

COHEN & STEERS TOTAL RETURN REALTY FUND INC
Form N-Q
May 27, 2011

**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 811-07154

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)

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: March 31, 2011

Item 1. Schedule of Investments

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS

March 31, 2011 (Unaudited)

| | Number of Shares | Value |
|---|---------------------|------------|
| COMMON STOCK 80.1% | | |
| BANK 0.2% | | |
| SJB Escrow Corp., Class A, 144A (a),(b),(c),(d) | 11,400 | \$ 228,000 |
| REAL ESTATE 79.9% | | |
| DIVERSIFIED 6.1% | | |
| American Assets Trust | 22,126 | 470,620 |
| Forest City Enterprises (d) | 113,267 | 2,132,818 |
| Vornado Realty Trust | 55,657 | 4,869,987 |
| | | 7,473,425 |
| HEALTH CARE 8.2% | | |
| Cogdell Spencer | 151,678 | 900,967 |
| HCP | 34,806 | 1,320,540 |
| Health Care REIT | 46,810 | 2,454,717 |
| Nationwide Health Properties | 40,878 | 1,738,541 |
| Senior Housing Properties Trust | 54,349 | 1,252,201 |
| Ventas | 46,187 | 2,507,954 |
| | | 10,174,920 |
| HOTEL 6.0% | | |
| Chesapeake Lodging Trust | 30,812 | 536,437 |
| DiamondRock Hospitality Co. | 47,141 | 526,565 |
| Hersha Hospitality Trust | 133,619 | 793,697 |
| Hospitality Properties Trust | 27,384 | 633,939 |
| Host Hotels & Resorts | 69,244 | 1,219,387 |
| Hyatt Hotels Corp., Class A (d) | 28,321 | 1,218,936 |
| Starwood Hotels & Resorts Worldwide | 20,760 | 1,206,571 |
| Sunstone Hotel Investors (d) | 123,793 | 1,261,451 |
| | | 7,396,983 |
| INDUSTRIAL 4.9% | | |
| ProLogis | 380,566 | 6,081,445 |

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| | Number of Shares | Value |
|---------------------------------------|---------------------|-------------------|
| OFFICE 8.8% | | |
| BioMed Realty Trust | 30,087 | \$ 572,255 |
| Boston Properties | 49,443 | 4,689,669 |
| Brandywine Realty Trust | 101,171 | 1,228,216 |
| Douglas Emmett | 32,938 | 617,587 |
| Hudson Pacific Properties | 42,700 | 627,690 |
| Liberty Property Trust | 55,240 | 1,817,396 |
| Mack-Cali Realty Corp. | 19,374 | 656,779 |
| SL Green Realty Corp. | 8,512 | 640,102 |
| | | 10,849,694 |
| OFFICE/INDUSTRIAL 0.5% | | |
| PS Business Parks | 10,688 | 619,263 |
| RESIDENTIAL 20.0% | | |
| APARTMENT 19.0% | | |
| Apartment Investment & Management Co. | 84,828 | 2,160,569 |
| Associated Estates Realty Corp. | 62,718 | 995,962 |
| AvalonBay Communities | 25,352 | 3,044,268 |
| BRE Properties | 33,807 | 1,595,014 |
| Campus Crest Communities | 51,000 | 603,330 |
| Education Realty Trust | 58,681 | 471,209 |
| Equity Residential | 128,776 | 7,264,254 |
| Essex Property Trust | 14,285 | 1,771,340 |
| Home Properties | 27,900 | 1,644,705 |
| Post Properties | 26,666 | 1,046,641 |
| UDR | 117,033 | 2,852,094 |
| | | 23,449,386 |
| MANUFACTURED HOME 1.0% | | |
| Equity Lifestyle Properties | 21,444 | 1,236,246 |
| TOTAL RESIDENTIAL | | 24,685,632 |

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| | Number of Shares | Value |
|--|---------------------|-------------------|
| SELF STORAGE 5.0% | | |
| Extra Space Storage | 30,600 | \$ 633,726 |
| Public Storage | 44,581 | 4,944,478 |
| U-Store-It Trust | 52,796 | 555,414 |
| | | 6,133,618 |
| SHOPPING CENTER 18.7% | | |
| COMMUNITY CENTER 6.3% | | |
| Acadia Realty Trust | 91,095 | 1,723,517 |
| Developers Diversified Realty Corp. | 131,709 | 1,843,926 |
| Kimco Realty Corp. | 64,374 | 1,180,619 |
| Ramco-Gershenson Properties Trust | 46,922 | 587,933 |
| Regency Centers Corp. | 34,392 | 1,495,364 |
| Urstadt Biddle Properties-Class A | 48,776 | 927,720 |
| | | 7,759,079 |
| REGIONAL MALL 12.4% | | |
| General Growth Properties | 182,047 | 2,818,088 |
| Pennsylvania REIT | 44,149 | 630,006 |
| Simon Property Group | 110,657 | 11,858,004 |
| | | 15,306,098 |
| TOTAL SHOPPING CENTER | | 23,065,177 |
| SPECIALTY 1.7% | | |
| Digital Realty Trust | 16,146 | 938,728 |
| DuPont Fabros Technology | 46,422 | 1,125,734 |
| | | 2,064,462 |
| TOTAL REAL ESTATE | | 98,544,619 |
| TOTAL COMMON STOCK (Identified cost \$72,599,322) | | 98,772,619 |
| PREFERRED SECURITIES \$25 PAR VALUE 15.6% | | |
| BANK FOREIGN 0.3% | | |
| National Westminster Bank PLC, 7.76%, Series C | 13,358 | 321,126 |

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| | Number of Shares | Value |
|---|---------------------|------------|
| INSURANCE MULTI-LINE FOREIGN 0.3% | | |
| ING Groep N.V., 7.375% | 15,000 | \$ 360,450 |
| REAL ESTATE 15.0% | | |
| DIVERSIFIED 3.5% | | |
| Capital Lease Funding, 8.125%, Series A | 20,000 | 495,600 |
| Cousins Properties, 7.75%, Series A | 26,725 | 670,798 |
| DuPont Fabros Technology, 7.875%, Series A | 20,000 | 501,000 |
| DuPont Fabros Technology, 7.625%, Series B | 10,000 | 248,500 |
| Forest City Enterprises, 7.375%, due 2/1/34, Class A | 38,000 | 909,340 |
| Lexington Realty Trust, 6.50%, Series C (\$50 par value) | 24,900 | 1,062,981 |
| Lexington Realty Trust, 7.55%, Series D | 16,500 | 389,730 |
| | | 4,277,949 |
| HEALTH CARE 0.6% | | |
| Health Care REIT, 7.625%, Series F | 14,100 | 359,973 |
| Health Care REIT, 6.50%, Series I (\$50 Par Value)(Convertible) | 8,000 | 416,800 |
| | | 776,773 |
| HOTEL 1.3% | | |
| Hospitality Properties Trust, 7.00%, Series C | 16,000 | 389,600 |
| LaSalle Hotel Properties, 7.25%, Series G | 8,900 | 211,820 |
| Pebblebrook Hotel Trust, 7.875 %, Series A | 35,000 | 874,650 |
| Sunstone Hotel Investors, 8.00%, Series A | 8,225 | 203,240 |
| | | 1,679,310 |
| INDUSTRIAL 0.5% | | |
| ProLogis Trust, 6.75%, Series F | 25,000 | 591,250 |
| OFFICE 0.9% | | |
| BioMed Realty Trust, 7.375%, Series A | 32,800 | 837,712 |
| Parkway Properties, 8.00%, Series D | 10,000 | 248,100 |
| | | 1,085,812 |
| OFFICE/INDUSTRIAL 0.7% | | |
| PS Business Parks, 6.70%, Series P | 33,538 | 818,327 |

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| | Number of Shares | Value |
|--|---------------------|-------------------|
| RESIDENTIAL 2.8% | | |
| APARTMENT 2.2% | | |
| Alexandria Real Estate Equities, 7.00%, Series D | 35,000 | \$ 899,500 |
| Apartment Investment & Management Co., 7.75%, Series U | 75,000 | 1,872,750 |
| | | 2,772,250 |
| MANUFACTURED HOME 0.6% | | |
| Equity Lifestyle Properties, 8.034%, Series A | 28,000 | 694,120 |
| TOTAL RESIDENTIAL | | 3,466,370 |
| SELF STORAGE 0.5% | | |
| Public Storage, 6.50%, Series P | 25,000 | 641,250 |
| SHOPPING CENTER 3.5% | | |
| COMMUNITY CENTER 2.2% | | |
| Cedar Shopping Centers, 8.875%, Series A | 25,000 | 626,250 |
| Developers Diversified Realty Corp., 7.375%, Series H | 19,900 | 493,520 |
| Kite Realty Group Trust, 8.25%, Series A | 10,000 | 243,600 |
| Regency Centers Corp., 7.25%, Series D | 19,020 | 473,408 |
| Saul Centers, 8.00%, Series A | 18,700 | 476,850 |
| Urstadt Biddle Properties, 8.50%, Series C (\$100 par value)(b) | 4,000 | 415,420 |
| | | 2,729,048 |
| REGIONAL MALL 1.3% | | |
| CBL & Associates Properties, 7.75%, Series C | 16,000 | 398,400 |
| CBL & Associates Properties, 7.375%, Series D | 49,998 | 1,215,451 |
| Simon Property Group, 8.375%, Series J (\$50 par value)(b) | 216 | 13,219 |
| | | 1,627,070 |
| TOTAL SHOPPING CENTER | | 4,356,118 |
| SPECIALTY 0.7% | | |
| Entertainment Properties Trust, 9.00%, Series E | 30,000 | 828,900 |
| TOTAL REAL ESTATE | | 18,522,059 |
| TOTAL PREFERRED SECURITIES \$25 PAR VALUE (Identified cost \$17,230,568) | | 19,203,635 |

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| | Number of Shares | Value |
|---|---------------------|------------|
| PREFERRED SECURITIES CAPITAL SECURITIES 0.9% | | |
| BANK 0.5% | | |
| Farm Credit Bank of Texas, 10.00%, due 12/15/20, Series I | 500 | \$ 561,562 |
| INSURANCE PROPERTY CASUALTY 0.4% | | |
| Liberty Mutual Group, 10.75%, due 6/15/58, 144A(a) | 390,000 | 510,900 |
| TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost \$883,146) | | 1,072,462 |

| | Principal Amount | |
|---|---------------------|-----------|
| CORPORATE BONDS 1.3% | | |
| REAL ESTATE | | |
| OFFICE 0.4% | | |
| BR Properties SA, 9.00%, due 10/29/49, 144A (Brazil)(a),(b) | \$ 500,000 | 496,875 |
| SHOPPING CENTER 0.9% | | |
| BR Malls International Finance Ltd., 8.50%, due 1/29/49, 144A (Brazil)(a) | 500,000 | 525,000 |
| General Shopping Finance Ltd., 10.00%, due 11/29/49, 144A (Cayman Islands)(a) | 620,000 | 630,850 |
| | | 1,155,850 |
| TOTAL CORPORATE BONDS (Identified cost \$1,620,000) | | 1,652,725 |

| | Number of Shares | |
|---|---------------------|-----------|
| SHORT-TERM INVESTMENTS 1.4% | | |
| MONEY MARKET FUNDS | | |
| Federated Government Obligations Fund, 0.01%(e) | 850,000 | 850,000 |
| State Street Institutional Liquid Reserves Fund, 0.19%(e) | 850,000 | 850,000 |
| TOTAL SHORT-TERM INVESTMENTS (Identified cost \$1,700,000) | | 1,700,000 |

| | | Value |
|--|--------|----------------|
| TOTAL INVESTMENTS (Identified cost \$94,033,036) | 99.3% | \$ 122,401,441 |
| OTHER ASSETS IN EXCESS OF LIABILITIES | 0.7 | 902,466 |
| NET ASSETS (Equivalent to \$13.02 per share based on 9,469,073 shares of common stock outstanding) | 100.0% | \$ 123,303,907 |

Glossary of Portfolio Abbreviation

REIT Real Estate Investment Trust

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

(a) Resale is restricted to qualified institutional investors. Aggregate holdings equal 1.9% of net assets of the Fund, of which 0.6% is illiquid.

(b) Illiquid security. Aggregate holdings equal 0.9% of net assets of the Fund.

(c) 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 0.2% of net assets of the Fund.

(d) Non-income producing security.

(e) Rate quoted represents the seven day yield of the fund.

Cohen & Steers Total Return 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 when such prices are believed by the Board of Directors to reflect the fair market value.

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 advisor) 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.

Securities for which market prices are unavailable, or securities for which the advisor determines that the bid and/or asked price or a counterparty valuation 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

Cohen & Steers Total Return Realty Fund, Inc.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

materially different than the value that could be realized upon the sale of that security.

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 March 31, 2011 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 | \$ 228,000 | \$ | \$ | \$ 228,000 |
| Common Stock Other Industries | 98,544,619 | 98,544,619 | | |
| Preferred Securities \$25 Par Value | 19,203,635 | 19,203,635 | | |
| Preferred Securities Capital Securities | 1,072,462 | | 1,072,462 | |
| Corporate Bonds | 1,652,725 | | 1,652,725 | |
| Money Market Funds | 1,700,000 | | 1,700,000 | |
| Total Investments | \$ 122,401,441 | \$ 117,748,254 | \$ 4,425,187 | \$ 228,000 |

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

Cohen & Steers Total Return Realty Fund, Inc.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

| | Total Investments in Securities | Common Stock | Bank | Corporate Bonds Real Estate Office |
|--|---------------------------------------|-----------------|---------|---|
| Balance as of December 31, 2010 | \$ 725,500 | \$ | 228,000 | \$ 497,500 |
| Change in unrealized appreciation (depreciation) | (625) | | | (625) |
| Transfers in and/or out of Level 3 | (496,875) | | | (496,875) |
| Balance as of March 31, 2011 | \$ 228,000 | \$ | 228,000 | \$ |

Investments classified as Level 3 infrequently trade and have significant unobservable inputs. The Level 3 security 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. Income Tax Information

As of March 31, 2011, the federal tax cost and net unrealized appreciation on securities were as follows:

| | |
|--------------------------------------|---------------|
| Gross unrealized appreciation | \$ 28,614,558 |
| Gross unrealized depreciation | (246,153) |
| Net unrealized appreciation | \$ 28,368,405 |
| Cost for federal income tax purposes | \$ 94,033,036 |

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 TOTAL RETURN REALTY FUND, INC.

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

Date: May 27, 2011

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 27, 2011

By: */s/ James Giallanza*
Name: James Giallanza
Title: Treasurer and Principal Financial Officer