

COHEN & STEERS QUALITY INCOME REALTY FUND INC
Form N-Q
May 25, 2018

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

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 Office:

Dana DeVivo

280 Park Avenue

New York, NY 10017

Name and address of agent for service:

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

Date of fiscal year end: December 31

Date of reporting period: March 31, 2018

Item 1. Schedule of Investments

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**SCHEDULE OF INVESTMENTS**

March 29, 2018 (Unaudited)*

| | | Number of Shares | Value |
|---|---------------|-----------------------------|---------------|
| COMMON STOCK | 109.7% | | |
| COMMUNICATIONS TOWERS | 4.1% | | |
| Crown Castle International Corp.(a) | | 490,667 | \$ 53,782,010 |
| REAL ESTATE | 105.6% | | |
| DATA CENTERS | 10.7% | | |
| CyrusOne(a),(b) | | 383,706 | 19,649,584 |
| Digital Realty Trust(a),(b) | | 359,662 | 37,901,181 |
| Equinix(a),(b) | | 201,062 | 84,072,065 |
| | | | 141,622,830 |
| DIVERSIFIED | 1.1% | | |
| American Assets Trust(a),(b) | | 216,013 | 7,216,994 |
| BGP Holdings PLC (EUR) (Australia)(c),(d) | | 3,927,678 | 0 |
| JBG SMITH Properties(a),(b) | | 204,084 | 6,879,672 |
| | | | 14,096,666 |
| HEALTH CARE | 7.4% | | |
| Healthcare Trust of America, Class A(a),(b) | | 1,563,820 | 41,363,039 |
| National Health Investors(a),(b) | | 263,998 | 17,764,425 |
| Physicians Realty Trust(a),(b) | | 1,913,060 | 29,786,344 |
| Sabra Health Care REIT | | 519,683 | 9,172,405 |
| | | | 98,086,213 |
| HOTEL | 8.3% | | |
| Host Hotels & Resorts(a),(b) | | 3,155,101 | 58,811,083 |
| Pebblebrook Hotel Trust | | 467,408 | 16,055,465 |
| RLJ Lodging Trust | | 628,698 | 12,221,889 |
| Sunstone Hotel Investors(a),(b) | | 1,493,037 | 22,724,023 |
| | | | 109,812,460 |
| INDUSTRIALS | 6.6% | | |
| Prologis(a),(b) | | 1,390,440 | 87,583,816 |
| NET LEASE | 5.2% | | |

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| | | |
|-------------------------------|---------|------------|
| EPR Properties | 233,223 | 12,920,554 |
| Four Corners Property Trust | 849,169 | 19,607,312 |
| Gaming and Leisure Properties | 260,563 | 8,721,044 |
| Gramercy Property Trust | 727,008 | 15,797,884 |
| VICI Properties | 673,410 | 12,336,871 |
| | | 69,383,665 |

| | Number of Shares | Value |
|---|---------------------|---------------|
| OFFICE 16.4% | | |
| Alexandria Real Estate Equities(a),(b) | 261,207 | \$ 32,622,142 |
| Boston Properties(a),(b) | 294,272 | 36,260,196 |
| Douglas Emmett(a),(b) | 828,297 | 30,448,198 |
| Highwoods Properties | 376,096 | 16,480,527 |
| Hudson Pacific Properties(a),(b) | 661,759 | 21,527,020 |
| Kilroy Realty Corp.(a),(b) | 604,585 | 42,901,351 |
| SL Green Realty Corp. | 97,580 | 9,448,671 |
| Vornado Realty Trust(a),(b) | 408,169 | 27,469,774 |
| | | 217,157,879 |
| RESIDENTIAL 26.2% | | |
| APARTMENT 17.1% | | |
| Apartment Investment & Management Co., Class A(a) | 385,952 | 15,727,544 |
| Equity Residential(a),(b) | 1,083,365 | 66,756,951 |
| Essex Property Trust(a),(b) | 225,125 | 54,183,085 |
| Mid-America Apartment Communities | 317,616 | 28,979,284 |
| UDR(a),(b) | 1,728,667 | 61,575,119 |
| | | 227,221,983 |
| MANUFACTURED HOME 3.3% | | |
| Sun Communities(a),(b) | 474,661 | 43,369,776 |
| SINGLE FAMILY 3.3% | | |
| Invitation Homes(a) | 1,919,622 | 43,824,970 |
| STUDENT HOUSING 2.5% | | |
| American Campus Communities(a),(b) | 852,947 | 32,940,813 |
| TOTAL RESIDENTIAL | | 347,357,542 |
| SELF STORAGE 7.4% | | |
| Extra Space Storage(a),(b) | 404,413 | 35,329,520 |
| Life Storage(a),(b) | 266,266 | 22,238,536 |
| Public Storage(a),(b) | 202,733 | 40,625,666 |
| | | 98,193,722 |
| SHOPPING CENTERS 12.6% | | |
| COMMUNITY CENTER 4.2% | | |
| Brixmor Property Group(a),(b) | 758,339 | 11,564,670 |
| Regency Centers Corp.(a),(b) | 450,728 | 26,583,937 |
| Weingarten Realty Investors(a) | 645,991 | 18,139,427 |
| | | 56,288,034 |

| | | | |
|-----------------------------|------|-----------|-------------|
| REGIONAL MALL | 8.4% | | |
| GGP(a),(b) | | 1,280,586 | 26,200,790 |
| Simon Property Group(a),(b) | | 549,111 | 84,755,283 |
| | | | 110,956,073 |
| TOTAL SHOPPING CENTERS | | | 167,244,107 |

| | Number of Shares | Value |
|--|---------------------|---------------|
| SPECIALTY | 3.7% | |
| CoreCivic(a),(b) | 502,099 | \$ 9,800,973 |
| Lamar Advertising Co., Class A | 313,287 | 19,943,850 |
| QTS Realty Trust, Class A(a),(b) | 539,499 | 19,540,654 |
| | | 49,285,477 |
| TOTAL REAL ESTATE | | 1,399,824,377 |
| TOTAL COMMON STOCK (Identified cost \$1,107,185,807) | | 1,453,606,387 |
| PREFERRED SECURITIES \$25 PAR VALUE | 16.4% | |
| BANKS | 0.6% | |
| GMAC Capital Trust I, 7.624%, due 2/15/40, Series 2 (TruPS) | | |
| (FRN) (3 Month US LIBOR + 5.785%)(e) | 250,000 | 6,495,000 |
| Huntington Bancshares, 6.25%, Series D(f) | 75,432 | 2,055,522 |
| | | 8,550,522 |
| FINANCIAL DIVERSIFIED FINANCIAL SERVICES | 0.2% | |
| KKR & Co. LP, 6.75%, Series A(f) | 120,000 | 3,158,400 |
| REAL ESTATE DIVERSIFIED | 15.6% 4.9% | |
| Colony NorthStar, 8.25%, Series B(f) | 25,027 | 619,669 |
| Colony NorthStar, 8.50%, Series D(f) | 191,097 | 4,756,404 |
| Colony NorthStar, 8.75%, Series E(a),(b),(f) | 172,107 | 4,311,280 |
| Colony NorthStar, 7.15%, Series I(a),(f) | 110,684 | 2,541,305 |
| Colony NorthStar, 7.125% to 9/22/22, Series J(f) | 36,977 | 850,101 |
| EPR Properties, 9.00%, Series E (Convertible)(a),(f) | 251,000 | 8,737,310 |
| EPR Properties, 5.75%, Series G(f) | 160,776 | 3,627,107 |
| Investors Real Estate Trust, 6.625%, Series C(f) | 98,959 | 2,288,922 |
| Lexington Realty Trust, 6.50%, Series C (\$50 Par Value)(a),(f) | 76,395 | 3,705,157 |
| National Retail Properties, 5.70%, Series E(f) | 175,615 | 4,413,205 |
| National Retail Properties, 5.20%, Series F(f) | 49,775 | 1,153,287 |
| Urstadt Biddle Properties, 6.75%, Series G(f) | 50,000 | 1,278,500 |
| Urstadt Biddle Properties, 6.25%, Series H(f) | 122,556 | 3,039,389 |
| VEREIT, 6.70%, Series F(a),(b),(f) | 710,890 | 18,056,606 |
| Wells Fargo Real Estate Investment Corp., 6.375%, Series A(f) | 207,537 | 5,387,660 |
| | | 64,765,902 |

| | Number of Shares | Value |
|--|---------------------|--------------|
| FINANCE | 0.3% | |
| Ventas Realty LP/Ventas Capital Corp., 5.45%, due 3/15/43 | 130,054 | \$ 3,243,547 |
| HOTEL | 2.5% | |
| Ashford Hospitality Trust, 7.375%, Series F(f) | 216,000 | 5,024,160 |
| Ashford Hospitality Trust, 7.50%, Series H(f) | 100,000 | 2,325,000 |
| Ashford Hospitality Trust, 7.50%, Series I(f) | 165,000 | 3,859,350 |
| LaSalle Hotel Properties, 6.30%, Series J(f) | 134,000 | 3,252,850 |
| Pebblebrook Hotel Trust, 6.50%, Series C(f) | 160,000 | 3,904,000 |
| Summit Hotel Properties, 6.45%, Series D(f) | 123,000 | 3,025,800 |
| Summit Hotel Properties, 6.25%, Series E(f) | 185,000 | 4,447,215 |
| Sunstone Hotel Investors, 6.95%, Series E(f) | 180,000 | 4,519,800 |
| Sunstone Hotel Investors, 6.45%, Series F(f) | 127,100 | 3,144,454 |
| | | 33,502,629 |
| INDUSTRIALS | 1.4% | |
| Monmouth Real Estate Investment Corp., 6.125%, Series C(f) | 200,000 | 4,860,000 |
| PS Business Parks, 5.75%, Series U(a),(b),(f) | 217,978 | 5,392,776 |
| PS Business Parks, 5.70%, Series V(f) | 120,000 | 2,994,000 |
| Rexford Industrial Realty, 5.875%, Series A(f) | 85,500 | 2,039,175 |
| STAG Industrial, 6.875%, Series C(f) | 120,000 | 3,048,000 |
| | | 18,333,951 |
| MANUFACTURED HOME | 0.1% | |
| UMH Properties, 6.75%, Series C(f) | 69,845 | 1,746,823 |
| NET LEASE | 0.4% | |
| Gladstone Commercial Corp., 7.00%, Series D(f) | 20,000 | 498,400 |
| Spirit Realty Capital, 6.00%, Series A(f) | 192,417 | 4,181,221 |
| | | 4,679,621 |
| OFFICE | 0.5% | |
| SL Green Realty Corp., 6.50%, Series I(f) | 197,446 | 5,025,001 |
| Vornado Realty Trust, 5.70%, Series K(f) | 86,024 | 2,146,299 |
| | | 7,171,300 |
| RESIDENTIAL | 1.6% | |
| APARTMENT | 0.7% | |
| Apartment Investment & Management Co., 6.875%(a),(f) | 204,000 | 5,279,520 |
| Blue Rock Residential Growth REIT, 8.25%, Series A(f) | 157,100 | 3,924,358 |
| | | 9,203,878 |

| | Number of Shares | Value |
|---|---------------------|--------------|
| SINGLE FAMILY | 0.9% | |
| American Homes 4 Rent, 5.50%, Series C(f) | 70,000 | \$ 1,977,500 |
| American Homes 4 Rent, 6.50%, Series D(f) | 201,340 | 5,035,513 |
| American Homes 4 Rent, 6.35%, Series E(f) | 197,900 | 4,909,899 |
| | | 11,922,912 |
| TOTAL RESIDENTIAL | | 21,126,790 |
| SELF STORAGE | 0.2% | |
| National Storage Affiliates Trust, 6.00% to 10/11/22, Series A(f) | 120,000 | 2,938,800 |
| SHOPPING CENTERS | 2.6% | |
| COMMUNITY CENTER | 1.4% | |
| Cedar Realty Trust, 7.25%, Series B(a),(f) | 46,078 | 1,054,265 |
| DDR Corp., 6.375%, Series A(f) | 172,703 | 4,118,966 |
| DDR Corp., 6.50%, Series J(a),(f) | 423,900 | 9,796,329 |
| Saul Centers, 6.875%, Series C(f) | 69,840 | 1,746,000 |
| Saul Centers, 6.125% to 1/23/23, Series D(f) | 101,300 | 2,377,511 |
| | | 19,093,071 |
| REGIONAL MALL | 1.2% | |
| GGP, 6.375%, Series A(f) | 231,468 | 5,726,518 |
| Pennsylvania REIT, 7.20%, Series C(f) | 158,825 | 3,294,031 |
| Pennsylvania REIT, 6.875%, Series D(f) | 120,000 | 2,400,000 |
| Taubman Centers, 6.25%, Series K(f) | 187,582 | 4,509,471 |
| | | 15,930,020 |
| TOTAL SHOPPING CENTERS | | 35,023,091 |
| SPECIALTY | 1.1% | |
| Digital Realty Trust, 6.625%, Series C(f) | 179,137 | 4,859,987 |
| Digital Realty Trust, 6.35%, Series I(f) | 234,000 | 6,201,000 |
| QTS Realty Trust, 7.125% to 3/15/23, Series A(f) | 115,975 | 2,944,605 |
| | | 14,005,592 |
| TOTAL REAL ESTATE | | 206,538,046 |
| TOTAL PREFERRED SECURITIES \$25 PAR VALUE (Identified cost \$213,767,607) | | 218,246,968 |

**Principal
Amount**

| | | | | |
|---|--------------------|------|--------------|------------|
| PREFERRED SECURITIES | CAPITAL SECURITIES | 7.2% | | |
| BANKS | | 1.5% | | |
| Bank of America Corp., 6.30% to 3/10/26, Series DD(a),(b),(f),(g) | | | \$ 7,000,000 | 7,525,000 |
| Farm Credit Bank of Texas, 10.00%, Series I(a),(f) | | | 6,000 | 7,050,000 |
| JPMorgan Chase & Co., 6.75% to 2/1/24, Series S(f),(g) | | | 4,500,000 | 4,915,125 |
| | | | | 19,490,125 |

| | | Number of Shares | Value |
|---|-------------|-----------------------------|--------------|
| BANKS FOREIGN | 2.9% | | |
| BNP Paribas SA, 7.625% to 3/30/21, 144A (France)(f),(g),(h) | | \$ 2,000,000 | \$ 2,152,500 |
| Credit Agricole SA, 8.125% to 12/23/25, 144A (France)(f),(g),(h) | | 2,000,000 | 2,283,768 |
| Credit Suisse Group AG, 7.50% to 12/11/23, 144A (Switzerland)(f),(g),(h) | | 2,891,000 | 3,137,027 |
| DNB Bank ASA, 6.50% to 3/26/22 (Norway)(f),(g) | | 3,000,000 | 3,127,128 |
| Dresdner Funding Trust I, 8.151%, due 6/30/31, 144A (Germany)(h) | | 4,000,000 | 5,089,500 |
| HBOS Capital Funding LP, 6.85% (United Kingdom)(f) | | 2,600,000 | 2,651,025 |
| HSBC Holdings PLC, 6.25% to 3/23/23 (United Kingdom)(f),(g) | | 1,200,000 | 1,228,500 |
| HSBC Holdings PLC, 6.50% to 3/23/28 (United Kingdom)(f),(g) | | 800,000 | 817,000 |
| Lloyds Banking Group PLC, 7.50% to 6/27/24 (United Kingdom)(f),(g) | | 4,000,000 | 4,345,000 |
| Royal Bank of Scotland Group PLC, 7.648% to 9/30/31 (United Kingdom)(f),(g) | | 4,000,000 | 5,020,000 |
| Royal Bank of Scotland Group PLC, 8.625% to 8/15/21 (United Kingdom)(f),(g) | | 4,300,000 | 4,681,625 |
| UBS Group AG, 7.125% to 2/19/20 (Switzerland)(f),(g) | | 4,200,000 | 4,376,820 |
| | | | 38,909,893 |
| COMMUNICATIONS | 0.7% | | |
| Crown Castle International Corp., 6.875%, due 8/1/20, Series A (Convertible)(a) | | 7,700 | 8,579,850 |
| INSURANCE | 0.6% | | |
| LIFE/HEALTH INSURANCE FOREIGN | 0.3% | | |
| La Mondiale Vie, 7.625% to 4/23/19 (France)(f),(g) | | 3,750,000 | 3,887,850 |
| PROPERTY CASUALTY FOREIGN | 0.3% | | |
| QBE Insurance Group Ltd., 6.75% to 12/2/24, due 12/2/44 (Australia)(g) | | 4,052,000 | 4,401,485 |
| TOTAL INSURANCE | | | 8,289,335 |
| REAL ESTATE | 1.0% | | |
| FINANCE | 0.8% | | |
| AT Securities BV, 5.25% to 7/21/23 (Netherlands)(f),(g) | | 7,500,000 | 7,320,937 |
| CyrusOne LP/CyrusOne Finance Corp., 5.00%, due 3/15/24 | | 2,000,000 | 2,007,500 |
| CyrusOne LP/CyrusOne Finance Corp., 5.375%, due 3/15/27 | | 1,400,000 | 1,400,000 |
| | | | 10,728,437 |

| | | Principal Amount | Value |
|---|---------------|-----------------------------|-------------------------|
| SPECIALTY | 0.2% | | |
| Equinix, 5.375%, due 5/15/27 | | \$ 3,000,000 | \$ 3,052,500 |
| TOTAL REAL ESTATE | | | 13,780,937 |
| UTILITIES | 0.5% | | |
| Enel SpA, 8.75% to 9/24/23, due 9/24/73, 144A (Italy)(g),(h) | | 5,250,000 | 6,240,938 |
| TOTAL PREFERRED SECURITIES CAPITAL SECURITIES | | | |
| (Identified cost \$88,727,331) | | | 95,291,078 |
| | | Number of Shares | |
| SHORT-TERM INVESTMENTS | 0.8% | | |
| MONEY MARKET FUNDS | | | |
| State Street Institutional Treasury Money Market Fund, Premier Class, 1.51%(i) | | 10,412,634 | 10,412,634 |
| TOTAL SHORT-TERM INVESTMENTS | | | |
| (Identified cost \$10,412,634) | | | 10,412,634 |
| PURCHASED OPTION CONTRACTS | | | |
| (Premiums paid \$1,941,489) | 0.2% | | 2,386,046 |
| TOTAL INVESTMENTS IN SECURITIES | | | |
| (Identified cost \$1,422,034,868) | 134.3% | | 1,779,943,113 |
| WRITTEN OPTION CONTRACTS | (0.2) | | (2,664,856) |
| LIABILITIES IN EXCESS OF OTHER ASSETS | (34.1) | | (452,324,633) |
| NET ASSETS (Equivalent to \$12.14 per share based on 109,161,402 shares of common stock outstanding) | 100.0% | | \$ 1,324,953,624 |

Over-the-Counter Option Contracts

Purchased Options

| Description | Counterparty | Exercise Price | Expiration Date | Number of Contracts | Notional Amount(j) | Premiums Paid | Value |
|--------------------------|----------------|----------------|-----------------|---------------------|--------------------|---------------|--------------|
| Call Extra Space Storage | Morgan Stanley | \$ 83.62 | 5/9/18 | 4,492 | \$ 39,242,112 | \$ 913,660 | \$ 2,283,124 |
| Put Public Storage | Morgan Stanley | 176.33 | 5/9/18 | 1,914 | 38,354,646 | 1,027,829 | 102,922 |
| | | | | 6,406 | \$ 77,596,758 | \$ 1,941,489 | \$ 2,386,046 |

Written Options

| Description | Counterparty | Exercise Price | Expiration Date | Number of Contracts | Notional Amount(j) | Premiums Received | Value |
|--------------------------|----------------|----------------|-----------------|---------------------|--------------------|-------------------|----------------|
| Call Extra Space Storage | Morgan Stanley | \$ 89.99 | 5/9/18 | (4,492) | \$ (39,242,112) | \$ (102,780) | \$ (615,376) |
| Call Public Storage | Morgan Stanley | 193.96 | 5/9/18 | (1,914) | (38,354,646) | (808,131) | (1,956,705) |
| Put Extra Space Storage | Morgan Stanley | 73.66 | 5/9/18 | (4,492) | (39,242,112) | (694,060) | (79,918) |
| Put Public Storage | Morgan Stanley | 159.62 | 5/9/18 | (1,914) | (38,354,646) | (345,765) | (12,857) |
| | | | | (12,812) | \$ (155,193,516) | \$ (1,950,736) | \$ (2,664,856) |

Glossary of Portfolio Abbreviations

| | |
|-------|-------------------------------|
| EUR | Euro Currency |
| FRN | Floating Rate Note |
| LIBOR | London Interbank Offered Rate |
| REIT | Real Estate Investment Trust |
| TruPS | Trust Preferred Securities |

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

- * March 29, 2018 represents the last business day of the Fund's quarterly period. See Note 1 of the accompanying notes to the Schedule of Investments.
Represents shares.
- (a) All or a portion of the security is pledged as collateral in connection with the Fund's credit agreement. \$955,011,927 in aggregate has been pledged as collateral.
- (b) A portion of the security has been rehypothecated in connection with the Fund's credit agreement. \$421,515,299 in aggregate has been rehypothecated.
- (c) Security value is determined based on significant unobservable inputs (Level 3).
- (d) Non-income producing security.
- (e) Variable rate. Rate shown is in effect at March 29, 2018.
- (f) Perpetual security. Perpetual securities have no stated maturity date, but they may be called/redeemed by the issuer. The date indicated, if any, represents the next call date.
- (g) Security converts to floating rate after the indicated fixed-rate coupon period.
- (h) Resale is restricted to qualified institutional investors. Aggregate holdings amounted to \$18,903,733 or 1.4% of the net assets of the Fund, of which 0.0% are illiquid.
- (i) Rate quoted represents the annualized seven-day yield of the fund.
- (j) Amount represents number of contracts multiplied by notional contract size multiplied by the underlying price.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO SCHEDULE OF INVESTMENTS (Unaudited)

Note 1. Quarterly Period

Since March 29, 2018 represents the last day during the Fund's quarterly period on which the New York Stock Exchange was open for trading, the Fund's Schedule of Investments have been presented through that date.

Note 2. Portfolio Valuation

Investments in securities that are listed on the New York Stock Exchange (NYSE) are valued, except as indicated below, at the last sale price reflected at the close of the NYSE 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 ask prices on such day or, if no ask 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 on the valuation date. In the absence of a last sale price on such day, options are valued at the average of the quoted bid and ask prices as of the close of business. Over-the-counter (OTC) options are valued based upon prices provided by a third-party pricing service or counterparty.

Securities not listed on the NYSE but listed on other domestic or foreign securities exchanges (including NASDAQ) are valued in a similar manner. Securities traded on more than one securities exchange are valued at the last sale price reflected at the close of the exchange representing the principal market for such securities on the business day as of which such value is being determined. 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 non-U.S. equity holdings may be fair valued pursuant to procedures established by the Board of Directors.

Readily marketable securities traded in the OTC market, including listed securities whose primary market is believed by Cohen & Steers Capital Management, Inc. (the investment manager) to be OTC, are valued on the basis of prices provided by a third-party pricing service or third-party broker-dealers when such prices are believed by the investment manager, pursuant to delegation by the Board of Directors, to reflect the fair value of such securities.

Fixed-income securities are valued on the basis of prices provided by a third-party pricing service or third-party broker-dealers when such prices are believed by the investment manager, pursuant to delegation by the Board of Directors, to reflect the fair value of such securities. The

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

NOTES TO SCHEDULE OF INVESTMENTS (Unaudited) (Continued)

pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services or broker-dealers also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining fair value and/or characteristics such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features which are then used to calculate the fair values.

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

The policies and procedures approved by the Fund's Board of Directors delegate authority to make fair value determinations to the investment manager, subject to the oversight of the Board of Directors. The investment manager has established a valuation committee (Valuation Committee) to administer, implement and oversee the fair valuation process according to the policies and procedures approved annually by the Board of Directors. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers and other market sources to determine fair value.

Securities for which market prices are unavailable, or securities for which the investment manager determines that the bid and/or ask price or a counterparty valuation does not reflect market value, will be valued at fair value, as determined in good faith by the Valuation Committee, 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 NAV of Fund shares to differ from the NAV 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.

Fair value is defined as the price that the Fund would expect to receive upon the sale of an investment or expect to 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.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**NOTES TO SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**

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 investments may or may not be an indication of the risk associated with those investments.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfer at the end of the period in which the underlying event causing the movement occurred. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. There were \$11,832,700 of securities transferred from Level 1 to Level 2 which resulted from a change in the use of a quoted price to a mean price, supplied by a third-party pricing service, for certain securities as of March 29, 2018. There were \$3,025,323 of securities transferred from Level 2 to Level 1 which resulted from a change in the use of a mean price, supplied by a third-party pricing service, to a quoted price for certain securities as of March 29, 2018.

The following is a summary of the inputs used as of March 29, 2018 in valuing the Fund's investments carried at value:

| | Total | Quoted Prices in Active Markets for Identical Investments (Level 1) | Other Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|-------------------------|--|--|--|
| Common Stock: | | | | |
| Real Estate Diversified | \$ 14,096,666 | \$ 14,096,666 | \$ | \$ (a) |
| Other Industries | 1,439,509,721 | 1,439,509,721 | | |
| Preferred Securities \$25 Par Value: | | | | |
| Real Estate Hotel | 33,502,629 | 27,105,325 | 6,397,304 | |
| Other Industries | 184,744,339 | 184,744,339 | | |
| Preferred Securities Capital Securities | 95,291,078 | | 95,291,078 | |
| Short-Term Investments | 10,412,634 | | 10,412,634 | |
| Purchased Option Contracts | 2,386,046 | | 2,386,046 | |
| Total Investments in Securities(b) | \$ 1,779,943,113 | \$ 1,665,456,051 | \$ 114,487,062 | \$ |
| Written Option Contracts | \$ (2,664,856) | \$ | \$ (2,664,856) | \$ |
| Total Written Option Contracts(b) | \$ (2,664,856) | \$ | \$ (2,664,856) | \$ |

- (a) BGP Holding PLC was acquired via a spinoff and has been fair valued at \$0, by the Valuation Committee, pursuant to the Fund's fair value procedures and classified as a Level 3 security.
- (b) Portfolio holdings are disclosed individually on the Schedule of Investments.

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.**NOTES TO SCHEDULE OF INVESTMENTS (Unaudited) (Continued)****Note 3. Derivative Instruments**

Options: The Fund may purchase and write exchange-listed and OTC put or call options on securities, stock indices and other financial instruments for hedging purposes, to enhance portfolio returns and reduce overall volatility.

When the Fund writes (sells) an option, an amount equal to the premium received by the Fund is recorded 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 premium received. Premiums received from writing options which are exercised or 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 security purchased by the Fund. If a call option is exercised, the premium is added to the proceeds of the security sold to determine the realized gain or loss. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the underlying index or security. Other risks include the possibility of an illiquid options market or the inability of the counterparties to fulfill their obligations under the contracts.

Put and call options purchased are accounted for in the same manner as portfolio securities. Premiums paid for purchasing options which expire are treated as realized losses. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain or loss when the underlying transaction is executed. The risk associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised. Additionally, the Fund bears the risk of loss of the premium and change in market value should the counterparty not perform under the contract.

The following summarizes the volume of the Fund's written option contracts activity for the period ended March 29, 2018:

| | Written Option Contracts |
|-------------------------|-------------------------------------|
| Average Notional Amount | \$ 76,508,518 |
| Ending Notional Amount | 155,193,516 |

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 and Principle Executive Officer

Date: May 25, 2018

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

Date: May 25, 2018

By: /s/ James Giallanza
Name: James Giallanza

Title: Principal Financial Officer