

COHEN & STEERS QUALITY INCOME REALTY FUND INC
Form N-Q
November 26, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-10481

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

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

10017
(Zip code)

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

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

Date of fiscal year end: December 31

Date of reporting period: September 30, 2010

Item 1. Schedule of Investments

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

SCHEDULE OF INVESTMENTS

September 30, 2010 (Unaudited)

| | Number of Shares | Value |
|---|---------------------|--------------|
| COMMON STOCK 107.4% | | |
| BANK 0.3% | | |
| SJB Escrow Corp., Class A, 144A (a),(b),(c),(d) | 119,300 | \$ 2,386,000 |
| REAL ESTATE 107.1% | | |
| DIVERSIFIED 8.3% | | |
| BGP Holdings PLC (EUR) (Australia)(a),(b),(d) | 3,927,678 | 0 |
| Dexus Property Group (Australia) | 9,211,973 | 7,612,774 |
| Forest City Enterprises (d),(e),(f) | 843,493 | 10,822,015 |
| Great Eagle Holdings Ltd. (Hong Kong) | 1,231,743 | 3,738,640 |
| Lexington Realty Trust (e),(f) | 1,570,951 | 11,248,009 |
| Vornado Realty Trust (e),(f) | 560,098 | 47,905,182 |
| Wharf Holdings Ltd. (Hong Kong) | 500 | 3,210 |
| | | 81,329,830 |
| HEALTH CARE 15.0% | | |
| Brookdale Senior Living (d),(e) | 241,432 | 3,937,756 |
| Cogdell Spencer (e),(g) | 1,092,700 | 6,905,864 |
| HCP (e) | 884,875 | 31,837,803 |
| Health Care REIT (e) | 929,124 | 43,984,730 |
| LTC Properties | 575,000 | 14,674,000 |
| Nationwide Health Properties (e),(f) | 746,847 | 28,880,573 |
| Ventas (e),(f) | 344,400 | 17,760,708 |
| | | 147,981,434 |
| HOTEL 5.0% | | |
| Hersha Hospitality Trust | 1,775,117 | 9,195,106 |
| Hospitality Properties Trust (e),(f) | 496,469 | 11,086,153 |
| Host Hotels & Resorts (e),(f) | 1,574,554 | 22,799,542 |
| Sunstone Hotel Investors (d),(e),(g) | 733,003 | 6,648,337 |
| | | 49,729,138 |
| INDUSTRIAL 3.4% | | |
| ProLogis (e),(f),(g) | 2,318,079 | 27,306,971 |
| Segro PLC (United Kingdom)(e) | 1,378,153 | 5,910,285 |
| | | 33,217,256 |

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| | Number of Shares | Value |
|--|---------------------|--------------------|
| OFFICE 14.5% | | |
| Boston Properties (e),(f) | 625,261 | \$ 51,971,694 |
| Brookfield Properties Corp. (Canada)(e) | 415,486 | 6,448,343 |
| Douglas Emmett (e) | 837,346 | 14,661,928 |
| Hongkong Land Holdings Ltd. (USD) (Singapore)(e) | 600,301 | 3,727,869 |
| Hudson Pacific Properties (h) | 288,518 | 4,723,040 |
| Kilroy Realty Corp. | 206,638 | 6,847,983 |
| Liberty Property Trust (e),(f) | 675,259 | 21,540,762 |
| Mack-Cali Realty Corp. (e),(f) | 570,244 | 18,652,681 |
| SL Green Realty Corp. (e),(f) | 230,150 | 14,575,400 |
| | | 143,149,700 |
| OFFICE/INDUSTRIAL 1.5% | | |
| PS Business Parks (e) | 247,370 | 13,993,721 |
| Realex Properties Corp., 144A (Canada)(c) | 128,850 | 856,579 |
| | | 14,850,300 |
| RESIDENTIAL 21.0% | | |
| APARTMENT 19.6% | | |
| Apartment Investment & Management Co. (e),(f) | 1,010,651 | 21,607,718 |
| Associated Estates Realty Corp. | 812,690 | 11,361,406 |
| AvalonBay Communities (e),(f) | 232,354 | 24,148,551 |
| BRE Properties (e),(f) | 656,703 | 27,253,175 |
| Colonial Properties Trust (e),(h) | 386,157 | 6,251,882 |
| Education Realty Trust (e),(h) | 1,021,236 | 7,301,837 |
| Equity Residential (e),(f) | 934,678 | 44,462,633 |
| Essex Property Trust | 85,064 | 9,309,404 |
| Home Properties (e) | 141,900 | 7,506,510 |
| Post Properties (e) | 387,722 | 10,825,198 |
| UDR (e) | 1,089,152 | 23,002,890 |
| | | 193,031,204 |
| MANUFACTURED HOME 1.4% | | |
| Equity Lifestyle Properties (e) | 254,091 | 13,842,878 |
| TOTAL RESIDENTIAL | | 206,874,082 |

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| | Number of Shares | Value |
|---|---------------------|----------------------|
| SELF STORAGE 5.2% | | |
| Public Storage (e),(f) | 431,664 | \$ 41,888,675 |
| Sovran Self Storage (e) | 246,960 | 9,359,784 |
| | | 51,248,459 |
| SHOPPING CENTER 28.7% | | |
| COMMUNITY CENTER 12.5% | | |
| Developers Diversified Realty Corp. (e) | 2,620,409 | 29,400,989 |
| Kimco Realty Corp. (e),(f) | 2,239,166 | 35,266,864 |
| Ramco-Gershenson Properties Trust | 477,974 | 5,119,102 |
| Regency Centers Corp. (e),(f) | 413,009 | 16,301,465 |
| Tanger Factory Outlet Centers | 168,600 | 7,947,804 |
| Urstadt Biddle Properties-Class A | 409,097 | 7,396,474 |
| Weingarten Realty Investors (e),(f) | 997,761 | 21,771,145 |
| | | 123,203,843 |
| REGIONAL MALL 16.2% | | |
| Macerich Co. (e),(f) | 655,697 | 28,162,186 |
| Simon Property Group (e),(f) | 1,340,552 | 124,322,792 |
| Westfield Group (Australia) | 624,700 | 7,402,632 |
| | | 159,887,610 |
| TOTAL SHOPPING CENTER | | 283,091,453 |
| SPECIALTY 4.5% | | |
| Digital Realty Trust (e),(f) | 353,636 | 21,819,341 |
| DuPont Fabros Technology | 439,694 | 11,058,304 |
| Rayonier (e),(f) | 236,465 | 11,851,626 |
| | | 44,729,271 |
| TOTAL REAL ESTATE | | 1,056,200,923 |
| TOTAL COMMON STOCK (Identified cost \$828,039,271) | | 1,058,586,923 |

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| | Number of Shares | | Value |
|---|---------------------|----|-------------------|
| PREFERRED SECURITIES \$25 PAR VALUE 30.7% | | | |
| BANK 1.3% | | | |
| Farm Credit Bank of Texas, 10.00%, due 12/15/20, Series 1 (\$100 par value) | 6,000 | \$ | 6,253,125 |
| Synovus Financial Corp., 8.25%, due 5/15/13, Series tMED | 112,400 | | 2,688,608 |
| Wells Fargo & Co., 7.50%, Series L (\$100 par value) | 4,400 | | 4,426,400 |
| | | | 13,368,133 |
| FINANCE MORTGAGE LOAN/BROKER 0.5% | | | |
| Countrywide Capital IV, 6.75% | 90,000 | | 2,168,100 |
| Countrywide Capital V, 7.00% | 100,000 | | 2,463,000 |
| | | | 4,631,100 |
| INSURANCE 1.1% | | | |
| LIFE/HEALTH INSURANCE FOREIGN 0.4% | | | |
| Aegon NV, 6.375%(e) | 161,600 | | 3,778,208 |
| MULTI-LINE FOREIGN 0.4% | | | |
| ING Groep N.V., 7.05%(e) | 185,000 | | 4,425,200 |
| REINSURANCE FOREIGN 0.3% | | | |
| Aspen Insurance Holdings Ltd., 7.401%, Series A(e) | 105,000 | | 2,547,300 |
| TOTAL INSURANCE | | | 10,750,708 |

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| | Number of Shares | Value |
|--|---------------------|--------------|
| REAL ESTATE 27.8% | | |
| DIVERSIFIED 4.0% | | |
| Capital Lease Funding, 8.125%, Series A | 162,000 | \$ 4,074,300 |
| Cousins Properties, 7.75%, Series A | 60,000 | 1,492,800 |
| Duke Realty Corp., 6.625%, Series J (e) | 80,000 | 1,926,400 |
| Duke Realty Corp., 6.60%, Series L (e) | 100,000 | 2,387,000 |
| Duke Realty Corp., 6.95%, Series M (e),(f) | 100,000 | 2,487,000 |
| Duke Realty Corp., 7.25%, Series N (e) | 169,000 | 4,282,460 |
| Entertainment Properties Trust, 7.75%, Series B (e) | 70,000 | 1,742,300 |
| Lexington Realty Trust, 6.50%, Series C (\$50 par value) (e) | 91,250 | 3,879,950 |
| Lexington Realty Trust, 7.55%, Series D (e) | 515,025 | 12,164,891 |
| Vornado Realty Trust, 6.625%, Series G (e) | 110,000 | 2,701,600 |
| Vornado Realty Trust, 6.625%, Series I (e),(f) | 102,453 | 2,525,466 |
| | | 39,664,167 |
| HEALTH CARE 1.7% | | |
| HCP, 7.10%, Series F (e) | 67,700 | 1,683,699 |
| Health Care REIT, 7.875%, Series D (e) | 88,600 | 2,273,476 |
| Health Care REIT, 7.625%, Series F (e) | 416,352 | 10,529,542 |
| Omega Healthcare Investors, 8.375%, Series D (e) | 100,000 | 2,570,000 |
| | | 17,056,717 |
| HOTEL 2.9% | | |
| Hospitality Properties Trust, 8.875%, Series B (e) | 94,825 | 2,431,313 |
| Hospitality Properties Trust, 7.00%, Series C (e) | 466,600 | 11,487,692 |
| LaSalle Hotel Properties, 7.25%, Series G (e) | 445,900 | 10,558,912 |
| Sunstone Hotel Investors, 8.00%, Series A (e) | 160,450 | 3,940,652 |
| | | 28,418,569 |
| INDUSTRIAL 0.4% | | |
| AMB Property Corp., 6.50%, Series L (e) | 21,111 | 511,097 |
| ProLogis Trust, 6.75%, Series F | 125,550 | 2,959,214 |
| | | 3,470,311 |

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| | Number of Shares | Value |
|--|---------------------|---------------|
| OFFICE 4.7% | | |
| BioMed Realty Trust, 7.375%, Series A (e) | 554,499 | \$ 14,034,369 |
| Brandywine Realty Trust, 7.375%, Series D (e) | 89,000 | 2,202,750 |
| Corporate Office Properties Trust, 7.625%, Series J (e) | 263,900 | 6,655,558 |
| Cousins Properties, 7.50%, Series B (e) | 307,775 | 7,509,710 |
| HRPT Properties Trust, 8.75%, Series B (e) | 130,031 | 3,296,286 |
| HRPT Properties Trust, 7.125%, Series C (e),(f) | 68,500 | 1,692,635 |
| HRPT Properties Trust, 6.50%, Series D (e) | 173,800 | 3,861,836 |
| Kilroy Realty Corp., 7.50%, Series F (e) | 133,800 | 3,345,000 |
| SL Green Realty Corp., 7.625%, Series C (e) | 165,034 | 4,134,102 |
| | | 46,732,246 |
| OFFICE/INDUSTRIAL 1.0% | | |
| PS Business Parks, 7.00%, Series H (e) | 192,000 | 4,824,960 |
| PS Business Parks, 7.375%, Series O (e) | 125,000 | 3,231,250 |
| PS Business Parks, 6.70%, Series P (e) | 64,641 | 1,567,544 |
| | | 9,623,754 |
| RESIDENTIAL APARTMENT 5.1% | | |
| Alexandria Real Estate Equities, 7.00%, Series D (e) | 560,000 | 13,104,000 |
| Apartment Investment & Management Co., 8.00%, Series T (e) | 148,861 | 3,795,956 |
| Apartment Investment & Management Co., 7.75%, Series U (e),(f) | 1,024,750 | 25,997,907 |
| Apartment Investment & Management Co., 8.00%, Series V (e) | 201,200 | 5,132,612 |
| Apartment Investment & Management Co., 7.875%, Series Y (e) | 100,000 | 2,552,000 |
| | | 50,582,475 |

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| | Number of Shares | Value |
|--|---------------------|--------------------|
| SHOPPING CENTER 7.2% | | |
| COMMUNITY CENTER 4.1% | | |
| Cedar Shopping Centers, 8.875%, Series A | 200,000 | \$ 5,140,000 |
| Developers Diversified Realty Corp., 8.00%, Series G (e) | 210,000 | 5,268,900 |
| Developers Diversified Realty Corp., 7.375%, Series H (e) | 384,331 | 9,220,101 |
| Kimco Realty Corp., 7.75%, Series G (e) | 194,188 | 4,975,097 |
| Taubman Centers, 7.625%, Series H (e) | 57,235 | 1,449,762 |
| Urstadt Biddle Properties, 8.50%, Series C (\$100 par value) (a),(e) | 53,000 | 5,696,175 |
| Weingarten Realty Investors, 6.50%, Series F (e) | 367,495 | 9,040,377 |
| | | 40,790,412 |
| FREE STANDING 0.4% | | |
| National Retail Properties, 7.375%, Series C (e) | 136,800 | 3,456,936 |
| REGIONAL MALL 2.7% | | |
| CBL & Associates Properties, 7.75%, Series C (e) | 155,000 | 3,797,500 |
| CBL & Associates Properties, 7.375%, Series D (e) | 626,988 | 14,947,394 |
| Simon Property Group, 8.375%, Series J (\$50 par value) (a),(e) | 117,941 | 8,287,714 |
| | | 27,032,608 |
| TOTAL SHOPPING CENTER | | 71,279,956 |
| SPECIALTY 0.8% | | |
| Digital Realty Trust, 7.875%, Series B (e) | 87,575 | 2,238,855 |
| Entertainment Properties Trust, 9.00%, Series E | 191,000 | 5,252,500 |
| | | 7,491,355 |
| TOTAL REAL ESTATE | | 274,319,550 |
| TOTAL PREFERRED SECURITIES \$25 PAR VALUE | | |
| (Identified cost \$282,313,258) | | 303,069,491 |
| PREFERRED SECURITIES CAPITAL SECURITIES 4.7% | | |
| BANK 0.6% | | |
| Citigroup Capital III, 7.625%, due 12/1/36 | 4,000,000 | 4,276,404 |
| CoBank ACB, 11.00%, Series C, 144A (c),(e) | 25,000 | 1,373,438 |
| | | 5,649,842 |

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| | Number of Shares | Value |
|--|-----------------------------|-------------------|
| BANK FOREIGN 1.5% | | |
| Barclays Bank PLC, 6.86%, due 9/29/49, 144A (FRN) (United Kingdom)(c) | 9,350,000 | \$ 8,929,250 |
| Intesa Sanpaolo SpA, 9.50%, due 6/1/16 (Italy) | 1,500,000 | 2,099,065 |
| LBG Capital No.1 PLC, 8.00%, due 12/29/49, 144A (United Kingdom)(c) | 4,300,000 | 3,999,000 |
| | | 15,027,315 |
| INSURANCE 2.2% | | |
| MULTI-LINE FOREIGN 0.6% | | |
| AXA SA, 6.379%, due 12/29/49, 144A(c) | 7,000,000 | 6,142,500 |
| PROPERTY CASUALTY 0.9% | | |
| Liberty Mutual Group, 7.80%, due 3/15/37, 144A(c),(e) | 5,925,000 | 5,658,375 |
| Liberty Mutual Group, 10.75%, due 6/15/58, 144A(c),(e) | 3,110,000 | 3,700,900 |
| | | 9,359,275 |
| PROPERTY CASUALTY - FOREIGN 0.2% | | |
| ACE Capital Trust II, 9.70%, due 4/1/30(e) | 1,500,000 | 1,863,210 |
| REINSURANCE - FOREIGN 0.5% | | |
| Catlin Insurance Co., 7.249%, due 12/31/49, 144A(c) | 5,640,000 | 4,624,800 |
| TOTAL INSURANCE | | 21,989,785 |
| REAL ESTATE DIVERSIFIED 0.4% | | |
| IVG Immobilien AG, 8.00% (Germany)(a) | 3,500,000 | 3,578,532 |
| TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost \$45,217,043) | | 46,245,474 |
| | Principal Amount | |
| CORPORATE BONDS 3.7% | | |
| REAL ESTATE 1.7% | | |
| INDUSTRIAL 0.5% | | |
| ProLogis, 7.375%, due 10/30/19 | \$ 4,750,000 | 4,801,443 |

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| | Principal Amount | Value |
|--|---------------------|-------------------------|
| OFFICE 0.7% | | |
| BR Properties SA, 9.00%, due 12/31/49, 144A (Brazil) (c) | \$ 7,500,000 | \$ 7,514,062 |
| SHOPPING CENTER 0.5% | | |
| Developers Diversified Realty Corp., 7.875%, due 9/1/20 | 4,480,000 | 4,649,962 |
| TOTAL CORPORATE BONDS (Identified cost \$16,547,835) | | 16,965,467 |
| | Number of Shares | |
| SHORT-TERM INVESTMENTS 2.5% | | |
| MONEY MARKET FUNDS | | |
| Federated Government Obligations Fund, 0.06%(i) | 12,401,133 | 12,401,133 |
| State Street Institutional Liquid Reserves Fund, 0.26%(i) | 12,404,275 | 12,404,275 |
| TOTAL SHORT-TERM INVESTMENTS (Identified cost \$24,805,408) | | 24,805,408 |
| TOTAL INVESTMENTS (Identified cost \$1,196,922,815) | 147.1% | \$ 1,449,672,763 |
| WRITTEN CALL OPTIONS | (0.0) | (106,377) |
| WRITTEN PUT OPTIONS | (0.0) | (5,236) |
| LIABILITIES IN EXCESS OF OTHER ASSETS | (47.1) | (463,761,785) |
| NET ASSETS (Equivalent to \$8.96 per share based on 109,998,718 shares of common stock outstanding) | 100.0% | \$ 985,799,365 |

| | Number of Contracts | Value |
|---|------------------------|-------------------------------|
| WRITTEN CALL OPTIONS (0.0)% | | |
| ProLogis, Strike Price 12,10/16/10 (counterparty: JPMorgan Chase) | 3,443 | \$ (83,527) |
| Sunstone Hotel Investors, Strike Price 10, 10/16/10 (counterparty: Goldman Sachs) | 3,967 | (22,850) |
| TOTAL WRITTEN CALL OPTIONS | | |
| | | (Premiums Received \$199,022) |
| | | \$ (106,377) |
| WRITTEN PUT OPTIONS (0.0)% | | |
| Sunstone Hotel Investors, Strike Price 7.5 10/16/10 (counterparty: Goldman Sachs) | | |
| | | (Premiums Received \$59,505) |
| | 3,967 | \$ (5,236) |

Glossary of Portfolio Abbreviations

| | |
|------|------------------------------|
| EUR | Euro Currency |
| FRN | Floating Rate Note |
| REIT | Real Estate Investment Trust |
| USD | United States Dollar |

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

- (a) Illiquid security. Aggregate holdings equal 2.0% of net assets of the Fund.
- (b) Fair valued security. This security has been valued at its fair value as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors. Aggregate fair value securities represent 0.3% of net assets of the Fund.
- (c) Resale is restricted to qualified institutional investors. Aggregate holdings equal 4.5% of net assets of the Fund.
- (d) Non-income producing security.
- (e) A portion or all of the security is pledged in connection with the revolving credit agreement: \$946,586,154 has been pledged as collateral.
- (f) A portion or all of the security has been rehypothecated in connection with the Fund's revolving credit agreement in the aggregate amount of \$436,333,745.

- (g) A portion or all of the security is held in connection with written option contracts: \$3,899,000 has been pledged to brokers.
- (h) A portion of the security is segregated as collateral for interest rate swap transactions: \$8,601,600 has been segregated as collateral.
- (i) Rate quoted represents the seven day yield of the fund.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited)

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 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 the close of a 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 investment manager) 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. Interest rate swaps are valued utilizing quotes received from an outside pricing service.

Securities for which market prices are unavailable, or securities for which the investment manager determines that the 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.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Short-term debt securities with a maturity date of 60 days or less are valued at amortized cost, which approximates value. Investments in open-end mutual funds are valued at their closing net asset value.

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, 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, 2010 in valuing the Fund's investments carried at value:

| | Total | Quoted Prices In Active Market for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|-------------------------|---|---|--|
| Common Stock Bank | \$ 2,386,000 | \$ | \$ | \$ 2,386,000 |
| Common Stock Other Industries | 1,056,200,923 | 1,056,200,923 | | |
| Preferred Securities - \$25 Par Value | 303,069,491 | 303,069,491 | | |
| Preferred Securities - Capital Securities | 46,245,474 | | 45,245,474 | |
| Corporate Bonds Office | 7,514,062 | | | 7,514,062 |
| Corporate Bonds - Other Industries | 9,451,405 | | 9,451,405 | |
| Money Market Funds | 24,805,408 | | 24,805,408 | |
| Total Investments | \$ 1,449,672,763 | \$ 1,359,270,414 | \$ 80,502,287 | \$ 9,900,062 |
| Other Financials Instruments* | \$ (16,414,511) | \$ | \$ (16,414,511) | \$ |

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

* Other financial instruments are written options contracts and interest rate swap contracts.

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

| | | Investments in Securities |
|-----------------------------------|----|------------------------------|
| Balance as of December 31, 2009 | \$ | |
| Change in unrealized appreciation | | 14,062 |
| Net purchases | | 9,886,000 |
| Balance as of September 30, 2010 | \$ | 9,900,062 |

The change in unrealized appreciation attributable to securities owned on September 30, 2010 which were valued using significant unobservable inputs (Level 3) amounted to approximately \$14,062.

Investments classified as Level 3 infrequently trade and have significant unobservable inputs. The Level 3 corporate bond securities were valued utilizing independent broker quotes. The Level 3 common stock has been fair valued utilizing inputs and assumptions which include book value, recent comparables in similar securities, as well as liquidity and market risk factors.

Note 2. Derivative Instruments: The following is a summary of the market valuations of the Fund's derivative instruments as of September 30, 2010:

| | | |
|-------------------------|----|--------------|
| Equity Contracts | \$ | (111,613) |
| Interest Rate Contracts | \$ | (16,302,898) |

Options: The Fund may write put or covered call options on an index or a security with the intention of earning option premiums. Option premiums may increase the Fund's realized gains and therefore may help increase distributable income. When a Fund writes (sells) an option, an amount equal to the premium 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 on the option to the extent of the premiums received. Premiums received from writing options which are exercised or

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

closed, are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option on a security is exercised, the premium reduces the cost basis of the securities purchased by the Fund. 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.

Interest Rate Swaps: The Fund uses interest rate swaps in connection with borrowing under its credit agreement. The interest rate swaps are intended to reduce the risk that an increase in short-term interest rates could have on the performance of the Fund's common shares as a result of the floating rate structure of the credit agreement. In these interest rate swaps, the Fund agrees to pay the other party to the interest rate swap (which is known as the counterparty) a fixed rate payment in exchange for the counterparty agreeing to pay the Fund a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on the credit agreement. The payment obligation is based on the notional amount of the swap. Depending on the state of interest rates in general, the use of interest rate swaps could enhance or harm the overall performance of the common shares. The market value of interest rate swaps is based on pricing models that consider the time value of money, volatility, the current market and contractual prices of the underlying financial instrument. Unrealized appreciation is reported as an asset and unrealized depreciation is reported as a liability on the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be paid or received on swaps, is reported as unrealized appreciation or depreciation in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of swap agreements. Swap agreements involve, to varying degrees, elements of market and counterparty risk, and exposure to loss in excess of the related amounts reflected in the Statement of Assets and Liabilities. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from or paid to the counterparty over the contract's remaining life, to the extent that such amount is positive.

Note 3. Income Tax Information

As of September 30, 2010, the federal tax cost and net unrealized appreciation on securities were as follows:

| | | |
|--------------------------------------|----|---------------|
| Gross unrealized appreciation | \$ | 262,416,369 |
| Gross unrealized depreciation | | (9,666,421) |
| Net unrealized appreciation | \$ | 252,749,948 |
| Cost for federal income tax purposes | \$ | 1,196,922,815 |

Item 2. Controls and Procedures

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

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

Item 3. Exhibits.

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

SIGNATURES

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

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

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

Date: November 24, 2010

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 24, 2010
