

COHEN & STEERS TOTAL RETURN REALTY FUND INC  
Form N-CSRS  
September 08, 2016

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 811-07154

Cohen & Steers Total Return 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)

Tina M. Payne

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: June 30, 2016

---

**Item 1. Reports to Stockholders.**

---

**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

To Our Shareholders:

We would like to share with you our report for the six months ended June 30, 2016. The net asset value (NAV) at that date was \$14.43 per common share. The Fund's common stock is traded on the New York Stock Exchange (NYSE) and its share price can differ from its NAV; at period end, the Fund's closing price on the NYSE was \$13.99.

The total returns, including income, for the Fund and its comparative benchmarks were:

	Six Months Ended June 30, 2016
Cohen & Steers Total Return Realty Fund at NAV <sup>a</sup>	9.88%
Cohen & Steers Total Return Realty Fund at Market Value <sup>a</sup>	14.99%
FTSE NAREIT Equity REIT Index <sup>b</sup>	13.38%
Blended Benchmark 80% FTSE NAREIT Equity REIT Index/ 20% BofA Merrill Lynch REIT Preferred Securities Index <sup>b</sup>	11.85%
S&P 500 Index <sup>b</sup>	3.84%

*The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current total returns of the Fund can be obtained by visiting our website at [cohenandsteers.com](http://cohenandsteers.com). The Fund's returns assume the reinvestment of all dividends and distributions at prices obtained under the Fund's dividend reinvestment plan. Index performance does not reflect the deduction of any fees, taxes or expenses. An investor cannot invest directly in an index. Performance figures for periods shorter than one year are not annualized.*

#### Managed Distribution Policy

Cohen & Steers Total Return Realty Fund, Inc. (the Fund), acting in accordance with an exemptive order received from the Securities and Exchange Commission and with approval of its Board of Directors (the Board), adopted a managed distribution policy under which the Fund intends to include long-term capital gains, where applicable, as part of the regular quarterly cash distributions to its shareholders (the Plan). The Plan will give the Fund greater flexibility to realize long-term capital gains and to distribute those gains on a regular quarterly basis. In accordance with the Plan, the Fund currently distributes \$0.24 per share on a quarterly basis.

<sup>a</sup> As a closed-end investment company, the price of the Fund's NYSE-traded shares will be set by market forces and can deviate from the NAV per share of the Fund.

<sup>b</sup> The FTSE NAREIT Equity REIT Index contains all tax-qualified REITs except timber and infrastructure REITs with more than 50% of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria. The BofA Merrill Lynch REIT Preferred Securities Index tracks the performance of fixed-rate U.S. dollar-denominated preferred securities issued in the U.S. domestic market by real estate investment trusts. The S&P 500 Index is an unmanaged index of 500 large-capitalization stocks that is frequently used as a general measure of U.S. stock market performance.



## **COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

The Fund may pay distributions in excess of the Fund's investment company taxable income and realized gains. This excess would be a return of capital distributed from the Fund's assets. 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.

Shareholders should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the Fund's Plan. The Fund's total return based on net asset value is presented in the table above as well as in the Financial Highlights table.

The Plan provides that the Board may amend or terminate the Plan at any time without prior notice to Fund shareholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination. The termination of the Plan could have the effect of creating a trading discount (if the Fund's stock is trading at or above net asset value) or widening an existing trading discount.

### **Market Review**

U.S. real estate investment trusts (REITs) produced strong total returns in the first half of 2016 and widely outperformed the S&P 500 Index, in what was a challenging period for equities broadly.

The stock market came under intense selling pressure early in the year amid declining crude oil prices and lackluster economic growth from the world's major economies. Stocks then rebounded, aided by firmer oil prices, somewhat better economic data and continued monetary stimulus efforts by a number of central banks. Equities were briefly upended late in the second quarter when the U.K. unexpectedly voted in favor of leaving the European Union. Sovereign bond yields generally trended lower throughout the period in response to economic uncertainty and policies adopted by several central banks, resulting in sharply lower U.S. Treasury yields as well.

Investors were drawn to REITs for the asset class' relatively stable cash flows and attractive dividend yields amid continued strong fundamentals for the U.S. real estate market. Adding to their appeal was REITs' strong domestic orientation, as the U.S. appears to be the healthiest major economy at a time of heightened global economic and political uncertainty.

### *REIT Preferred Securities Also Advanced*

Preferred securities issued by commercial real estate companies had a total return of 5.5% in the period, as measured by the BofA Merrill Lynch REIT Preferred Securities Index, outperforming the broader preferred securities market. REIT preferreds continued to benefit from a favorable technical environment. REITs issued relatively few new preferreds during the period, while investment demand for their above-average income held firm, sustaining an imbalance that lifted prices.

**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

*Fund Performance*

The Fund had a positive total return in the period and outperformed its blended benchmark on a market price basis but underperformed on a NAV basis. Our stock selection and overweight in apartment landlords detracted from relative performance. Despite reporting strong earnings, apartments underperformed as investors questioned whether cash flow growth trends would continue amid increasing supply and a sluggish economy. We believe, however, that the sector's growth will continue at a healthy pace and that supply has plateaued.

Our underweight in specialty REITs further detracted, as did our underweight and stock selection in industrial property owners. The latter benefited from the growth of e-commerce and third-party logistics services, but our underweight reflected our view that valuations remain rich.

The largest contributor to the Fund's relative performance was our overweight in data centers, the top-performing REIT sector in the first half of 2016. However, the relative benefit was partially offset by our stock selection in the sector. Our overweight and stock selection in health care REITs also contributed, including purchasing HCP, one of the larger constituents in the sector, after the stock declined materially on concerns that softer revenues for ManorCare, its largest tenant, could lead to a rent reduction. The stock subsequently recovered all of its earlier loss.

Our underweight in REIT preferreds further contributed to relative performance, given their underperformance to REIT common shares. Also contributing was our stock selection in regional mall owners, where we focused on companies with high-quality assets that have been successful in redeveloping vacated space. We largely avoided Class B mall owners, which underperformed and have been more vulnerable to store closings as it has generally been more difficult for them to increase rents or replace tenants.

*Impact of Derivatives on Fund Performance*

The Fund uses single stock options with the intention of enhancing total returns and reducing overall volatility. These contracts had no impact on the Fund's total return for the six-month period ended June 30, 2016.

**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

Sincerely,

WILLIAM F. SCAPELL  
*Portfolio Manager*

THOMAS N. BOHJALIAN  
*Portfolio Manager*

JASON YABLON

*Portfolio Manager*

*The views and opinions in the preceding commentary are subject to change without notice and are as of the date of the report. There is no guarantee that any market forecast set forth in the commentary will be realized. 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](http://cohenandsteers.com)

For more information about the Cohen & Steers family of mutual funds, visit [cohenandsteers.com](http://cohenandsteers.com). Here you will find fund net asset values, fund fact sheets and portfolio highlights, as well as educational resources and timely market updates.

Our website also provides comprehensive information about Cohen & Steers, including our most recent press releases, profiles of our senior investment professionals and their investment approach to each asset class. The Cohen & Steers family of mutual funds invests in major real asset categories including real estate securities, listed infrastructure, commodities and natural resource equities, as well as preferred securities and other income solutions.

**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

June 30, 2016

Top Ten Holdings<sup>a</sup>  
(Unaudited)

Security	Value	% of Net Assets
Simon Property Group	\$33,438,388	8.9
UDR	14,640,220	3.9
Prologis	14,525,697	3.9
Equinix	12,080,116	3.2
HCP	11,950,833	3.2
Essex Property Trust	9,923,055	2.6
Vornado Realty Trust	9,816,466	2.6
Equity Residential	9,023,073	2.4
Omega Healthcare Investors	8,595,291	2.3
Kilroy Realty Corp.	8,396,755	2.2

<sup>a</sup> Top ten holdings are determined on the basis of the value of individual securities held. The Fund may also hold positions in other types of securities issued by the companies listed above. See the Schedule of Investments for additional details on such other positions.

Sector Breakdown

(Based on Net Assets)  
(Unaudited)





**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS

June 30, 2016 (Unaudited)

		Number of Shares	Value
COMMON STOCK REAL ESTATE	80.1%		
DIVERSIFIED	3.9%		
American Assets Trust		113,637	\$ 4,822,754
Vornado Realty Trust		98,047	9,816,466
			14,639,220
HEALTH CARE	10.7%		
CareTrust REIT		308,792	4,255,154
HCP		337,785	11,950,833
Healthcare Trust of America, Class A		159,318	5,152,344
Omega Healthcare Investors		253,175	8,595,291
Physicians Realty Trust		331,237	6,959,289
Ventas		45,431	3,308,286
			40,221,197
HOTEL	2.2%		
Extended Stay America		98,963	1,479,497
Host Hotels & Resorts		205,364	3,328,950
Sunstone Hotel Investors		299,729	3,617,729
			8,426,176
INDUSTRIALS	3.8%		
Prologis		296,201	14,525,697
NET LEASE	5.2%		
Four Corners Property Trust		154,071	3,172,322
Gaming and Leisure Properties		135,431	4,669,661
National Retail Properties		134,515	6,957,116
Spirit Realty Capital		369,925	4,723,942
			19,523,041
OFFICE	7.8%		
Alexandria Real Estate Equities		50,736	5,252,191
Boston Properties		23,106	3,047,681
Douglas Emmett		153,826	5,463,900
Empire State Realty Trust, Class A		140,822	2,674,210
Kilroy Realty Corp.		126,667	8,396,755
SL Green Realty Corp.		42,777	4,554,467
			29,389,204

See accompanying notes to financial statements.

**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2016 (Unaudited)

		Number of Shares	Value
<b>RESIDENTIAL</b>	<b>14.3%</b>		
<b>APARTMENT</b>	<b>13.4%</b>		
American Campus Communities		95,103	\$ 5,028,096
Apartment Investment & Management Co.		162,530	7,177,325
AvalonBay Communities		10,178	1,836,009
Colony Starwood Homes		99,983	3,041,483
Equity Residential		130,997	9,023,073
Essex Property Trust		43,505	9,923,055
UDR		396,539	14,640,220
			50,669,261
<b>MANUFACTURED HOME</b>	<b>0.9%</b>		
Sun Communities		45,334	3,474,398
<b>TOTAL RESIDENTIAL</b>			<b>54,143,659</b>
<b>SELF STORAGE</b>	<b>5.9%</b>		
CubeSmart		268,881	8,303,046
Extra Space Storage		72,604	6,718,774
Public Storage		21,312	5,447,134
Sovran Self Storage		16,212	1,700,963
			22,169,917
<b>SHOPPING CENTERS</b>	<b>18.4%</b>		
<b>COMMUNITY CENTER</b>	<b>7.1%</b>		
Brixmor Property Group		178,564	4,724,803
DDR Corp.		178,908	3,245,391
Kimco Realty Corp.		102,956	3,230,759
Ramco-Gershenson Properties Trust		262,531	5,148,233
Regency Centers Corp.		86,645	7,254,786
Tanger Factory Outlet Centers		77,537	3,115,437
			26,719,409
<b>REGIONAL MALL</b>	<b>11.3%</b>		
General Growth Properties		139,596	4,162,753
Macerich Co. (The)		43,453	3,710,452
Pennsylvania REIT		68,816	1,476,103
Simon Property Group		154,165	33,438,388
			42,787,696
<b>TOTAL SHOPPING CENTERS</b>			<b>69,507,105</b>

See accompanying notes to financial statements.

**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2016 (Unaudited)

		Number of Shares	Value
<b>SPECIALTY</b>	<b>7.9%</b>		
CyrusOne		141,157	\$ 7,856,799
DuPont Fabros Technology		73,339	3,486,536
Equinix		31,156	12,080,116
QTS Realty Trust, Class A		113,535	6,355,689
			29,779,140
<b>TOTAL COMMON STOCK</b>			
(Identified cost \$196,474,075)			302,324,356
<b>PREFERRED SECURITIES \$25 PAR VALUE</b>	<b>16.6%</b>		
<b>BANKS</b>	<b>0.5%</b>		
First Republic Bank, 5.625%		16,069	416,348
Huntington Bancshares, 6.25%, Series D		16,000	431,200
Regions Financial Corp., 6.375%, Series B		40,000	1,125,200
			1,972,748
<b>FINANCIAL</b>	<b>0.4%</b>		
<b>DIVERSIFIED FINANCIAL SERVICES</b>	<b>0.1%</b>		
KKR & Co. LP, 6.75%, Series A		16,000	428,960
<b>INVESTMENT BANKER/BROKER</b>	<b>0.3%</b>		
Morgan Stanley, 6.375%, Series I		40,000	1,082,000
<b>TOTAL FINANCIAL</b>			1,510,960
<b>INDUSTRIALS CHEMICALS</b>	<b>0.2%</b>		
CHS, 6.75%		30,000	855,000
<b>REAL ESTATE</b>	<b>15.2%</b>		
<b>DIVERSIFIED</b>	<b>5.1%</b>		
Colony Financial, 8.50%, Series A		49,220	1,255,110
DuPont Fabros Technology, 6.625%, Series C		20,000	546,000
EPR Properties, 6.625%, Series F		65,000	1,716,650
Lexington Realty Trust, 6.50%, Series C (\$50 Par Value)		11,300	569,407
National Retail Properties, 6.625%, Series D		109,000	2,855,800
National Retail Properties, 5.70%, Series E		24,000	640,800
NorthStar Realty Finance Corp., 8.50%, Series D		48,850	1,210,503
NorthStar Realty Finance Corp., 8.75%, Series E		59,180	1,480,092

Edgar Filing: COHEN & STEERS TOTAL RETURN REALTY FUND INC - Form N-CSRS

PS Business Parks, 5.75%, Series U	55,139	1,420,932
PS Business Parks, 5.70%, Series V	35,000	925,400
Urstadt Biddle Properties, 7.125%, Series F	20,000	533,200

See accompanying notes to financial statements.

8

---

**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2016 (Unaudited)

		Number of Shares	Value
VEREIT, 6.70%, Series F		152,647	\$ 3,953,557
Vornado Realty Trust, 6.625%, Series I		30,796	811,167
Vornado Realty Trust, 5.70%, Series K		20,000	520,800
Wells Fargo Real Estate Investment Corp., 6.375%, Series A		35,135	967,618
			19,407,036
HEALTH CARE	0.2%		
Welltower, 6.50%, Series J		33,400	874,078
HOTEL	1.9%		
Ashford Hospitality Trust, 9.00%, Series E		38,582	991,557
Chesapeake Lodging Trust, 7.75%, Series A		20,000	527,400
Hersha Hospitality Trust, 6.50%, Series D		35,000	885,150
Hospitality Properties Trust, 7.125%, Series D		38,600	994,336
LaSalle Hotel Properties, 6.375%, Series I		25,000	636,500
LaSalle Hotel Properties, 6.30%, Series J		28,000	724,080
Summit Hotel Properties, 6.45%, Series D		26,000	656,500
Sunstone Hotel Investors, 6.95%, Series E		35,000	930,300
Sunstone Hotel Investors, 6.45%, Series F		26,825	696,914
			7,042,737
INDUSTRIALS	0.3%		
Monmouth Real Estate Investment Corp., 7.875%, Series B		20,000	535,000
STAG Industrial, 6.875%, Series C		28,000	725,200
			1,260,200
OFFICE	1.3%		
Corporate Office Properties Trust, 7.375%, Series L		28,428	738,559
Government Properties Income Trust,		40,000	1,020,000

5.875%, due 5/1/46

Kilroy Realty Corp., 6.875%, Series

G	75,000	1,994,250
---	--------	-----------

SL Green Realty Corp., 6.50%,

Series I	40,000	1,046,400
----------	--------	-----------

		4,799,209
--	--	-----------

See accompanying notes to financial statements.

9

---

**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2016 (Unaudited)

		Number of Shares	Value
RESIDENTIAL	1.2%		
APARTMENT	0.8%		
American Homes 4 Rent, 6.50%, Series D		26,825	\$ 704,693
American Homes 4 Rent, 6.35%, Series E		28,000	702,520
Apartment Investment & Management Co., 6.875%		23,456	633,312
Blue Rock Residential Growth REIT, 8.25%, Series A		34,725	922,296
			2,962,821
MANUFACTURED HOME	0.4%		
Equity Lifestyle Properties, 6.75%, Series C		38,971	1,031,562
UMH Properties, 8.00%, Series B		20,000	534,400
			1,565,962
TOTAL RESIDENTIAL			4,528,783
SELF STORAGE	0.9%		
Public Storage, 5.40%, Series B		85,000	2,259,300
Public Storage, 5.125%, Series C		40,000	1,035,200
			3,294,500
SHOPPING CENTERS	3.0%		
COMMUNITY CENTER	1.4%		
Cedar Realty Trust, 7.25%, Series B		36,000	936,900
DDR Corp., 6.50%, Series J		77,100	2,009,226
DDR Corp., 6.25%, Series K		70,697	1,890,438
WP GLIMCHER, 7.50%, Series H		19,000	487,160
			5,323,724
REGIONAL MALL	1.6%		
CBL & Associates Properties, 7.375%, Series D		52,530	1,309,573
General Growth Properties, 6.375%, Series A		50,000	1,338,500
Pennsylvania REIT, 8.25%, Series A		25,000	659,500
Taubman Centers, 6.50%, Series J		33,470	