

COHEN & STEERS TOTAL RETURN REALTY FUND INC  
Form N-CSR  
March 06, 2009

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 811-7154

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)

Adam M. Derechin

Cohen & Steers Capital Management, Inc.

280 Park Avenue

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

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2008

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**Item 1. Reports to Stockholders.**

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

To Our Shareholders:

We are pleased to submit to you our report for the year ended December 31, 2008. The net asset value at that date was \$8.45 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 net asset value; at year end, the Fund's closing price on the NYSE was \$7.35. The total returns, including income, for the Fund and the comparative benchmarks were:

	Six Months Ended December 31, 2008	Year Ended December 31, 2008
Cohen & Steers Total Return Realty Fund at Market Value <sup>a</sup>	44.77%	37.72%
Cohen & Steers Total Return Realty Fund at Net Asset Value <sup>a</sup>	30.13%	32.15%
FTSE NAREIT Equity REIT Index <sup>b</sup>	35.41%	37.73%
S&P 500 Index <sup>b</sup>	28.47%	36.99%
Blended benchmark 80% NAREIT Equity REIT Index, 20% Merrill Lynch REIT Preferred Index <sup>b</sup>	30.91%	31.75%

*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.*

A quarterly dividend of \$0.15 per common share was declared and will be paid to common shareholders on March 31, 2009.<sup>c</sup> The Fund may pay distributions in excess of the Fund's investment company taxable income and net realized capital 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.

<sup>a</sup> As a closed-end investment company, the price of the Fund's New York Stock Exchange-traded shares will be set by market forces and at times may deviate from the net asset value per share of the Fund.

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

<sup>c</sup> Please note that distributions paid by the Fund to shareholders are subject to recharacterization for tax purposes. The final tax treatment of these distributions is reported to shareholders after the close of the calendar year.

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

Investment Review

The year was volatile for equities in the United States and around the world. It began with a sell-off driven by a fresh wave of write-downs from major banks, followed by the hastily arranged sale of Bear Stearns to JPMorgan Chase. The shocks kept coming, picking up speed in September with the U.S. government takeover of Fannie Mae and Freddie Mac, Lehman Brothers' bankruptcy and the nationalization of insurance giant AIG.

Amid concerns that the entire financial system could be at risk, the U.S. Congress, Treasury secretary and Federal Reserve chairman structured a \$700 billion rescue package that has been used to buy preferred shares in banks to bolster capital and encourage lending. The Fed and other central banks dropped interest rates and implemented stimulus packages in a coordinated effort to break the credit freeze and kick-start the global economy.

*REITs in line with the broad stock market*

Real estate securities had a positive year-to-date return through September, outperforming the broad stock market by a substantial margin before declining in the fourth-quarter sell-off. For the year, they performed in line with the S&P 500 Index. Given a weakening economy and tight credit, the market further downgraded property value estimates although the absence of transactions has made it increasingly difficult to support those estimates. Investors questioned whether real estate companies would be able to refinance maturing debt on favorable terms.

Most property sectors had double-digit declines for the year. REITs with the strongest balance sheets generally outperformed the index, especially in the fourth quarter. The self storage sector (which had a total return of +5.1% for the year) was the only sector to post a gain; it is dominated by Public Storage, a company with a debt-free balance sheet. Health care ( 12.0%) was cushioned by its perceived defensive nature. The apartment sector ( 25.1%) also outperformed, due to relatively favorable fundamentals demand for rental property was supported by weakness in the housing and mortgage markets.

The industrial sector ( 67.5%), which contained certain companies (such as ProLogis) whose business models were more dependent on transactional income, had the poorest performance, as the absence of financing affected their ability to find buyers, and declining cash flows weakened balance sheets. The regional mall sector ( 60.6%) was hurt by retailer bankruptcy liquidations and moderating consumer spending. The shopping center sector ( 38.8%), which is more represented by consumer staples retailers, performed in line with the index. The office sector ( 41.1%) struggled, with particular weakness among companies focused on areas with large financial services industries.

*REIT preferreds caught in the downdraft*

REIT preferred securities outperformed many investment classes in 2008, including equities, the broader preferred market and even REIT bonds. However, they did not escape the disruption and volatility that characterized global markets. Their decline reflected a rapidly weakening economic environment that led to worsening fundamentals and tighter credit conditions for REITs.

*Performance slightly trailed the blended benchmark*

The Fund declined in a poor year for real estate securities, although it outperformed the NAREIT benchmark on a net asset value basis. This was due in part to our REIT preferred securities, an allocation designed to mitigate

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

volatility and enhance income. Preferreds, especially those issued by real estate companies, outperformed real estate common stocks in the period. However, the Fund's REIT preferreds trailed the REIT preferred component of the blended benchmark on a total-return basis; our underweight in REIT preferreds, compared with the blended benchmark, also detracted from return.

With respect to REIT common stocks, the primary contributors to relative performance were our stock selection and limited weighting in the industrial sector, based on valuations and our concerns over earnings stability. Stock selection in the shopping center sector also aided relative return, as did our underweight in that sector. Income considerations led us to be overweight in the health care sector. This proved beneficial, although stock selection partly offset the weighting effect.

Factors that hindered relative return included our overweight and stock selection in the office sector; this was in part due to the poor performance of Maguire Properties. The stock was hurt by concerns over the company's debt and its presence in Orange County, California, a market threatened by mortgage-related declines in employment. Stock selection in the regional mall sector also hindered performance, as did our underweight in the self storage sector.

Investment Outlook

We expect to see an average 4% decline in cash flows over the next year (more bearish views on equities in the S&P 500 Index suggest a 12% drop). However, this reflects softening demand, not oversupply, which in some past cycles weighed heavily on real estate companies. Given this outlook for fundamentals, vacancy rates are likely to rise, but not reach the highs seen in previous difficult cycles.

Until banks start lending again, and as long as the windows for unsecured bonds and commercial mortgage-backed securities stay closed, REIT balance sheets will remain under pressure. That said, we believe that the vast majority of these companies are structurally sound, and that they will have sufficient operating capital to navigate 2009 successfully. Some real estate companies may cut dividends to preserve cash and strengthen their balance sheets; others may recapitalize through dilutive equity offerings. At some point, the lending environment will improve as banks reconsider the opportunity costs of holding cash and investing in low-yield securities.

In our view, much pessimism has already been factored into U.S. REIT share prices, which are trading at cash flow multiples at the lower end of the range seen over the past two decades. As investors seek higher income and returns, they may target real estate securities, which had an average dividend yield of 7.6% at the end of the period, compared with 3.2% for the S&P 500 Index and a yield of 2.3% for the 10-year Treasury.

With respect to REIT preferreds, credit spreads and absolute yields are near their highest levels ever. Given the economic backdrop, it is unlikely that they will stage a strong recovery in the near term. However, we expect that they will discount a better outlook well before the recession has passed. They may also continue to react favorably to the aggressive steps many REITs are taking to stabilize their credit fundamentals.

*A focus on balance sheets*

We favor companies with strong balance sheets and visible, relatively stable earnings. At the same time, we recognize that there are an increasing number of attractive risk-adjusted investment opportunities with companies

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

that have been, in our view, unduly punished in the past year's "flight to safety." We view with interest those companies that have adapted to the current environment and are following through on their strategies. Although some are priced at distressed levels (with stock multiples as low as 2x future cash flows), we believe very few companies will fail, and many will produce outstanding returns in time. To that end, we have increased the number of holdings in the portfolio in order to take advantage of the higher potential total returns these companies offer.

Sincerely,

MARTIN COHEN

*Co-chairman*

ROBERT H. STEERS

*Co-chairman*

JOSEPH M. HARVEY

*Portfolio Manager*

WILLIAM F. SCAPELL

*Portfolio Manager*

THOMAS N. BOHJALIAN

*Portfolio Manager*

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

Visit Cohen & Steers online at [cohenandsteers.com](http://cohenandsteers.com)

For more information about any of our funds, visit [cohenandsteers.com](http://cohenandsteers.com), where you will find daily net asset values, fund fact sheets and portfolio highlights. You can also access newsletters, education tools and market updates covering the global real estate, listed infrastructure, utilities, large cap value and preferred securities sectors.

In addition, our Web site contains comprehensive information about our firm, including our most recent press releases, profiles of our senior investment professionals and an overview of our investment approach.

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

DECEMBER 31, 2008

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

Security	Value	% of Net Assets
Simon Property Group	\$ 5,773,850	7.3%
Vornado Realty Trust	5,322,870	6.7
Boston Properties	3,907,365	4.9
Mack-Cali Realty Corp.	3,040,450	3.8
Liberty Property Trust	2,949,636	3.7
Public Storage	2,628,270	3.3
Macerich Co.	2,259,104	2.9
AvalonBay Communities	2,083,952	2.6
Ventas	2,079,225	2.6
Regency Centers Corp.	2,026,173	2.6

<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

December 31, 2008

		Number of Shares	Value
<b>COMMON STOCK</b>	<b>76.7%</b>		
<b>DIVERSIFIED</b>	<b>8.0%</b>		
Land Securities Group PLC (United Kingdom) <sup>a</sup>		13,800	\$ 185,532
Unibail-Rodamco (France) <sup>a</sup>		5,700	851,549
Vornado Realty Trust		88,200	5,322,870
			6,359,951
<b>HEALTH CARE</b>	<b>10.4%</b>		
HCP		68,200	1,893,914
Health Care REIT		25,900	1,092,980
Nationwide Health Properties		45,023	1,293,060
Omega Healthcare Investors		74,800	1,194,556
Senior Housing Properties Trust		38,915	697,357
Ventas		61,937	2,079,225
			8,251,092
<b>HOTEL</b>	<b>3.0%</b>		
DiamondRock Hospitality Co.		48,000	243,360
Host Hotels & Resorts		265,311	2,008,405
Strategic Hotels & Resorts		53,493	89,868
			2,341,633
<b>INDUSTRIAL</b>	<b>4.0%</b>		
AMB Property Corp.		49,250	1,153,435
EastGroup Properties		17,000	604,860
ProLogis		102,315	1,421,155
			3,179,450
<b>OFFICE</b>	<b>16.8%</b>		
BioMed Realty Trust		87,383	1,024,129
Boston Properties		71,043	3,907,365
Brandywine Realty Trust		102,685	791,701
Kilroy Realty Corp.		27,000	903,420
Liberty Property Trust		129,200	2,949,636
Mack-Cali Realty Corp.		124,100	3,040,450
SL Green Realty Corp.		25,400	657,860
			13,274,561

See accompanying notes to financial statements.

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

## SCHEDULE OF INVESTMENTS (Continued)

December 31, 2008

		Number of Shares	Value
<b>RESIDENTIAL APARTMENT</b>	<b>11.9%</b>		
American Campus Communities		39,993	\$ 819,057
Apartment Investment & Management Co.		59,807	690,771
AvalonBay Communities		34,400	2,083,952
Camden Property Trust		22,112	692,990
Education Realty Trust		56,900	297,018
Equity Residential		47,149	1,405,983
Home Properties		31,900	1,295,140
Mid-America Apartment Communities		24,400	906,704
UDR		88,691	1,223,049
			9,414,664
<b>SELF STORAGE</b>	<b>5.6%</b>		
Extra Space Storage		55,100	568,632
Public Storage		33,060	2,628,270
Sovran Self Storage		33,400	1,202,400
			4,399,302
<b>SHOPPING CENTER</b>	<b>17.0%</b>		
<b>COMMUNITY CENTER</b>	<b>6.7%</b>		
Developers Diversified Realty Corp.		95,332	465,220
Federal Realty Investment Trust		27,726	1,721,230
Inland Real Estate Corp.		55,300	717,794
Regency Centers Corp.		43,387	2,026,173
Weingarten Realty Investors		16,992	351,565
			5,281,982
<b>REGIONAL MALL</b>	<b>10.3%</b>		
Glimcher Realty Trust		60,529	170,086
Macerich Co.		124,400	2,259,104
Simon Property Group		108,674	5,773,850
			8,203,040
<b>TOTAL SHOPPING CENTER</b>			<b>13,485,022</b>
<b>TOTAL COMMON STOCK</b>			
(Identified cost \$64,870,873)			60,705,675

See accompanying notes to financial statements.

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

## SCHEDULE OF INVESTMENTS (Continued)

December 31, 2008

		Number of Shares	Value
<b>PREFERRED SECURITIES \$25 PAR VALUE</b>	<b>17.1%</b>		
<b>BANK</b>	<b>0.5%</b>		
Bank of America Corp., 8.20%		20,000	\$ 405,000
<b>INSURANCE</b>	<b>0.6%</b>		
Allianz SE, 8.375%		25,000	487,500
<b>INTEGRATED TELECOMMUNICATIONS SERVICES</b>	<b>0.7%</b>		
Telephone & Data Systems, 7.60%, due 12/1/41, Series A		35,000	525,000
<b>REAL ESTATE</b>	<b>15.3%</b>		
<b>DIVERSIFIED</b>	<b>1.9%</b>		
Duke Realty Corp., 8.375%, Series O		24,100	346,076
Lexington Realty Trust, 7.55%, Series D		16,500	164,010
Vornado Realty Trust, 6.625%, Series G		19,975	325,393
Vornado Realty Trust, 6.625%, Series I		35,000	674,450
			1,509,929
<b>HEALTH CARE</b>	<b>1.7%</b>		
Health Care REIT, 7.625%, Series F		24,100	445,850
Health Care REIT, 7.50%, Series G		30,000	915,600
			1,361,450
<b>HOTEL</b>	<b>0.3%</b>		
Hospitality Properties Trust, 7.00%, Series C		16,000	209,440
<b>INDUSTRIAL</b>	<b>0.5%</b>		
AMB Property Corp, 6.75%, Series M		23,884	375,695
<b>OFFICE</b>	<b>0.6%</b>		
BioMed Realty Trust, 7.375%, Series A		32,800	463,136
<b>OFFICE/INDUSTRIAL</b>	<b>0.7%</b>		
PS Business Parks, 6.70%, Series P		37,100	593,600
<b>RESIDENTIAL APARTMENT</b>	<b>2.5%</b>		
Apartment Investment & Management Co., 9.375%, Series G		48,200	762,042
Apartment Investment & Management Co., 7.75%, Series U		60,000	831,000
Mid-America Apartment Communities, 8.30%, Series H		17,300	376,102
			1,969,144

See accompanying notes to financial statements.

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

## SCHEDULE OF INVESTMENTS (Continued)

December 31, 2008

		Number of Shares	Value
<b>SELF STORAGE</b>	1.7%		
Public Storage, 6.18%, Series D		13,200	\$ 225,060
Public Storage, 7.25%, Series I		29,700	654,885
Public Storage, 6.625%, Series M		25,000	462,500
			1,342,445
<b>SHOPPING CENTER</b>	4.9%		
<b>COMMUNITY CENTER</b>	4.2%		
Kimco Realty Corp., 7.75%, Series G		56,725	1,021,050
Regency Centers Corp., 7.45%, Series C		44,500	801,000
Regency Centers Corp., 7.25%, Series D		19,020	339,507
Saul Centers, 8.00%, Series A		18,700	287,606
Urstadt Biddle Properties, 8.50%, Series C (\$100 par value) <sup>b</sup>		4,000	290,000
Weingarten Realty Investors, 6.50%, Series F		40,000	624,000
			3,363,163
<b>REGIONAL MALL</b>	0.7%		
CBL & Associates Properties, 7.75%, Series C		25,000	200,000
Simon Property Group, 8.375%, Series J (\$50 par value) <sup>b</sup>		8,130	349,590
			549,590
<b>TOTAL SHOPPING CENTER</b>			3,912,753
<b>SPECIALTY</b>	0.5%		
Digital Realty Trust, 8.50%, Series A		10,700	171,200
Digital Realty Trust, 7.875%, Series B		13,200	195,756
			366,956
<b>TOTAL REAL ESTATE</b>			12,104,548
<b>TOTAL PREFERRED SECURITIES \$25 PAR VALUE</b>			
(Identified cost \$18,321,345)			13,522,048
<b>PREFERRED SECURITIES CAPITAL SECURITIES</b>	3.2%		
<b>BANK</b>	1.9%		
Bank of America Corp., 8.00%, due 12/29/49		300,000	216,096
Bank of America Corp., 8.125%, due 12/29/49		500,000	374,625

See accompanying notes to financial statements.

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

## SCHEDULE OF INVESTMENTS (Continued)

December 31, 2008

		Number of Shares	Value
Citigroup, 8.40%, due 4/29/49		750,000	\$ 496,155
JPMorgan Chase, 7.90%, due 4/30/49		500,000	417,013
			1,503,889
INSURANCE PROPERTY CASUALTY	0.6%		
Liberty Mutual Group, 7.80%, due 3/15/37, 144A <sup>c</sup>		1,000,000	449,412
PIPELINES	0.7%		
Enterprise Products Operating LP, 8.375%, due 8/1/66		1,000,000	550,628
TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost \$3,920,236)			2,503,929
		Principal Amount	
CORPORATE BONDS	1.1%		
INSURANCE PROPERTY CASUALTY	0.3%		
Liberty Mutual Group, 10.75%, due 6/15/58, 144A <sup>c</sup>		\$ 500,000	275,355
REAL ESTATE HEALTH CARE	0.8%		
HCP, 6.70%, due 1/30/18		1,250,000	600,201
TOTAL CORPORATE BONDS (Identified cost \$1,062,598)			875,556
		Number of Shares	
SHORT-TERM INVESTMENT	1.6%		
MONEY MARKET FUND			
Dreyfus Treasury Cash Management Fund, 0.17% <sup>d</sup> (Identified cost \$1,283,193)		1,283,193	1,283,193

See accompanying notes to financial statements.

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

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2008

		Value
TOTAL INVESTMENTS (Identified cost \$89,458,245)	99.7%	\$ 78,890,401
OTHER ASSETS IN EXCESS OF LIABILITIES	0.3%	227,170
NET ASSETS (Equivalent to \$8.45 per share based on 9,358,453 shares of common stock outstanding)	100.0%	\$ 79,117,571

Glossary of Portfolio Abbreviation

REIT Real Estate Investment Trust

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

<sup>a</sup> 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 1.3% of net assets of the Fund, all of which have been fair valued pursuant to foreign security fair value pricing procedures approved by the Board of Directors.

<sup>b</sup> Illiquid security. Aggregate holdings equal 0.8% of net assets of the Fund.

<sup>c</sup> Resale is restricted to qualified institutional investors. Aggregate holdings equals 0.9% of net assets of the Fund.

<sup>d</sup> Rate quoted represents the seven day yield of the fund.

See accompanying notes to financial statements.



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

## STATEMENT OF ASSETS AND LIABILITIES

December 31, 2008

<b>ASSETS:</b>	
Investments in securities, at value (Identified cost \$89,458,245)	\$ 78,890,401
Dividends and interest receivable	908,290
Receivable for investment securities sold	176,600
Other assets	2,806
<b>Total Assets</b>	<b>79,978,097</b>
<b>LIABILITIES:</b>	
Payable for investment securities purchased	608,074
Payable for dividends declared	140,906
Payable for investment advisory fees	42,468
Payable for directors' fees	2,103
Other liabilities	66,975
<b>Total Liabilities</b>	<b>860,526</b>
NET ASSETS applicable to 9,358,453 shares of \$0.001 par value common stock outstanding	\$ 79,117,571
NET ASSETS consist of:	
Paid-in-capital	\$ 91,324,622
Accumulated undistributed net investment income	186,848
Accumulated net realized loss	(1,825,545)
Net unrealized depreciation	(10,568,354)
	\$ 79,117,571
<b>NET ASSET VALUE PER SHARE:</b>	
(\$79,117,571 ÷ 9,358,453 shares outstanding)	\$ 8.45
<b>MARKET PRICE PER COMMON SHARE</b>	<b>\$ 7.35</b>
<b>MARKET PRICE DISCOUNT TO NET ASSET VALUE PER SHARE</b>	<b>(13.02)%</b>

See accompanying notes to financial statements.



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

## STATEMENT OF OPERATIONS

For the Year Ended December 31, 2008

Investment Income:	
Dividend income (net of \$22,737 of foreign withholding tax)	\$ 4,977,893
Interest income	300,980
Total Income	5,278,873
Expenses:	
Investment advisory fees	800,903
Professional fees	127,066
Directors' fees and expenses	53,316
Shareholder reporting expenses	40,196
Custodian fees and expenses	37,470
Transfer agent fees and expenses	24,706
Administration fees	17,306
Miscellaneous	38,114
Total Expenses	1,139,077
Net Investment Income	4,139,796
Net Realized and Unrealized Loss:	
Net realized loss on:	
Investments	(148,535)
Foreign currency transactions	(2,283)
Net realized loss	(150,818)
Net change in unrealized depreciation on:	
Investments	(42,493,303)
Foreign currency translations	(845)
Net change in unrealized depreciation	(42,494,148)
Net realized and unrealized loss	(42,644,966)
Net Decrease in Net Assets Resulting from Operations	\$ (38,505,170)

See accompanying notes to financial statements.

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

## STATEMENT OF CHANGES IN NET ASSETS

	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
<b>Change in Net Assets:</b>		
<b>From Operations:</b>		
Net investment income	\$ 4,139,796	\$ 4,178,852
Net realized gain (loss)	(150,818)	14,645,990
Net change in unrealized depreciation	(42,494,148)	(47,672,810)
Net decrease in net assets resulting from operations	(38,505,170)	(28,847,968)
<b>Dividends and Distributions to Shareholders from:</b>		
Net investment income	(3,877,189)	(4,766,153)
Net realized gain	(1,641,157)	(14,104,532)
Tax return of capital	(7,022,699)	(6,032,689)
Total dividends and distributions to shareholders	(12,541,045)	(24,903,374)
<b>Capital Stock Transactions:</b>		
Increase in net assets from shares issued to common shareholders for reinvestment of dividends	1,351,280	
Total decrease in net assets	(49,694,935)	(53,751,342)
<b>Net Assets:</b>		
Beginning of year	128,812,506	182,563,848
End of year <sup>a</sup>	\$ 79,117,571	\$ 128,812,506

<sup>a</sup> Includes undistributed net investment income and dividends in excess of net investment income of \$186,848 and \$103,702, respectively.

See accompanying notes to financial statements.



## COHEN &amp; STEERS TOTAL RETURN REALTY FUND, INC.

## FINANCIAL HIGHLIGHTS

The following table includes selected data for a share outstanding throughout each year and other performance information derived from the financial statements. It should be read in conjunction with the financial statements and notes thereto.

Per Share Operating Performance:	For the Year Ended December 31,				
	2008	2007	2006	2005	2004
Net asset value, beginning of year	\$ 13.93	\$ 19.74	\$ 18.01	\$ 19.72	\$ 16.99
Income from investment operations:					
Net investment income	0.44	0.52 <sup>a</sup>	0.52	0.49 <sup>b</sup>	0.64
Net realized and unrealized gain (loss)	(4.58)	(3.64)	4.16	0.67	3.24
Total income (loss) from investment operations	(4.14)	(3.12)	4.68	1.16	3.88
Less dividends and distributions to shareholders from:					
Net investment income	(0.41)	(0.52)	(0.53)	(0.49)	(0.64)
Net realized gain	(0.18)	(1.52)	(2.02)	(1.90)	(0.35)
Tax return of capital	(0.76)	(0.65)	(0.40)	(0.48)	(0.16)
Total dividends and distributions to shareholders	(1.35)	(2.69)	(2.95)	(2.87)	(1.15)
Anti-dilutive effect from the issuance of shares	0.01				
Net increase (decrease) in net asset value	(5.48)	(5.81)	1.73	(1.71)	2.73
Net asset value, end of year	\$ 8.45	\$ 13.93	\$ 19.74	\$ 18.01	\$ 19.72
Market value, end of year	\$ 7.35	\$ 13.19	\$ 20.32	\$ 18.53	\$ 20.12
Total net asset value return <sup>c</sup>	32.15%	15.92%	26.68%	5.37%	23.65%
Total market value return <sup>c</sup>	37.72%	22.60%	26.74%	6.25%	20.83%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	\$ 79.1	\$ 128.8	\$ 182.6	\$ 166.5	\$ 182.4
Ratio of expenses to average daily net assets	1.00%	0.92%	0.88%	0.91%	0.92%
Ratio of net investment income to average daily net assets	3.62%	2.48%	2.70%	2.56%	3.62%
Portfolio turnover rate	33%	29%	18%	15%	3%

<sup>a</sup> 5.6% of net investment income was attributable to a special dividend paid by Boston Properties, Inc.

<sup>b</sup> Calculation based on average shares outstanding.

<sup>c</sup> Total market value return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effects of brokerage commissions. Total net asset value return measures the changes in value over the period indicated, taking into account dividends as reinvested. Dividends and distributions, if any, are assumed for purposes of these calculations, to be reinvested at prices obtained under the Fund's dividend reinvestment plan.

See accompanying notes to financial statements.



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

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Cohen & Steers Total Return Realty Fund, Inc. (the Fund) was incorporated under the laws of the State of Maryland on September 4, 1992 and is registered under the Investment Company Act of 1940 as amended, as a nondiversified, closed-end management investment company. The Fund's investment objective is maximum total return.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

*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.

Securities not listed on the New York Stock Exchange but listed on other domestic or foreign securities exchanges or admitted to trading on the National Association of Securities Dealers Automated Quotations, Inc. (Nasdaq) national market system 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.

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, but excluding securities admitted to trading on the Nasdaq National List, are valued at the official closing prices as reported by Nasdaq, the National Quotation Bureau, or such other comparable 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. Where securities are traded on more than one exchange and also over-the-counter, the securities will generally be valued using the quotations the Board of Directors believes most closely reflect the value of such securities.

Portfolio securities primarily traded on foreign markets are generally valued at the closing values of such securities on their respective exchanges or if after the close of the foreign markets, 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.

Securities for which market prices are unavailable, or securities for which the advisor determines that bid and/or asked price does not reflect market value, will be valued at fair value pursuant to procedures approved by

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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 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.

Short-term debt securities, which have a maturity date of 60 days or less, are valued at amortized cost, which approximates value.

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in a timely 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. FAS 157 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs 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, prepayment speeds, 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 December 31, 2008 in valuing the Fund's investments carried at value:

	Total	Fair Value Measurements at December 31, 2008 Using		
		Quoted Prices In Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in Securities	\$ 78,890,401	\$ 72,551,052	\$ 6,339,349	\$

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2007	\$ 1,760,000
Realized gain	125,989
Change in unrealized appreciation	44,000
Net sales	(1,929,989)
Balance as of December 31, 2008	\$

*Security Transactions and Investment Income:* Security transactions are recorded on trade date. Realized gains and losses on investments sold are recorded on the basis of identified cost. Interest income is recorded on the accrual basis. Discounts are accreted and premiums are amortized over the life of the respective securities. Dividend income is recorded on the ex-dividend date except for certain dividends on foreign securities, which are recorded as soon as the Fund is informed after the ex-dividend date. The Fund records distributions received in excess of income from underlying investments as a reduction of cost of investments and/or realized gain. Such amounts are based on estimates if actual amounts are not available, and actual amounts of income, realized gain and return of capital may differ from the estimated amounts. The Fund adjusts the estimated amounts of the components of distributions (and consequently its net investment income) as an increase to unrealized appreciation/(depreciation) and realized gain/(loss) on investments as necessary once the issuers provide information about the actual composition of the distributions.

*Foreign Currency Translations:* The books and records of the Fund are maintained in U.S. dollars as follows: (1) the foreign currency market value of investment securities, other assets and liabilities and foreign currency contracts are translated at the exchange rates prevailing at the end of the period; and (2) purchases, sales, income and expenses are translated at the exchange rates prevailing on the respective dates of such transactions. The resultant exchange gains and losses are recorded as realized and unrealized gain/loss on foreign exchange transactions. Pursuant to U.S. federal income tax regulations, certain foreign exchange gains/losses included in realized and unrealized gain/loss are included in or are a reduction of ordinary income for federal income tax purposes. The Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the changes in the market prices of the securities.

*Foreign Securities:* The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible revaluation of currencies, the ability to repatriate funds, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers.



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

NOTES TO FINANCIAL STATEMENTS (Continued)

*Dividends and Distributions to Shareholders:* Dividends from net investment income and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which may differ from GAAP. Dividends from net investment income are declared and paid monthly. Commencing in 2009, dividends will be declared and paid quarterly. Net realized capital gains, unless offset by any available capital loss carryforward, are typically distributed to shareholders at least annually. Dividends and distributions to shareholders are recorded on the ex-dividend date and are automatically reinvested in full and fractional shares of the Fund unless the shareholder has elected to have them paid in cash.

Distributions paid by the Fund are subject to recharacterization for tax purposes. Based upon the results of operations for the year ended December 31, 2008, a portion of the dividends have been reclassified to return of capital and distributions of net realized capital gains.

*Income Taxes:* It is the policy of the Fund to continue to qualify as a regulated investment company, if such qualification is in the best interest of the shareholders, by complying with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies, and by distributing substantially all of its taxable earnings to its shareholders. Accordingly, no provision for federal income or excise tax is necessary. The Fund has adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position must meet before being recognized in the financial statements. An assessment of the Fund's tax positions has been made and it has been determined that there is no impact to the Fund's financial statements. Each of the Fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

*Borrowings and Leverage:* The Fund may borrow for leveraging purposes when an investment opportunity arises but the advisor believes that it is not appropriate to liquidate any existing investments. The Fund will only borrow when the advisor believes that the cost of borrowing to carry the assets to be acquired through leverage will be lower than the return earned by the Fund on its longer-term portfolio investments. Should the differential between interest rates on borrowed Funds and the return from investment assets purchased with such Funds narrow, the Fund would realize less of a positive return, with the additional risk that, during periods of adverse market conditions, the market value of the Fund's entire portfolio holdings (including those acquired through leverage) may decline far in excess of incremental returns the Fund may have achieved in the interim. The Fund had no borrowings during the year ended December 31, 2008.

Note 2. Investment Advisory Fees, Administration Fees and Other Transactions with Affiliates

*Investment Advisory Fees:* The advisor serves as the Fund's investment advisor pursuant to an advisory agreement (the advisory agreement). Under the terms of the advisory agreement, the advisor provides the Fund with day-to-day investment decisions and generally manages the Fund's investments in accordance with the stated policies of the Fund, subject to the supervision of the Fund's Board of Directors.

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the services under the advisory agreement, the Fund pays the advisor an advisory fee, accrued daily and paid monthly, at an annual rate of 0.70% of the Fund's average daily net assets.

*Directors' and Officers' Fees:* Certain directors and officers of the Fund are also directors, officers, and/or employees of the advisor. The Fund does not pay compensation to any affiliated directors and officers except for the Chief Compliance Officer, who received \$1,213 from the Fund for the year ended December 31, 2008.

## Note 3. Purchases and Sales of Securities

Purchases and sales of securities, excluding short-term investments, for the year ended December 31, 2008 totaled \$37,642,977 and \$41,982,071, respectively.

## Note 4. Income Tax Information

The tax character of dividends and distributions paid was as follows:

	For the Year Ended	
	December 31,	
	2008	2007
Ordinary income	\$ 3,877,189	\$ 4,766,153
Long-term capital gains	1,641,157	14,104,532
Tax return of capital	7,022,699	6,032,689
Total dividends and distributions	\$ 12,541,045	\$ 24,903,374

As of December 31, 2008, the tax-basis components of accumulated earnings and the federal tax cost were as follows:

Gross unrealized appreciation	\$ 10,525,082
Gross unrealized depreciation	(22,918,475)
Net unrealized depreciation	\$ (12,393,393)
Cost for federal income tax purposes	\$ 91,283,794

As of December 31, 2008, the Fund had temporary book/tax differences primarily attributable to wash sales on portfolio securities and permanent book/tax differences primarily attributable to income redesignations. To reflect reclassifications arising from the permanent differences, paid-in capital was charged \$17,558, accumulated net realized loss was charged \$10,385 and accumulated net investment income was credited \$27,943.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5. Capital Stock

The Fund is authorized to issue 100 million shares of common stock at a par value of \$0.001 per share. During the years ended December 31, 2008 and December 31, 2007, the Fund issued 109,294 and 0 shares of common stock, respectively, for the reinvestment of dividends.

On June 12, 2008, the Board of Directors of the Fund approved the delegation of its authority to management to effect repurchases, pursuant to management's discretion and subject to market conditions and investment considerations, of up to 10% of the Fund's total assets ("Share Repurchase Program") through the current fiscal year ending December 31, 2008. During the period of this report, the Fund did not effect any repurchases. On December 17, 2008, the Board of Directors authorized the continuation of the Share Repurchase Program through fiscal year ending December 31, 2009.

Note 6. Other

In the normal course of business, the Fund enters into contracts that provide general indemnifications. The Fund's maximum exposure under these arrangements is dependent on claims that may be made against the Fund in the future and, therefore, cannot be estimated; however, based on experience, the risk of material loss from such claims is considered remote.

Note 7. New Accounting Pronouncement

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities ("FAS 161"), an amendment of FASB Statement No. 133. FAS 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and related hedged items affect the Fund's financial position, financial performance, and cash flows. Management is currently evaluating the impact the adoption of this pronouncement will have on the Fund's financial statements. FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008.



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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of  
Cohen & Steers Total Return Realty Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Cohen & Steers Total Return Realty Fund, Inc. (the "Fund") at December 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York  
February 23, 2009

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

AVERAGE ANNUAL TOTAL RETURNS

(periods ended December 31, 2008) (Unaudited)

Based on Net Asset Value				Based on Market Value			
One Year	Five Years	Ten Years	Since Inception (9/27/93)	One Year	Five Years	Ten Years	Since Inception (9/27/93)
32.15%	1.20%	6.45%	7.30%	37.72%	4.74%	4.59%	5.83%

*The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return will vary 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.*

TAX INFORMATION 2008 (Unaudited)

Pursuant to the Jobs and Growth Relief Reconciliation Act of 2003, the Fund designates qualified dividend income of \$269,488. Also, the Fund designates a long-term capital gain distribution of \$1,641,157 at the 15% rate or maximum allowable.

REINVESTMENT PLAN

On March 18, 2008, the Board of Directors of the Fund approved changes to the Fund's dividend reinvestment plan (the "Plan"). The revised Plan is set forth below.

The Fund has a dividend reinvestment plan commonly referred to as an "opt-out" plan. Each common shareholder who participates in the Plan will have all distributions of dividends and capital gains ("Dividends") automatically reinvested in additional common shares by The Bank of New York Mellon as agent (the "Plan Agent"). Shareholders who elect not to participate in the plan will receive all Dividends in cash paid by check mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent, as dividend disbursing agent. Shareholders whose common shares are held in the name of a broker or nominee should contact the broker or nominee to determine whether and how they may participate in the Plan.

The Plan Agent serves as agent for the shareholders in administering the Plan. After the Fund declares a Dividend, the Plan Agent will, as agent for the shareholders, either: (i) receive the cash payment and use it to buy common shares in the open market, on the NYSE or elsewhere, for the participants' accounts or (ii) distribute newly issued common shares of the Fund on behalf of the participants.

The Plan Agent will receive cash from the Fund with which to buy common shares in the open market if, on the Dividend payment date, the net asset value ("NAV") per share exceeds the market price per share plus estimated brokerage commissions on that date. The Plan Agent will receive the Dividend in newly issued common shares of

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

the Fund if, on the Dividend payment date, the market price per share plus estimated brokerage commissions equals or exceeds the NAV per share of the Fund on that date. The number of shares to be issued will be computed at a per share rate equal to the greater of (i) the NAV or (ii) 95% of the closing market price per share on the payment date.

If the market price per share is less than the NAV on a Dividend payment date, the Plan Agent will have until the last business day before the next ex-dividend date for the common stock, but in no event more than 30 days after the Dividend payment date (as the case may be, the "Purchase Period"), to invest the Dividend amount in shares acquired in open market purchases. If at the close of business on any day during the Purchase Period on which NAV is calculated the NAV on Dividend payment date equals or is less than the market price per share on such day plus estimated brokerage commissions, the Plan Agent will cease making open market purchases and the uninvested portion of such Dividends shall be filled through the issuance of new shares of common stock from the Fund at the price set forth in the immediately preceding paragraph.

Participants in the Plan may withdraw from the Plan upon notice to the Plan Agent. Such withdrawal will be effective immediately if received not less than ten days prior to a Dividend record date; otherwise, it will be effective for all subsequent Dividends. When a participant withdraws from the Plan or upon termination of the Plan as provided below, certificates for whole common shares credited to his or her account under the Plan will be issued and a cash payment will be made for any fraction of a common share credited to such account. If any participant elects to have the Plan Agent sell all or part of his or her shares and remit the proceeds, the Plan Agent is authorized to deduct a \$15.00 fee plus \$0.10 per share brokerage commissions.

The Plan Agent's fees for the handling of reinvestment of Dividends will be paid by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of Dividends. The automatic reinvestment of Dividends will not relieve participants of any income tax that may be payable or required to be withheld on such Dividends.

The Fund reserves the right to amend or terminate the Plan. All correspondence concerning the Plan should be directed to the Plan Agent at 800-432-8224.

**OTHER INFORMATION**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 800-330-7348, (ii) on our Web site at [cohenandsteers.com](http://cohenandsteers.com) or (iii) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>. In addition, the Fund's proxy voting record for the most recent 12-month period ended June 30 is available (i) without charge, upon request, by calling 800-330-7348 or (ii) on the SEC's Web site at <http://www.sec.gov>.

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

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available (i) without charge, upon request by calling 800-330-7348, or (ii) on the SEC's Web site at <http://www.sec.gov>. In addition, the Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

Please note that the distributions paid by the Fund to shareholders are subject to recharacterization for tax purposes. The Fund may also pay distributions in excess of the Fund's net investment company taxable income and this excess would be a tax-free return of capital distributed from the Fund's assets. To the extent this occurs, the Fund's shareholders of record will be notified of the estimated amount of capital returned to shareholders for each such distribution and this information will also be available at [cohenandsteers.com](http://cohenandsteers.com). The final tax treatment of all distributions is reported to shareholders on their 1099-DIV forms, which are mailed after the close of each calendar year. 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.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase, from time to time, shares of its common stock in the open market.

On March 18, 2008, the Board of Directors of the Fund approved the expansion of the options strategy to permit the Fund to write options on custom baskets of securities and customized indexes and to remove any requirement that a Fund must hold an exchange-traded Fund ("ETF") as a portfolio security in order to write an option on an ETF.

The Fund may write covered call options on securities (including securities of ETFs), stock indices or custom baskets of securities that are traded on U.S. or foreign exchanges or over-the-counter (OTC). An option on a security is a contract that gives the purchaser of the option, in return for the premium paid, the right to buy a specified security (in the case of a call option) from the writer of the option at a designated price during the term of the option. An option on a securities index or basket of securities gives the purchaser of the option, in return for the premium paid, the right to receive from the seller cash equal to the difference between the closing price of the index or basket of securities and the exercise price of the option.

The Fund may write a call option on a security (other than securities of ETFs) only if the option is "covered." A call option on a security written by the Fund is covered if the Fund owns the underlying security covered by the call. The Fund will cover call options on ETFs, stock indices or custom baskets by owning securities whose price changes, in the opinion of the investment advisor, are expected to be similar to those of the ETF, index or basket, or in such other manner as may be in accordance with the rules of any exchange on which the option is traded and other applicable laws and regulations. Nevertheless, where the Fund covers a call option on an ETF, stock index or custom basket through ownership of securities, such securities may not match the composition of the ETF, index



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

or basket. In that event, the Fund will not be fully covered and could be subject to risk of loss in the event of adverse changes in the value of the ETF, index or basket.

The value of the underlying securities, ETFs, indices and baskets on which options may be written at any one time will not exceed 25% of the total managed assets of the Fund.

The Fund will receive a premium for writing a call option, which will increase the Fund's realized gains in the event the option expires unexercised or is closed out at a profit. If the value of a security, ETF, index or basket on which the Fund has written a call option falls or remains the same, the Fund will realize a profit in the form of the premium received (less transaction costs) that could offset all or a portion of any decline in the value of the portfolio securities being hedged. A rise in the value of the underlying security, ETF, index or basket, however, exposes the Fund to possible loss or loss of opportunity to realize appreciation in the value of the underlying security, ETF, index or basket.

There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position. Trading could be interrupted, for example, because of supply and demand imbalances arising from a lack of either buyers or sellers, or the options exchange could suspend trading after the price has risen or fallen more than the maximum specified by the exchange. In addition, when the Fund enters into OTC options (including options on custom baskets of securities), these options are not traded on or govern by the rules of any exchange, and the Fund's ability to close out an OTC option is subject to the terms of the option contract and the creditworthiness of the option counterparty. Although the Fund may be able to offset to some extent any adverse effects of being unable to liquidate an option position, the Fund may experience losses in some cases as a result of such inability.

On June 18, 2008, the Board of Directors of the Fund approved changes to the Fund's policies and procedures with respect to the disclosure of the Fund's portfolio securities permitting the Fund to post an uncertified list of portfolio holdings on the Web site at <http://www.cohenandsteers.com>, no earlier than 15 days after the end of each calendar quarter. The holdings information remains available until the Fund files a report on Form N-Q or Form NCSR for the period that includes the date as of which the information is current. In addition to information on portfolio holdings, other Fund statistical information may be found on the Cohen & Steers Funds' Web site or by calling 800-330-7348.

As required, the Fund has submitted to the New York Stock Exchange ("NYSE") the annual certification of the Fund's chief executive officer certifying as to compliance with of the NYSE's Corporate Governance listing standards. The Fund also has included the certifications of the Fund's chief executive officer and chief financial officer required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to its most recent Form N-CSR.

**PRIVACY POLICY\***

In the course of doing business with Cohen & Steers, you may share personal information with us. We are committed to maintaining the privacy of this information and recognize the importance of preventing

\* This privacy policy applies to the following Cohen & Steers companies: Cohen & Steers Capital Management, Inc., Cohen & Steers Securities, LLC, Cohen & Steers Capital Advisors, LLC and the Cohen & Steers Funds.

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

unauthorized access to it. You may provide personal information on account applications and requests for forms or other literature (such as your address and social security number) and through account transactions with us (such as purchases, sales and account balances). You may also provide us with this information through written, electronic and telephone account inquiries.

We do not sell personal information about current and former customers to anyone, and we do not disclose it unless necessary to process a transaction, service an account or as otherwise required or permitted by law. For example, we may disclose information to companies that perform administrative services for Cohen & Steers, such as transfer agents, or printers that assist us in the distribution of investor materials. These organizations will use this information only for purposes of providing the required services or as otherwise may be required by law. We may also share personal information within the Cohen & Steers family of companies to provide you with additional information about our products and services.

We maintain physical, electronic and procedural safeguards to protect your personal information. Within Cohen & Steers, we restrict access to your personal information to those employees who need it to perform their jobs, such as servicing your account or informing you of new products and services.

The accuracy of your personal information is important. If you need to correct or update your personal or account information, please call us at 800-330-7348. We will be happy to review, correct or update your personal or account information.

**APPROVAL OF INVESTMENT ADVISORY AGREEMENT**

The Board of Directors of the Fund, including a majority of the directors who are not parties to the Fund's investment advisory agreement (the "Advisory Agreement"), or interested persons of any such party ("Independent Directors"), has the responsibility under the 1940 Act to approve the Fund's Advisory Agreement for its initial two year term and its continuation annually thereafter at a meeting of the Board of Directors called for the purpose of voting on the approval or continuation. At a meeting held in person on September 16 - 17, 2008, the Advisory Agreement was discussed and was unanimously continued for a one-year term by the Fund's Board of Directors, including the Independent Directors. The Independent Directors were represented by independent counsel who assisted them in their deliberations during the meeting and executive session.

In considering whether to continue the Advisory Agreement, the Board of Directors reviewed materials provided by the Fund's investment advisor (the "Investment Advisor") and Fund counsel which included, among other things, fee, expense and performance information compared to peer funds ("Peer Funds") prepared by an independent data provider, supplemental performance and summary information prepared by the Investment Advisor, and memoranda outlining the legal duties of the Board of Directors. The Board of Directors also spoke directly with representatives of the independent data provider and met with investment management personnel. In addition, the Board of Directors considered information provided from time to time by the Investment Advisor

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

throughout the year at meetings of the Board of Directors, including presentations by portfolio managers relating to the investment performance of the Fund and the investment strategies used in pursuing the Fund's objective. In particular, the Board of Directors considered the following:

*(i) The nature, extent and quality of services to be provided by the Investment Advisor:* The Board of Directors reviewed the services that the Investment Advisor provides to the Fund, including, but not limited to, making the day-to-day investment decisions for the Fund, and generally managing the Fund's investments in accordance with the stated policies of the Fund. The Board of Directors also discussed with officers and portfolio managers of the Fund the amount of time the Investment Advisor dedicates to the Fund and the types of transactions that were being done on behalf of the Fund. Additionally, the Board of Directors took into account the services provided by the Investment Advisor to its other funds, including those that invest substantially in real estate securities and have investment objectives and strategies similar to the Fund.

The Board of Directors next considered the education, background and experience of the Investment Advisor's personnel, noting particularly that the favorable history and reputation of the portfolio managers for the Fund, has had, and would likely continue to have, a favorable impact on the success of the Fund. The Board of Directors further noted the Investment Advisor's ability to attract quality and experienced personnel. The Board of Directors then considered the administrative services provided by the Investment Advisor, including compliance and accounting services. After consideration of the above factors, among others, the Board of Directors concluded that the nature, quality and extent of services provided by the Investment Advisor are adequate and appropriate.

*(ii) Investment performance of the Fund and the Investment Advisor:* The Board of Directors considered the investment performance of the Fund compared to Peer Funds and compared to relevant benchmarks. The Board of Directors noted that the Fund outperformed the Peer Funds' medians and underperformed both the benchmark and blended benchmark for the 1-, 3- and 5-year periods. The Board of Directors noted that the Fund is the only one of its kind, making quantitative comparisons among the Peer Funds difficult. The Board of Directors also considered the Investment Advisor's performance in managing other funds that invest in real estate securities. The Board of Directors then determined that Fund performance, in light of all considerations noted above, was satisfactory.

*(iii) Cost of the services to be provided and profits to be realized by the Investment Advisor from the relationship with the Fund:* Next, the Board of Directors considered the advisory fees payable by the Fund, as well as total expense ratios. As part of their analysis, the Board of Directors gave substantial consideration to the fee and expense analyses provided by the independent data provider. The Board of Directors also considered that the advisory fee and the effective advisory fee were both lower than the Peer Funds' median. The Board of Directors noted that the gross and net expense ratios were lower than the Peer Funds' medians. The Board of Directors concluded that the Fund's current expense structure is competitive in the peer group.

The Board of Directors also reviewed information regarding the profitability to the Investment Advisor of its relationship with the Fund. The Board of Directors considered the level of the Investment Advisor's profits and

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

whether the profits were reasonable for the Investment Advisor. The Board of Directors took into consideration other benefits to be derived by the Investment Advisor in connection with the Advisory Agreement, noting particularly the research and related services, within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended, that the Investment Advisor receives by allocating the Fund's brokerage transactions.

*(iv) The extent to which economies of scale would be realized as the Fund grows and whether fee levels would reflect such economies of scale:* The Board of Directors noted that as a closed-end fund, the Fund would not be expected to have inflows of capital that might produce increasing economies of scale. The Board of Directors determined that, given the Fund's closed-end structure, shareholders appropriately benefited from economies of scale.

*(v) Comparison of services rendered and fees paid to those under other investment advisory contracts, such as contracts of the same and other investment advisors or other clients:* As discussed above in (i) and (iii), the Board of Directors compared both the services rendered and the fees paid under the Advisory Agreement to those under other investment advisory contracts of other investment advisors managing Peer Funds. The Board of Directors compared both the services rendered and the fees paid under the Advisory Agreement to the Investment Advisor's other fund advisory agreements. The Board of Directors determined that on a comparative basis the fees under the Advisory Agreement were reasonable in relation to the services provided.

No single factor was cited as determinative to the decision of the Board of Directors. Rather, after weighing all of the considerations and conclusions discussed above, the Board of Directors, including the Independent Directors, unanimously approved the continuation of the Advisory Agreement.

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

MANAGEMENT OF THE FUND

The business and affairs of the Fund are managed under the direction of the Board of Directors. The Board of Directors approves all significant agreements between the Fund and persons or companies furnishing services to it, including the Fund's agreements with its advisor, administrator, custodian and transfer agent. The management of the Fund's day-to-day operations is delegated to its officers, the advisor and the Fund's administrator, subject always to the investment objective and policies of the Fund and to the general supervision of the Board of Directors.

The directors and officers of the Fund and their principal occupations during the past five years are set forth below. The statement of additional information (SAI) includes additional information about Fund directors and is available, without charge, upon request by calling 1-800-330-7348.

Name, Address and Age*	Position(s) Held with Fund	Term of Office	Principal Occupation During Past 5 Years (Including Other Directorships Held) <i>Interested Directors<sup>1</sup></i>	Number of Funds Within Fund Complex Overseen by Director (Including the Fund)	Length of Time Served**
Robert H. Steers Age: 55	Director and Co-Chairman	2009	Co-Chairman and Co-Chief Executive Officer of Cohen & Steers Capital Management, Inc. (CSCM), the fund's investment manager, and its parent company, Cohen & Steers, Inc. (CNS) since 2004. Vice President and Director, Cohen & Steers Securities, LLC (CSSL), the Cohen & Steers open-end funds' distributor. Prior thereto, Chairman of CSCM and the Cohen & Steers funds.	21	1991 to present
Martin Cohen Age: 60	Director and Co-Chairman	2010	Co-Chairman and Co-Chief Executive Officer of CSCM and CNS. Vice President and Director of CSSL. Prior thereto, President of the CSCM and the Cohen & Steers funds.	21	1991 to present

(table continued on next page)

\* The address for each director is 280 Park Avenue, New York, NY 10017.

\*\* The length of time served represents the year in which the director was first elected or appointed to any fund in the Cohen & Steers fund complex.

<sup>1</sup> "Interested person", as defined in the 1940 Act, of the Fund because of affiliation with CSCM.

**COHEN & STEERS TOTAL RETURN REALTY FUND, INC.***(table continued from previous page)*

Name, Address and Age*	Position(s) Held with Fund	Term of Office	Principal Occupation During Past 5 Years (Including Other Directorships Held)	Number of Funds Within Fund Complex Overseen by Director (Including the Fund)	Length of Time Served**
<i>Disinterested Directors</i>					
Bonnie Cohen <sup>2</sup> Age: 66	Director	2011	Consultant. Director, Reis, Inc. (formerly Wellsford Real Property); Vice-Chair of the Board of Global Heritage Fund; Investment Committee, The Moriah Fund; Advisory Committee member, The Posse Foundation; Vice-Chair, District of Columbia Public Libraries; Board member, Washington National Opera. Former Under Secretary of State for Management, United States Department of State, 1996-2000.	21	2001 to present
George Grossman Age: 55	Director	2009	Attorney-at-law	21	1993 to present
Richard E. Kroon Age: 66	Director	2011	Member of Investment Committee, Monmouth University; retired Chairman and Managing Partner of the Sprout Group venture capital funds, then an affiliate of Donaldson, Lufkin & Jenrette Securities Corporation; and former Chairman of the National Venture Capital Association.	21	2004 to present
Richard J. Norman Age: 65	Director	2010	Private Investor. Advisory Board Member of the Salvation Army. Member of the Chaplain's Core DC Department of Corrections. Prior thereto, Investment Representative of Morgan Stanley Dean Witter.	21	2001 to present

*(table continued on next page)*

\* The address for each director is 280 Park Avenue, New York, NY 10017.

\*\* The length of time served represents the year in which the director was first elected or appointed to any fund in the Cohen &amp; Steers fund complex.

<sup>2</sup> Martin Cohen and Bonnie Cohen are not related.

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

(table continued from previous page)

Name, Address and Age*	Position(s) Held with Fund	Term of Office	Principal Occupation During Past 5 Years (Including Other Directorships Held)	Number of Funds Within Fund Complex Overseen by Director (Including the Fund)	Length of Time Served**
Frank K. Ross Age: 65	Director	2010	Professor of Accounting, Howard University; Board member of Pepco Holdings, Inc. (electric utility). Formerly, Midatlantic Area Managing Partner for Audit and Risk Advisory Services at KPMG LLP and Managing Partner of its Washington, DC office.	21	2004 to present
Willard H. Smith Jr. Age: 72	Director	2011	Board member of Essex Property Trust Inc., Realty Income Corporation and Crest Net Lease, Inc. Managing Director at Merrill Lynch & Co., Equity Capital Markets Division from 1983 to 1995.	21	1996 to present
C. Edward Ward Jr. Age: 62	Director	2009	Member of the Board of Trustees of Directors Manhattan College, Riverdale, New York. Formerly head of closed-end fund listings for the New York Stock Exchange.	21	2004 to present

\* The address for each director is 280 Park Avenue, New York, NY 10017.

\*\* The length of time served represents the year in which the director was first elected or appointed to any fund in the Cohen & Steers fund complex.

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

The officers of the Fund (other than Messrs. Cohen and Steers, whose biographies are provided above), their address, their ages and their principal occupations for at least the past five years are set forth below.

Name, Address and Age*	Position(s) Held with Fund	Principal Occupation During Past 5 Years	Length of Time Served**
Adam M. Derechin Age: 44	President and Chief Executive Officer	Chief Operating Officer of CSCM (since 2003) and CNS (since 2004). Prior to that, Senior Vice President of CSCM and Vice President and Assistant Treasurer of the Cohen & Steers funds.	Since 2005
Joseph M. Harvey Age: 45	Vice President	President and Chief Investment Officer of CSCM (since 2003) and President of CNS (since 2004). Prior to that, Senior Vice President and Director of Investment Research of CSCM.	Since 2004
William F. Scapell Age: 41	Vice President	Senior Vice President of CSCM since 2003. Prior to that, chief strategist for preferred securities at Merrill Lynch & Co., Inc.	Since 2003
Thomas N. Bohjalian Age: 43	Vice President	Senior Vice President of CSCM since 2006. Prior to that, Vice President of CSCM from 2003 through 2005. Prior thereto, Vice President at AEW Capital Management.	Since 2006
Yigal D. Jhirad Age: 44	Vice President	Senior Vice President of CSCM since 2007. Prior to that, executive director at Morgan Stanley and head of prime brokerage equity product marketing responsible for developing and marketing quantitative and derivatives product to hedge funds.	Since 2007
Francis C. Poli Age: 46	Secretary	Executive Vice President, Secretary and General Counsel of CSCM and CNS since March 2007. Prior thereto, General Counsel of Allianz Global Investors of America LP.	Since 2007
James Giallanza Age: 42	Treasurer and Chief Financial Officer	Senior Vice President of CSCM since September 2006. Prior thereto, Deputy Head of the US Funds Administration and Treasurer & CFO of various mutual funds within the Legg Mason (formally Citigroup Asset Management) fund complex from August 2004 to September 2006; Director/Controller of the US wholesale business at UBS Global Asset Management (U.S.) from September 2001 to July 2004.	Since 2006

(table continued on next page)

\* The address of each officer is 280 Park Avenue, New York, NY 10017.

\*\* Officers serve one-year terms. The length of time served represents the year in which the officer was first elected to that position in any fund in the Cohen & Steers fund complex. All of the officers listed above are officers of one or more of the other funds in the complex.



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

*(table continued from previous page)*

Name, Address and Age*	Position(s) Held with Fund	Principal Occupation During Past 5 Years	Length of Time Served**
Lisa D. Phelan Age: 40	Chief Compliance Officer	Senior Vice President & Director of Compliance of CSCM since January 2006. Chief Compliance Officer of CSSL since 2004. Prior to that, Compliance Officer of CSCM since 2004. Chief Compliance Officer, Avatar Associates & Overture Asset Managers, 2003-2004. First VP, Risk Management, Prudential Securities, Inc. 2000-2003.	Since 2006

\* The address of each officer is 280 Park Avenue, New York, NY 10017.

\*\* Officers serve one-year terms. The length of time served represents the year in which the officer was first elected to that position in any fund in the Cohen & Steers fund complex. All of the officers listed above are officers of one or more of the other funds in the complex.

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

*Meet the Cohen & Steers family of open-end funds:*

**COHEN & STEERS  
REALTY SHARES**

Designed for investors seeking total return, investing primarily in REITs

Symbol: CSRSX

**COHEN & STEERS  
REALTY INCOME FUND**

Designed for investors seeking maximum total return, investing primarily in real estate securities with an emphasis on both income and capital appreciation

Symbols: CSEIX, CSBIX, CSCIX, CSDIX

**COHEN & STEERS  
INTERNATIONAL REALTY FUND**

Designed for investors seeking total return, investing primarily in international real estate securities

Symbols: IRFAX, IRFCX, IRFIX

**COHEN & STEERS  
DIVIDEND VALUE FUND**

Designed for investors seeking high current income and long-term growth of income and capital appreciation, investing primarily in dividend paying common stocks and preferred stocks

Symbols: DVFAX, DVFCX, DVFIX

**COHEN & STEERS  
INSTITUTIONAL GLOBAL REALTY SHARES**

Designed for institutional investors seeking total return, investing primarily in global real estate securities

Symbol: GRSIX

**COHEN & STEERS  
INSTITUTIONAL REALTY SHARES**

Designed for institutional investors seeking total return, investing primarily in REITs

Symbol: CSRIX

**COHEN & STEERS  
GLOBAL REALTY SHARES**

Designed for investors seeking total return, investing primarily in global real estate equity securities

Symbols: CSFAX, CSFBX, CSFCX, CSSPX

**COHEN & STEERS  
GLOBAL INFRASTRUCTURE FUND**

Designed for investors seeking total return, investing primarily in global infrastructure securities

Symbols: CSUAX, CSUBX, CSUCX, CSUIX

**COHEN & STEERS  
ASIA PACIFIC REALTY SHARES**

Designed for investors seeking total return, investing primarily in real estate securities located in the Asia Pacific region

Symbols: APFAX, APFCX, APFIX

**COHEN & STEERS  
EUROPEAN REALTY SHARES**

Designed for investors seeking total return, investing primarily in real estate securities located in Europe

Symbols: EURAX, EURCX, EURIX

*Please consider the investment objectives, risks, charges and expenses of the fund carefully before investing. A prospectus containing this and other information can be obtained by calling 800-330-7348 or by visiting [cohenandsteers.com](http://cohenandsteers.com). Please read the prospectus carefully before investing.*

Cohen & Steers Securities, LLC, Distributor

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

OFFICERS AND DIRECTORS

Robert H. Steers  
Director and co-chairman

Martin Cohen  
Director and co-chairman

Bonnie Cohen  
Director

George Grossman  
Director

Richard E. Kroon  
Director

Richard J. Norman  
Director

Frank K. Ross  
Director

Willard H. Smith Jr.  
Director

C. Edward Ward, Jr.  
Director

Adam M. Derechin  
President and chief executive officer

Joseph M. Harvey  
Vice president

William F. Scapell  
Vice president

Thomas N. Bohjalian  
Vice president

Yigal D. Jhirad  
Vice president

Francis C. Poli  
Secretary

James Giallanza  
Treasurer and chief financial officer

Lisa D. Phelan  
Chief compliance officer

KEY INFORMATION

Investment Advisor

Cohen & Steers Capital Management, Inc.  
280 Park Avenue  
New York, NY 10017  
(212) 832-3232

Fund Administrator and Custodian

State Street Bank and Trust Company  
One Lincoln Street  
Boston, MA 02111

Transfer Agent

The Bank of New York Mellon  
480 Washington Boulevard  
Jersey City, NJ 07310  
(866) 227-0757

Legal Counsel

Stroock & Stroock & Lavan LLP  
180 Maiden Lane  
New York, NY 10038

New York Stock Exchange Symbol: RFI

Web site: [cohenandsteers.com](http://cohenandsteers.com)

This report is for shareholder information. This is not a prospectus intended for use in the purchase or sale of Fund shares. Past performance is of course no guarantee of future results and your investment may be worth more or less at the time you sell.



COHEN & STEERS

TOTAL RETURN REALTY FUND

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NEW YORK, NY 10017

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**ANNUAL REPORT**

**DECEMBER 31, 2008**

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**Item 2. Code of Ethics.**

The registrant has adopted a Code of Ethics that applies to its Principal Executive Officer and Principal Financial Officer. The registrant undertakes to provide to any person without charge, upon request, a copy of the Code of Ethics. Such request can be made by calling 800-330-7348 or writing to the Secretary of the registrant, 280 Park Avenue, New York, NY 10017.

**Item 3. Audit Committee Financial Expert.**

The registrant's board has determined that Frank K. Ross, a member of the board's Audit Committee, is an audit committee financial expert. Mr. Ross is independent, as such term is defined in this Item.

**Item 4. Principal Accountant Fees and Services.**

(a) (d) Aggregate fees billed to the registrant for the last two fiscal years for professional services rendered by the registrant's principal accountant were as follows:

	2008		2007
Audit Fees	\$ 43,600	\$	41,800
Audit-Related Fees	0		7,900
Tax Fees	14,900		14,000
All Other Fees			

Tax fees were billed in connection with the preparation of tax returns, calculation and designation of dividends and other miscellaneous tax services.

Aggregate fees billed by the registrant's principal accountant for the last two fiscal years for non-audit services provided to the registrant's investment adviser (not including a sub-adviser whose role is primarily portfolio management and is subcontracted or overseen by another investment adviser) and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registered investment company, where the engagement relates directly to the operations and financial reporting of the registrant, were as follows:

	2008		2007
Audit-Related Fees			
Tax Fees			
All Other Fees	\$ 110,000	\$	109,000

These other fees were billed in connection with internal control reviews.

(e)(1) The registrant's audit committee is required to pre-approve audit and non-audit services performed for the registrant by the principal accountant. The audit committee also is required to pre-approve non-audit services performed by the registrant's principal accountant for the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio

management and is subcontracted with or overseen by another investment adviser) and/or to any entity controlling, controlled by or under common control with the registrant's investment adviser that provides ongoing services to the registrant, if the engagement for services relates directly to the operations and financial reporting of the registrant.

The audit committee may delegate pre-approval authority to one or more of its members who are independent members of the board of directors of the registrant. The member or members to whom such authority is delegated shall report any pre-approval decisions to the audit committee at its next scheduled meeting. The audit committee may not delegate its responsibility to pre-approve services to be performed by the registrant's principal accountant to the investment adviser.

(e) (2) No services included in (b) (d) above were approved by the audit committee pursuant to paragraphs (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not applicable.

(g) For the fiscal years ended December 31, 2008 and December 31, 2007, the aggregate fees billed by the registrant's principal accountant for non-audit services rendered to the registrant and for non-audit services rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) and/or to any entity controlling, controlled by or under common control with the registrant's investment adviser that provides ongoing services to the registrant were \$129,635 and \$130,900, respectively.

(h) The registrant's audit committee considered whether the provision of non-audit services that were rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) and/or to any entity controlling, controlled by or under common control with the registrant's investment adviser that provides ongoing services to the registrant that were not required to be pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X was compatible with maintaining the principal accountant's independence.

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**Item 5. Audit Committee of Listed Registrants.**

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the committee are Frank K. Ross (chairman), Bonnie Cohen, George Grossman and Richard E. Kroon.

**Item 6. Schedule of Investments.**

Included in Item 1 above.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

The registrant has delegated voting of proxies in respect of portfolio holdings to Cohen & Steers Capital Management, Inc., in accordance with the policies and procedures set forth below.

**COHEN & STEERS CAPITAL MANAGEMENT, INC.**

**STATEMENT OF POLICIES AND PROCEDURES REGARDING THE VOTING OF SECURITIES**

This statement sets forth the policies and procedures that Cohen & Steers Capital Management, Inc. ( C&S ) follows in exercising voting rights with respect to securities held in our client portfolios. All proxy-voting rights that are exercised by C&S shall be subject to this Statement of Policy and Procedures.

**I. Objectives**



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Voting rights are an important component of corporate governance. The Advisor and the Subadvisor have three overall objectives in exercising voting rights:

A. Responsibility. The Advisor and Subadvisor shall seek to ensure that there is an effective means in place to hold companies accountable for their actions. While management must be accountable to its board, the board must be accountable to a company's shareholders. Although accountability can be promoted in a variety of ways, protecting shareholder voting rights may be among our most important tools.

B. Rationalizing Management and Shareholder Concerns. The Advisor and Subadvisor seek to ensure that the interests of a company's management and board are aligned with those of the company's shareholders. In this respect, compensation must be structured to reward the creation of shareholder value.

C. Shareholder Communication. Since companies are owned by their shareholders, the Advisor and Subadvisor seek to ensure that management effectively communicates with its owners about the company's business operations and financial performance. It is only with effective communication that shareholders will be able to assess the performance of management and to make informed decisions on when to buy, sell or hold a company's securities.

In exercising voting rights, the Advisor and Subadvisor follow the general principles set forth below.

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- The ability to exercise a voting right with respect to a security is a valuable right and, therefore, must be viewed as part of the asset itself.
- In exercising voting rights, the Advisor and Subadvisor shall engage in a careful evaluation of issues that may materially affect the rights of shareholders and the value of the security.
- Consistent with general fiduciary principles, the exercise of voting rights shall always be conducted with reasonable care, prudence and diligence.
- In exercising voting rights on behalf of clients, the Advisor and Subadvisor shall conduct itself in the same manner as if the Advisor and Subadvisor were the constructive owner of the securities.
- To the extent reasonably possible, the Advisor and Subadvisor shall participate in each shareholder voting opportunity.
- Voting rights shall not automatically be exercised in favor of management-supported proposals.
- The Advisor and Subadvisor, and its officers and employees, shall never accept any item of value in consideration of a favorable proxy voting decision.

Set forth below are general guidelines followed in exercising proxy voting rights:

*Prudence.* In making a proxy voting decision, the Advisor and Subadvisor shall give appropriate consideration to all relevant facts and circumstances, including the value of the securities to be voted and the likely effect any vote may have on that value. Since voting rights must be exercised on the basis of an informed judgment, investigation shall be a critical initial step.

*Third Party Views.* While the Advisor and Subadvisor may consider the views of third parties, the Advisor and Subadvisor shall never base a proxy voting decision solely on the opinion of a third party.

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Rather, decisions shall be based on a reasonable and good faith determination as to how best to maximize shareholder value.

*Shareholder Value.* Just as the decision whether to purchase or sell a security is a matter of judgment, determining whether a specific proxy resolution will increase the market value of a security is a matter of judgment as to which informed parties may differ. In determining how a proxy vote may affect the economic value of a security, the Advisor and Subadvisor shall consider both short-term and long-term views about a company's business and prospects, especially in light of our projected holding period on the stock (e.g., the Advisor and Subadvisor may discount long-term views on a short-term holding).

Set forth below are guidelines as to how specific proxy voting issues shall be analyzed and assessed.

While these guidelines will provide a framework for the Advisor and Subadvisor decision making process, the mechanical application of these guidelines can never address all proxy voting decisions.

When new issues arise or old issues present nuances not encountered before, the Advisor and Subadvisor must be guided by their reasonable judgment to vote in a manner that the Advisor and Subadvisor deem to be in the best interests of the Fund and its shareholders. In addition, because the regulatory framework and the business cultures and practices vary from region to region, the below general guidelines may be inconsistent in certain circumstances for proxies of issuers of securities in the Asia Pacific region.

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### Uncontested Director Elections

Votes on director nominees should be made on a case-by-case basis using a mosaic approach, where all factors are considered in director elections and where no single issue is deemed to be determinative.

For example, a nominee's experience and business judgment may be critical to the long-term success of the portfolio company, notwithstanding the fact that he or she may serve on the board of more than four public companies. In evaluating nominees, the Advisor and Subadvisor consider the following factors:

- Whether the nominee attended less than 75 percent of the board and committee meetings without a valid excuse for the absences;
- Whether the nominee is an inside or affiliated outside director and sits on the audit, compensation, or nominating committees;
- Whether the nominee ignored a significant shareholder proposal that was approved by a (i) majority of the shares outstanding or (ii) majority of the votes cast for two consecutive years;
- Whether the nominee, without shareholder approval, to our knowledge instituted a new poison pill plan, extended an existing plan, or adopted a new plan upon the expiration of an existing plan during the past year;
- Whether the nominee is an inside or affiliated outside director and the full board serves as the audit, compensation, or nominating committee or the company does not have one of these committees;
- Whether the nominee is an insider or affiliated outsider on boards that are not at least majority independent;
- Whether the nominee is the CEO of a publicly-traded company who serves on more than two public boards;
- Whether the nominee serves on more than four public company boards;

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- Whether the nominee serves on the audit committee where there is evidence (such as audit reports or reports mandated under the Sarbanes Oxley Act) that there exists material weaknesses in the company's internal controls;
- Whether the nominee serves on the compensation committee if that director was present at the time of the grant of backdated options or options the pricing or the timing of which Advisor and Subadvisor believe may have been manipulated to provide additional benefits to executives;
- Whether the nominee is believed by us to have a material conflict of interest with the portfolio company; and
- Whether the nominee (or the overall board) in our view has a record of making poor corporate or strategic decisions or has demonstrated an overall lack of good business judgment.

The Advisor and Subadvisor vote on a case-by-case basis for shareholder proposals requesting companies to amend their bylaws in order to create access to the proxy so as to nominate candidates for directors.

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The Advisor and Subadvisor recognize the importance of shareholder access to the ballot process as a means to ensure that boards do not become self-perpetuating and self-serving. However, the Advisor and Subadvisor are also aware that some proposals may promote certain interest groups and could be disruptive to the nomination process. Special attention will be paid to companies that display a chronic lack of shareholder accountability.

### **Proxy Contests**

*Director Nominees in a Contested Election.* By definition, this type of board candidate or slate runs for the purpose of seeking a significant change in corporate policy or control. Therefore, the economic impact of the vote in favor of or in opposition to that director or slate must be analyzed using a higher standard such as is normally applied to changes in control. Criteria for evaluating director nominees as a group or individually should also include: the underlying reason why the new slate (or individual director) is being proposed; performance; compensation; corporate governance provisions and takeover activity; criminal activity; attendance at meetings; investment in the company; interlocking directorships; inside, outside and independent directors; number of other board seats; and other experience. It is impossible to have a general policy regarding director nominees in a contested election.

*Reimbursement of Proxy Solicitation Expenses.* Decisions to provide full reimbursement for dissidents waging a proxy contest should be made on a case-by-case basis.

### **Ratification of Auditors**

The Advisor and Subadvisor vote for proposals to ratify auditors, unless an auditor has a financial interest in or association with the company, and are therefore not independent; or there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position. Generally, the Advisor and Subadvisor vote against auditor ratification and withhold votes from audit committee members if non-audit fees exceed audit fees. The Advisor and Subadvisor vote on a case-by-case basis on auditor rotation proposals. Criteria for evaluating the rotation proposal include, but are not limited to: tenure of the audit firm; establishment and disclosure of a renewal process whereby the auditor is regularly evaluated for both audit quality and competitive price; length of the rotation period advocated in the proposal; and any significant audit related issues. Generally, the Advisor and Subadvisor vote against auditor indemnification and limitation of liability; however the Advisor and Subadvisor recognize there may be situations where indemnification and limitations on liability may be appropriate.

### **Takeover Defenses**

While the Advisor and Subadvisor recognize that a takeover attempt can be a significant distraction for the board and management to deal with, the simple fact is that the possibility of a corporate takeover keeps management focused on maximizing shareholder value. As a result, the Advisor and Subadvisor oppose measures that are designed to prevent or obstruct corporate takeovers because they can entrench current management. The following are our guidelines on change of control issues:

*Shareholder Rights Plans.* The Advisor and Subadvisor acknowledge that there are arguments for and against shareholder rights plans, also known as poison pills. Companies should put their case for rights plans to shareholders. The Advisor and Subadvisor review on a case-by-case basis management proposals to ratify a poison pill. The Advisor and Subadvisor generally look for shareholder friendly features including a two- to three-year sunset provision, a permitted bid provision and a 20 percent or higher flip-in provision.

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*Greenmail.* The Advisor and Subadvisor vote for proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

*Unequal Voting Rights.* Generally, The Advisor and Subadvisor vote against dual-class recapitalizations as they offer an effective way for a firm to thwart hostile takeovers by concentrating voting power in the hands of management or other insiders.

*Classified Boards.* The Advisor and Subadvisor generally vote in favor of shareholder proposals to declassify a board of directors, although the Advisor and Subadvisor acknowledge that a classified board may be in the long-term best interests of a company in certain situations. In voting on shareholder proposals to declassify a board of directors, the Advisor and Subadvisor evaluate all facts and circumstances surrounding such proposal, including whether the shareholder proposing the de-classification has an agenda in making such proposal that may be at odds with the long-term best interests of the company or whether it would be in the best interests of the company to thwart a shareholder's attempt to control the board of directors.

*Cumulative Voting.* Having the ability to cumulate our votes for the election of directors—that is, cast more than one vote for a director about whom they feel strongly—generally increases shareholders' rights to effect change in the management of a corporation. The Advisor and Subadvisor generally support, therefore, proposals to adopt cumulative voting.

*Shareholder Ability to Call Special Meeting.* The Advisor and Subadvisor votes on a case-by-case basis for shareholder proposals requesting companies to amend their governance documents (bylaws and/or charter) in order to allow shareholders to call special meetings. The Advisor and Subadvisor recognize the importance on shareholder ability to call a special meeting, however, the Advisor and Subadvisor are also aware that some proposals are put forth in order to promote the agenda(s) of certain special interest groups and could be disruptive to the management of the company.

*Shareholder Ability to Act by Written Consent.* The Advisor and Subadvisor generally vote against proposals to allow or facilitate shareholder action by written consent. The requirement that all shareholders be given notice of a shareholders' meeting and matters to be discussed therein seems to provide a reasonable protection of minority shareholder rights.

*Shareholder Ability to Alter the Size of the Board.* The Advisor and Subadvisor generally vote for proposals that seek to fix the size of the board and vote against proposals that give management the ability to alter the size of the board without shareholder approval. While the Advisor and Subadvisor recognize the importance of such proposals, the Advisor and Subadvisor are however also aware that these proposals are sometimes put forth in order to promote the agenda(s) of certain special interest groups and could be disruptive to the management of the company.

**Miscellaneous Board Provisions**

*Board Committees.* Boards should delegate key oversight functions, such as responsibility for audit, nominating and compensation issues, to independent committees. The chairman and members of any committee should be clearly identified in the annual report. Any committee should have the authority to engage independent advisors where appropriate at the company's expense.

Audit, nominating and compensation committees should consist solely of non-employee directors, who are independent of management.

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*Separate Chairman and CEO Positions.* The Advisor and Subadvisor will generally vote for proposals looking to separate the CEO and Chairman roles. The Advisor and Subadvisor do acknowledge, however, that under certain circumstances, it may be reasonable for the CEO and Chairman roles to be held by a single person.

*Lead Directors and Executive Sessions.* In cases where the CEO and Chairman roles are combined, Advisor and Subadvisor will vote for the appointment of a lead (non-insider) director and for regular executive sessions (board meetings taking place without the CEO/Chairman present).

*Majority of Independent Directors.* The Advisor and Subadvisor vote for proposals that call for the board to be composed of a majority of independent directors. The Advisor and Subadvisor believe that a majority of independent directors can be an important factor in facilitating objective decision making and enhancing accountability to shareholders.

*Independent Committees.* The Advisor and Subadvisor vote for shareholder proposals requesting that the board's audit, compensation, and nominating committees consist exclusively of independent directors.

*Stock Ownership Requirements.* The Advisor and Subadvisor support measures requiring senior executives to hold a minimum amount of stock in a company (often expressed as a percentage of annual compensation), requiring stock acquired through option exercise to be held for a certain minimum amount of time and issuing restricted stock awards instead of options.

*Term of Office.* The Advisor and Subadvisor vote against shareholder proposals to limit the tenure of outside directors. Term limits pose artificial and arbitrary impositions on the board and could harm shareholder interests by forcing experienced and knowledgeable directors off the board.

*Director and Officer Indemnification and Liability Protection.* Proposals concerning director and officer indemnification and liability protection should be evaluated on a case-by-case basis.

*Board Size.* The Advisor and Subadvisor generally vote for proposals to limit the size of the board to 15 members or less.

*Majority Vote Standard.* The Advisor and Subadvisor generally vote for proposals asking for the board to initiate the appropriate process to amend the company's governance documents (charter or bylaws) to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders.

The Advisor and Subadvisor would generally review on a case-by-case basis proposals that address alternative approaches to a majority vote requirement.

*Confidential Voting.* The Advisor and Subadvisor vote for shareholder proposals requesting that companies adopt confidential voting, use independent tabulators, and use independent inspectors of election as long as the proposals include clauses for proxy contests as follows: in the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents do not agree, the confidential voting policy is waived.

The Advisor and Subadvisor also vote for management proposals to adopt confidential voting.

*Bundled Proposals.* The Advisor and Subadvisor review on a case-by-case basis bundled or conditioned proxy proposals. In the case of items that are conditioned upon each other, the Advisor and Subadvisor examine the benefits and costs of the packaged items. In instances where the joint effect of the

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conditioned items is not in shareholders' best interests, the Advisor and Subadvisor vote against the proposals. If the combined effect is positive, the Advisor and Subadvisor support such proposals.

*Date/Location of Meeting.* The Advisor and Subadvisor vote against shareholder proposals to change the date or location of the shareholders' meeting. No one site will meet the needs of all shareholders.

*Adjourn Meeting if Votes are Insufficient.* Open-end requests for adjournment of a shareholder meeting generally will not be supported. However, where management specifically states the reason for requesting an adjournment and the requested adjournment is necessary to permit a proposal that would otherwise be supported under this policy to be carried out; the adjournment request will be supported.

*Disclosure of Shareholder Proponents.* The Advisor and Subadvisor vote for shareholder proposals requesting that companies disclose the names of shareholder proponents. Shareholders may wish to contact the proponents of a shareholder proposal for additional information.

## **Capital Structure**

*Increase Additional Common Stock.* The Advisor and Subadvisor generally vote for increases in authorized shares, provided that the increase is not greater than three times the number of shares outstanding and reserved for issuance (including shares reserved for stock-related plans and securities convertible into common stock, but not shares reserved for any poison pill plan). Votes generally are cast in favor of proposals to authorize additional shares of stock except where the proposal:

- creates a blank check preferred stock; or
- establishes classes of stock with superior voting rights.

*Blank Check Preferred Stock.* Votes generally are cast in opposition to management proposals authorizing the creation of new classes of preferred stock with unspecified voting, conversion, distribution and other rights, and management proposals to increase the number of authorized blank check preferred shares. The Advisor and Subadvisor may vote in favor of this type of proposal when it receives assurances to its reasonable satisfaction that (i) the preferred stock was authorized by the board for the use of legitimate capital formation purposes and not for anti- takeover purposes, and (ii) no preferred stock will be issued with voting power that is disproportionate to the economic interests of the preferred stock. These representations should be made either in the proxy statement or in a separate letter from the

company to the Advisor and Subadvisor.

*Preemptive Rights.* Votes regarding shareholder proposals seeking preemptive rights are determined on a case-by-case basis after evaluating:

- The size of the company;
- The shareholder base; and
- The liquidity of the stock.

For example, it would be difficult to support a shareholder proposal that would require an S&P 500 company with over \$1 billion in equity held by thousands of shareholders (with no single shareholder owning a significant percentage of outstanding shares) to implement preemptive rights each time it conducted a new offering. Such a requirement would be impractical and extremely costly. Moreover, at companies with that large of a shareholder base and the ease with which shareholders could preserve their

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relative interest through purchases of shares on the on the open market, the cost of implementing preemptive rights does not seem justifiable in relation to the benefits.

*Dual Class Capitalizations.* Because classes of common stock with unequal voting rights limit the rights of certain shareholders, the Advisor and Subadvisor vote against adoption of a dual or multiple class capitalization structure.

*Restructurings/Recapitalizations.* The Advisor and Subadvisor review proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan on a case- by-case basis.

In voting, the Advisor and Subadvisor consider the following issues:

- dilution how much will ownership interest of existing shareholders be reduced, and how extreme will dilution to any future earnings be?
- change in control will the transaction result in a change in control of the company?
- bankruptcy generally, approve proposals that facilitate debt restructurings unless there are clear signs of self-dealing or other abuses.

*Share Repurchase Programs.* Boards may institute share repurchase or stock buy-back programs for a number of reasons. The Advisor and Subadvisor will generally vote in favor of such programs where the repurchase would be in the long-term best interests of shareholders, and where the company is not thought to be able to use the cash in a more useful way.

The Advisor and Subadvisor will vote against such programs when shareholders interests could be better served by deployment of the cash for alternative uses, or where the repurchase is a defensive maneuver or an attempt to entrench management.

*Targeted Share Placements.* These shareholder proposals ask companies to seek stockholder approval before placing 10% or more of their voting stock with a single investor. The proposals are typically in reaction to the placement by various companies of a large block of their voting stock in an ESOP, parent capital fund or with a single friendly investor, with the aim of protecting themselves against a hostile tender offer. These proposals are voted on a case-by-case basis after reviewing the individual situation of the company receiving the proposal.

**Executive and Director Compensation**

*Stock-based Incentive Plans.* Votes with respect to compensation plans should be determined on a case-by-case basis. The analysis of compensation plans focuses primarily on the transfer of shareholder wealth (the dollar cost of pay plans to shareholders). Other matters included in our analysis are the amount of the company's outstanding stock to be reserved for the award of stock options or restricted stock, whether the exercise price of an option is less than the stock's fair market value at the date of the grant of the options, and whether the plan provides for the exchange of outstanding options for new ones at lower exercise prices. Every award type is valued. An estimated dollar cost for the proposed plan and all continuing plans is derived. This cost, dilution to shareholders' equity, will also be expressed as a percentage figure for the transfer of shareholder wealth and will be considered along with dilution to voting power. Once the cost of the plan is estimated, it is compared to an allowable industry-specific and market cap-based dilution cap.

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If the proposed plan cost is above the allowable cap, an against vote is indicated. If the proposed cost is below the allowable cap, a vote for the plan is indicated unless the plan violates the repricing guidelines. If the company has a history of repricing options or has the express ability to reprice underwater stock options without first securing shareholder approval under the proposed plan, the plan receives an against vote even in cases where the plan cost is considered acceptable based on the quantitative analysis.

The Advisor and Subadvisor vote against equity plans that have high average three year burn rates, unless the company has publicly committed to reduce the burn rate to a rate that is comparable to its peer group (as determined by the Advisor and Subadvisor).

*Approval of Cash or Cash-and-Stock Bonus Plans.* The Advisor and Subadvisor vote for cash or cash-and-stock bonus plans to exempt the compensation from limits on deductibility under the provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

*Executive Compensation.* Executive compensation should be tied to the performance of the executive and the company as well as relevant market conditions. The Advisor and Subadvisor feel that the performance criteria and specific amounts and types of executive compensation are best decided by a company's board of directors and/or its compensation committee and fully disclosed to shareholders.

The Advisor and Subadvisor will, however, vote for shareholder proposals that call for shareholders to vote, in a non-binding manner, on executive pay since such vote is non-binding and is merely informative for the board of directors and/or compensation committee. Further, the Advisor and Subadvisor generally vote for shareholder proposals that seek additional disclosure of executive and director pay information.

*Reload/Evergreen Features.* The Advisor and Subadvisor will generally vote against plans that enable the issuance of reload options and that provide an automatic share replenishment ( evergreen ) feature.

*Golden Parachutes.* The Advisor and Subadvisor oppose the use of accelerated employment contracts that result in cash grants of greater than three times annual compensation (salary and bonus) in the event of termination of employment following a change in control of a company. In general, the guidelines call for voting against golden parachute plans because they impede potential takeovers that shareholders should be free to consider. The Advisor and Subadvisor generally withhold our votes at the next shareholder meeting for directors who to our knowledge approved golden parachutes.

*401(k) Employee Benefit Plans.* The Advisor and Subadvisor vote for proposals to implement a 401(k) savings plan for employees.

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*Employee Stock Purchase Plans.* The Advisor and Subadvisor support employee stock purchase plans, although the Advisor and Subadvisor generally believe the discounted purchase price should be at least 85% of the current market price.

*Option Expensing.* The Advisor and Subadvisor vote for shareholder proposals to expense fixed-price options.

*Vesting.* The Advisor and Subadvisor believe that restricted stock awards normally should vest over at least a two-year period.

*Option Repricing.* Stock options generally should not be re-priced, and never should be re-priced without shareholder approval. In addition, companies should not issue new options, with a lower strike price, to make up for previously issued options that are substantially underwater. The Advisor and Subadvisor will

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vote against the election of any slate of directors that, to its knowledge, has authorized a company to re-price or replace underwater options during the most recent year without shareholder approval.

*Stock Holding Periods.* Generally vote against all proposals requiring executives to hold the stock received upon option exercise for a specific period of time.

*Transferable Stock Options.* Review on a case-by-case basis proposals to grant transferable stock options or otherwise permit the transfer of outstanding stock options, including cost of proposal and alignment with shareholder interests.

*Recoup Bonuses.* The Advisor and Subadvisor vote on a case-by-case on shareholder proposals to recoup unearned incentive bonuses or other incentive payments made to senior executives if it is later determined that fraud, misconduct, or negligence significantly contributed to a restatement of financial results that led to the awarding of unearned incentive compensation.

## **Incorporation**

*Reincorporation Outside of the United States.* Generally, the Advisor and Subadvisor will vote against companies looking to reincorporate outside of the U.S.

*Voting on State Takeover Statutes.* The Advisor and Subadvisor review on a case-by-case basis proposals to opt in or out of state takeover statutes (including control share acquisition statutes, control share cash-out statutes, freeze out provisions, fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, anti greenmail provisions, and disgorgement provisions). In voting on these shareholder proposals, the Advisor and Subadvisor evaluate all facts and circumstances surrounding such proposal, including whether the shareholder proposing such measure has an agenda in making such proposal that may be at odds with the longterm best interests of the company or whether it would be in the best interests of the company to thwart a shareholder's attempt to control the board of directors.

*Voting on Reincorporation Proposals.* Proposals to change a company's state of incorporation are examined on a case-by-case basis. In making our decision, the Advisor and Subadvisor review management's rationale for the proposal, changes to the charter/bylaws, and differences in the state laws governing the companies.

## **Mergers and Corporate Restructurings**

*Mergers and Acquisitions.* Votes on mergers and acquisitions should be considered on a case-by-case basis, taking into account factors including the following: anticipated financial and operating benefits; offer price (cost vs. premium); prospects of the combined companies; how the deal was negotiated; and changes in corporate governance and their impact on shareholder rights.

The Advisor and Subadvisor vote against proposals that require a super-majority of shareholders to approve a merger or other significant business combination. The Advisor and Subadvisor support proposals that seek to lower super-majority voting requirements.

*Nonfinancial Effects of a Merger or Acquisition.* Some companies have proposed a charter provision which specifies that the board of directors may examine the nonfinancial effect of a merger or acquisition on the company. This provision would allow the board to evaluate the impact a proposed change in control would have on employees, host communities, suppliers and/or others. The Advisor and Subadvisor generally vote against proposals to adopt such charter provisions. The Advisor and

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Subadvisor feel it is the directors' fiduciary duty to base decisions solely on the financial interests of the shareholders.

*Corporate Restructuring.* Votes on corporate restructuring proposals, including minority squeeze outs, leveraged buyouts, going private proposals, spin-offs, liquidations, and asset sales, should be considered on a case-by-case basis.

*Spin-offs.* Votes on spin-offs should be considered on a case-by-case basis depending on the tax and regulatory advantages, planned use of sale proceeds, market focus, and managerial incentives.

*Asset Sales.* Votes on asset sales should be made on a case-by-case basis after considering the impact on the balance sheet/working capital, value received for the asset, and potential elimination of diseconomies.

*Liquidations.* Votes on liquidations should be made on a case-by-case basis after reviewing management's efforts to pursue other alternatives, appraisal value of assets, and the compensation plan for executives managing the liquidation.

*Appraisal Rights.* The Advisor and Subadvisor vote for proposals to restore, or provide shareholders with, rights of appraisal. Rights of appraisal provide shareholders who are not satisfied with the terms of certain corporate transactions the right to demand a judicial review in order to determine a fair value for their shares.

*Changing Corporate Name.* The Advisor and Subadvisor vote for changing the corporate name.

#### **Social Issues.**

The Advisor and Subadvisor believe that it is the responsibility of the board and management to run a company on a daily basis. With this in mind, in the absence of unusual circumstances, the Advisor and Subadvisor do not believe that shareholders should be involved in determining how a company should address broad social and policy issues. As a result, the Advisor and Subadvisor generally vote against these types of proposals, which are generally initiated by shareholders, unless the Advisor and Subadvisor believe the proposal has significant economic implications.

#### **Item 8. Portfolio Managers of Closed-End Investment Companies.**

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Information pertaining to the portfolio managers of the registrant, as of February 28, 2009, is set forth below.

Martin Cohen

Co-founder, co-chairman and co-chief executive officer of Cohen & Steers Capital Management, Inc. ( C&S ) and its parent company, Cohen & Steers, Inc. ( CNS ). Vice president and director of Cohen & Steers Securities, LLC. Director and co-chairman of each of the Cohen & Steers funds. Previously, president of C&S and each of the Cohen & Steers funds.

- Director and co-chairman
  - Portfolio manager since inception
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Robert Steers

Co-founder, co-chairman and co-chief executive officer of C&S and CNS. Vice President and Director of Cohen & Steers Securities, LLC. Director and co-chairman of each of the Cohen & Steers funds. Previously, chairman of C&S and each of the Cohen & Steers funds.

- Director and co-chairman
- Portfolio manager since inception

Joseph Harvey

President of C&S and CNS. Previously, senior vice president of C&S and director of research.

- Vice president
- Portfolio manager since 2004

William F. Scapell

Senior vice president of C&S. Previously, chief strategist for preferred securities at Merrill Lynch & Co.

- Vice President
- Portfolio manager since 2005

Thomas N. Bohjalian

Senior vice president of C&S. Previously, vice president of C&S.

- Vice President
- Portfolio manager since 2006

C&S utilizes a team-based approach in managing the registrant. Mr. Cohen and Mr. Steers are the leaders of this team and they act in a supervisory capacity. Mr. Harvey and Mr. Bohjalian direct and supervise the execution of the registrant's investment strategy, and lead and guide the other members of the team. Mr. Scapell manages the registrant's preferred securities investments.

Each portfolio manager listed above manages other investment companies and/or investment vehicles and accounts in addition to the registrant. The following tables show, as of December 31, 2008, the number of accounts each portfolio manager managed in each of the listed categories and the total assets in the accounts managed within each category. The portfolio managers do not receive performance-based fees with respect to any of the registered investment companies, other pooled investment vehicles or other accounts that they manage.

Martin Cohen

	<b>Number of accounts</b>		<b>Total assets</b>
• Registered investment companies	19	\$	7,386,803,000
• Other pooled investment vehicles	25	\$	3,338,400,000
• Other accounts	46	\$	2,195,704,000

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Robert Steers

	Number of accounts		Total assets
• Registered investment companies	19	\$	7,386,803,000
• Other pooled investment vehicles	25	\$	3,338,400,000
• Other accounts	46	\$	2,195,704,000

Joseph Harvey

	Number of accounts		Total assets
• Registered investment companies	19	\$	7,386,803,000
• Other pooled investment vehicles	25	\$	3,338,400,000
• Other accounts	46	\$	2,195,704,000

William F. Scapell

	Number of accounts		Total assets
• Registered investment companies	10	\$	4,229,569,000
• Other pooled investment vehicles	2	\$	35,810,000
• Other accounts	12	\$	361,679,000

Thomas Bohjalian

	Number of accounts		Total assets
• Registered investment companies	7	\$	2,823,154,000
• Other pooled investment vehicles	2	\$	35,810,000
• Other accounts	7	\$	205,711,000

**Share Ownership.** The following table indicates the dollar range of securities of the registrant owned by the registrant's portfolio managers as of December 31, 2008:

	<b>Dollar Range of Securities Owned</b>
Martin Cohen	Over \$100,000
Robert Steers	Over \$100,000
Joseph Harvey	\$1 - \$10,000
William F. Scapell	None
Thomas Bohjalian	None

Conflicts of Interest. It is possible that conflicts of interest may arise in connection with the portfolio managers management of the registrant's investments on the one hand and the investments of other accounts or vehicles for which the portfolio managers are responsible on the other. For example, a portfolio manager may have conflicts of interest in allocating management time, resources and investment opportunities among the registrant and the other accounts or vehicles he advises. In addition, due to differences in the investment strategies or restrictions among the registrant and the other accounts, a portfolio manager may take action with respect to another account that differs from the action taken with respect to the registrant.

In some cases, another account managed by a portfolio manager may provide more revenue to C&S. While this may appear to create additional conflicts of interest for the portfolio manager in the allocation of management time, resources and investment opportunities, C&S strives to ensure that portfolio managers endeavor to exercise their discretion in a manner that is equitable to all interested persons. In this regard, in the absence of specific account-related impediments (such as client-imposed restrictions or lack of available cash), it is the policy of C&S to allocate investment ideas pro rata to all accounts with the same primary investment objective.

In addition, certain of the portfolio managers may from time to time manage one or more accounts on behalf of C&S and its affiliated companies (the CNS Accounts). Certain securities held in the CNS Accounts also may be held in the account of the registrant or other client accounts of C&S. C&S has adopted procedures that are designed to ensure that the interests of the CNS Accounts are never placed ahead of the interests of the registrant or any other client account. In this regard, C&S will not purchase or sell a security for the CNS Accounts until C&S has completed its purchase or sale program for the registrant and any other client accounts. While it is possible that a security will be sold out of the CNS Accounts but continue to be held for the registrant or one or more other client accounts, this will occur only if C&S, acting in its reasonable judgment and consistent with its fiduciary duties, believes this to be appropriate for, and consistent with the objectives and profile of, the registrant or other client accounts.

C&S Compensation Structure. Compensation of C&S's portfolio managers and other investment professionals has three primary components: (1) a base salary, (2) an annual cash bonus and (3) long-term stock-based compensation consisting generally of restricted stock units of C&S's parent, CNS. C&S's investment professionals, including the portfolio managers, also receive certain retirement, insurance and other benefits that are broadly available to all of its employees. Compensation of C&S's investment professionals is reviewed primarily on an annual basis. Cash bonuses, stock-based compensation awards, and adjustments in base salary are typically paid or put into effect in the January following the fiscal year-end of CNS.

Method to Determine Compensation. C&S compensates its portfolio managers based primarily on the scale and complexity of their portfolio responsibilities and the total return performance of funds and accounts managed by the portfolio manager versus appropriate peer groups or benchmarks. C&S uses a variety of benchmarks to evaluate the portfolio managers' performance for compensation purposes, including the NAREIT Equity REIT Index with respect to Messrs. Cohen, Steers, Harvey and Bohjalian and the Merrill Lynch Fixed Rate Preferred Index with respect to Mr. Scapell. In evaluating the performance of a portfolio manager, primary emphasis is normally placed on one- and three-year performance, with secondary consideration of performance over longer periods of time. Performance is evaluated on a pre-tax and pre-expense basis. In addition to rankings within peer groups of funds on the basis of absolute performance, consideration may also be given to risk-adjusted performance. For funds and accounts with a primary investment objective of high current income, consideration will also be given to the funds' and accounts' success in achieving this objective. For managers responsible for multiple funds and accounts, investment performance is evaluated on an aggregate basis. C&S does not have any funds or accounts with performance-based advisory fees. Portfolio managers are also evaluated on the basis of their success in managing their dedicated team of analysts. Base compensation for portfolio managers of C&S varies in line with the portfolio managers' seniority and position with the firm.

The compensation of portfolio managers with other job responsibilities (such as acting as an executive officer of the firm and supervising various departments within the firm) will include consideration of the scope of such responsibilities and the portfolio managers' performance in meeting them. C&S seeks to compensate portfolio managers commensurate with their responsibilities and performance, and competitive with other firms within the investment management industry. C&S participates in investment-industry compensation surveys and utilizes survey data as a factor in determining salary, bonus and stock-based compensation levels for portfolio managers and other investment professionals. Salaries, bonuses and stock-based compensation are also influenced by the operating performance of C&S and CNS. The overall annual cash bonus pool is based on a substantially fixed percentage of pre-bonus operating income. While the salaries of C&S's portfolio managers are comparatively fixed, cash bonuses and stock-based compensation may fluctuate significantly from year to year, based on changes in manager performance and other factors as described herein. For a high performing portfolio manager, cash bonuses and stock-based compensation generally are a substantial portion of total compensation.

#### Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

	(a)	(b)	(c)	(d)
Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
6/12/08 to 6/30/08	N/A	N/A	N/A	N/A
7/01/08 to 7/31/08	N/A	N/A	N/A	N/A
8/01/08 to 8/31/08	N/A	N/A	N/A	N/A
9/01/08 to 9/30/08	N/A	N/A	N/A	N/A
10/01/08 to 10/31/08	N/A	N/A	N/A	N/A
11/01/08 to 11/30/08	N/A	N/A	N/A	N/A
12/01/08 to 12/31/08	N/A	N/A	N/A	N/A

Note: On June 12, 2008, the Board of Directors of the Fund approved the delegation of its authority to management to effect repurchases, pursuant to management's discretion and subject to market conditions and investment considerations, of up to 10% of the Fund's total assets ( Share Repurchase Program ) through the current fiscal year ending December 31, 2008. On December 17, 2008, the Board of Directors authorized the continuation of the Share Repurchase Program through fiscal year ending December 31, 2009.

**Item 10. Submission of Matters to a Vote of Security Holders.**

**Not applicable.**

**Item 11. Controls and Procedures.**

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of this report.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 12. Exhibits.**

(a)(1) **Not applicable.**

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

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

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**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 and Chief Executive Officer

Date: March 6, 2009

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 Chief Executive Officer  
(principal executive officer)

By: /s/ James Giallanza

Name: James Giallanza

Title: Treasurer  
(principal financial officer)

Date: March 6, 2009

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