	2.8
10. CarrAmerica Realty Corp	34,862,021	2.8

[a] Top ten holdings determined on the basis of the value of individual securities held.

Sector Breakdown

(Based on Managed Assets)
(Unaudited)

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS

December 31, 2005

		Number of Shares	Value
COMMON STOCK	121.1%		
DIVERSIFIED	11.0%		
Colonial Properties Trust		582,300	$ 24,444,954
iStar Financial		239,500	8,538,175
Spirit Finance Corp.		700,700	7,952,945
Vornado Realty Trust		602,943	50,327,652
			91,263,726
HEALTH CARE	18.8%		
Health Care Property Investors		1,113,500	28,461,060
Health Care REIT		969,625	32,870,287
Healthcare Realty Trust		354,800	11,804,196
Medical Properties Trust		202,800	1,983,384
Nationwide Health Properties		1,136,800	24,327,520
Ventas		1,766,500	56,563,330
			156,009,777
HOTEL	3.5%		
DiamondRock Hospitality Co.		343,500	4,108,260
Hospitality Properties Trust		420,900	16,878,090
Strategic Hotel Capital		401,500	8,262,870
			29,249,220
INDUSTRIAL	2.5%		
First Industrial Realty Trust		529,700	20,393,450
MORTGAGE	4.5%		
Gramercy Capital Corp.		785,000	17,882,300
Newcastle Investment Corp.		776,928	19,306,661
			37,188,961

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2005

		Number of Shares	Value
OFFICE	37.0%		
American Financial Realty Trust		691,500	$ 8,298,000
Arden Realty		826,800	37,065,444
Brandywine Realty Trust		1,140,900	31,842,519
CarrAmerica Realty Corp.		1,006,700	34,862,021
Equity Office Properties Trust		1,420,400	43,080,732
Highwoods Properties		415,300	11,815,285
HRPT Properties Trust		778,100	8,053,335
Mack-Cali Realty Corp.		1,073,800	46,388,160
Maguire Properties		604,800	18,688,320
Prentiss Properties Trust		963,800	39,207,384
Reckson Associates Realty Corp.		794,100	28,571,718
			307,872,918
OFFICE/INDUSTRIAL	7.7%		
Duke Realty Corp.		545,000	18,203,000
Liberty Property Trust		1,065,200	45,643,820
			63,846,820
RESIDENTIAL APARTMENT	16.8%		
American Campus Communities		275,100	6,822,480
Apartment Investment & Management Co.		229,900	8,706,313
Archstone-Smith Trust		660,272	27,658,794
AvalonBay Communities		280,600	25,043,550
Camden Property Trust		366,600	21,233,472
Education Realty Trust		496,800	6,403,752
GMH Communities Trust		583,800	9,054,738
Home Properties		447,397	18,253,798
Mid-America Apartment Communities		309,400	15,005,900
Town & Country Trust		50,000	1,690,500
			139,873,297
SELF STORAGE	2.3%		
Extra Space Storage		390,500	6,013,700
Extra Space Storage[a]		58,100	894,740

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2005

		Number of Shares	Value
Sovran Self Storage		87,300	$ 4,100,481
U-Store-It Trust		385,500	8,114,775
			19,123,696
SHOPPING CENTER	16.3%		
COMMUNITY CENTER	4.2%		
Cedar Shopping Centers		535,800	7,538,706
Heritage Property Investment Trust		449,100	14,999,940
Inland Real Estate Corp.		239,700	3,545,163
Urstadt Biddle Properties Class A		544,000	8,818,240
			34,902,049
REGIONAL MALL	12.1%		
Glimcher Realty Trust		688,200	16,737,024
Macerich Co.		781,757	52,487,165
Mills Corp.		737,400	30,926,556
			100,150,745
TOTAL SHOPPING CENTER			135,052,794
SPECIALTY	0.7%		
Entertainment Properties Trust		148,200	6,039,150
TOTAL COMMON STOCK (Identified cost $689,125,899)			1,005,913,809
PREFERRED STOCK	30.1%		
DIVERSIFIED	6.3%		
Colonial Properties Trust, 8.125%, Series D		64,900	$ 1,668,579
Colonial Properties Trust, 7.62%, Series E		80,900	1,976,387
Crescent Real Estate Equities Co., 6.75%, Series A (Convertible)[b]		1,671,000	35,742,690
Digital Realty Trust, 8.50%, Series A		122,000	3,086,600
Entertainment Properties Trust, 7.75%, Series B		128,000	3,123,200
iStar Financial, 7.80%, Series F		167,081	4,185,379
iStar Financial, 7.65%, Series G		90,400	2,231,072
			52,013,907

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2005

		Number of Shares	Value
HEALTH CARE	0.3%		
Health Care REIT, 7.625%, Series F		68,900	$ 1,712,165
Omega Healthcare Investors, 8.375%, Series D		40,000	1,008,800
			2,720,965
HOTEL	4.7%		
FelCor Lodging Trust, 8.00%, Series C		104,300	2,505,286
Highland Hospitality Corp., 7.875%, Series A		75,000	1,718,250
Host Marriott Corp., 10.00%, Series C		30,700	775,175
Innkeepers USA Trust, 8.00%, Series C		91,300	2,230,459
LaSalle Hotel Properties, 10.25%, Series A		1,000,000	26,000,000
Strategic Hotel Capital, 8.50%, Series A, 144A[c]		132,200	3,338,050
Sunstone Hotel Investors, 8.00%, Series A		111,000	2,797,200
			39,364,420
MORTGAGE	0.2%		
Newcastle Investment Corp., 9.75%, Series B		56,000	1,468,320
OFFICE	3.3%		
Brandywine Realty Trust, 7.375%, Series D		38,300	960,947
Cousins Properties, 7.50%, Series B		200,000	5,080,000
Highwoods Properties, 8.625%, Series A		13,195	13,953,713
HRPT Properties Trust, 8.75%, Series B		120,000	3,108,000
Kilroy Realty Corp., 7.50%, Series F		55,500	1,384,725
Maguire Properties, 7.625%, Series A		106,600	2,611,700
			27,099,085
OFFICE/INDUSTRIAL	0.0%		
PS Business Parks, 7.60%, Series L		5,400	136,890
RESIDENTIAL	4.0%		
APARTMENT	3.9%		
Apartment Investment & Management Co., 10.00%, Series R		870,000	22,202,400
Associated Estates Realty Corp., 8.70%, Series B		90,000	2,250,900
Home Properties, 9.00%, Series F		196,000	5,031,320
Mid-America Apartment Communities, 8.30%, Series H		138,100	3,544,336
			33,028,956

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2005

		Number of Shares	Value
MANUFACTURED HOME	0.1%		
American Land Lease, 7.75%, Series A		22,000	$ 535,590
TOTAL RESIDENTIAL			33,564,546
SHOPPING CENTER	11.1%		
COMMUNITY CENTER	5.1%		
Cedar Shopping Centers, 8.875%, Series A		61,000	1,607,655
Developers Diversified Realty Corp., 8.60%, Series F		1,039,400	26,691,792
Federal Realty Investment Trust, 8.50%, Series B		276,300	7,120,251
Urstadt Biddle Properties, 8.50%, Series C		24,000	2,616,000
Urstadt Biddle Properties, 7.50%, Series D		160,000	4,004,000
			42,039,698
FREE STANDING	0.1%		
Commercial Net Lease Realty, 9.00%, Series A		25,000	652,875
REGIONAL MALL	5.9%		
CBL & Associates Properties, 8.75%, Series B		430,000	21,973,000
CBL & Associates Properties, 7.375%, Series D		297,000	7,430,940
Glimcher Realty Trust, 8.75%, Series F		35,000	896,875
Glimcher Realty Trust, 8.125%, Series G		40,000	1,001,800
Mills Corp., 9.00%, Series B		55,300	1,411,809
Mills Corp., 9.00%, Series C		159,600	4,122,468
Mills Corp., 8.75%, Series E		84,000	2,150,400
Mills Corp., 7.875%, Series G		275,600	6,890,000
Simon Property Group, 8.75%, Series F		20,000	509,000
Simon Property Group, 8.375%, Series J		14,000	896,700
Taubman Centers, 8.30%, Series A		72,094	1,828,304
			49,111,296
TOTAL SHOPPING CENTER			91,803,869
SPECIALTY	0.2%		
Capital Automotive REIT, 7.50%, Series A		80,000	1,996,000
TOTAL PREFERRED STOCK (Identified cost $239,172,869)			250,168,002

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2005

		Principal Amount	Value
COMMERCIAL PAPER	0.6%		
AIG Funding, 3.230%, due 1/3/06 (Identified cost $5,174,071)		$ 5,175,000	$ 5,174,071
TOTAL INVESTMENTS (Identified cost $933,472,839)	151.8%		1,261,255,882
OTHER ASSETS IN EXCESS OF LIABILITIES	0.4%		3,654,366
LIQUIDATION VALUE OF PREFERRED SHARES	(52.2)%		(434,000,000)
NET ASSETS APPLICABLE TO COMMON SHARES (Equivalent to $21.38 per share based on 38,856,074 shares of common stock outstanding)	100.0%		$ 830,910,248

Glossary of Portfolio Abbreviation

REIT Real Estate Investment Trust

Note: Percentages indicated are based on the net assets applicable to common shares of the fund.

[a] Resale is restricted. Security acquired 6/20/05 at a cost of $782,607; equals 0.1% of net assets applicable to common shares.

[b] 410,000 shares segregated as collateral for interest rate swap transactions.

[c] Resale is restricted to qualified institutional investors; equals 0.4% of net assets applicable to common shares.

See accompanying notes to financial statements.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2005

ASSETS:	
Investments in securities, at value (Identified cost-$933,472,839)	$ 1,261,255,882
Dividends receivable	7,562,210
Unrealized appreciation on interest rate swap transactions	2,400,447
Receivable for investment securities sold	2,044,872
Other assets	51,873
Total Assets	1,273,315,284
LIABILITIES:	
Payable for dividends declared on common shares	