

COHEN & STEERS TOTAL RETURN REALTY FUND INC  
Form N-CSRS  
September 04, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-07154

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

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

10017  
(Zip code)

Tina M. Payne

Cohen & Steers Capital Management, Inc.

280 Park Avenue

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

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

Date of fiscal year end: December 31

Date of reporting period: June 30, 2012

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**Item 1. Reports to Stockholders.**

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

To Our Shareholders:

We would like to share with you our report for the six months ended June 30, 2012. The net asset value (NAV) at that date was \$13.52 per common share. The Fund's common stock is traded on the New York Stock Exchange (NYSE) and its share price can differ from its NAV; at period end, the Fund's closing price on the NYSE was \$13.28.

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

	Six Months Ended June 30, 2012
Cohen & Steers Total Return Realty Fund at NAV <sup>a</sup>	13.56%
Cohen & Steers Total Return Realty Fund at Market <sup>a</sup>	15.20%
FTSE NAREIT Equity REIT Index <sup>b</sup>	14.91%
S&P 500 Index <sup>b</sup>	9.49%
Blended benchmark 80% FTSE NAREIT Equity REIT Index/ 20% BofA Merrill Lynch REIT Preferred Index <sup>b</sup>	12.89%

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

**Managed Distribution Policy**

Cohen & Steers Total Return Realty Fund, Inc. (the Fund), acting in accordance with an exemptive order received from the Securities and Exchange Commission and with approval of its Board of Directors (the Board), adopted a managed distribution policy under which the Fund intends to include long-term capital gains, where applicable, as part of the regular quarterly cash distributions to its shareholders (the Plan). The Plan will give the Fund greater flexibility to realize long-term capital gains and to distribute those gains on a regular quarterly basis. In accordance with the Plan, the Fund currently distributes \$0.22 per share on a quarterly basis.

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

<sup>a</sup> As a closed-end investment company, the price of the Fund's NYSE-traded shares will be set by market forces and at times may deviate from the NAV 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 BofA Merrill Lynch REIT Preferred Index is an unmanaged index of real estate preferred securities.

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

of capital decrease the Fund's total assets and, therefore, could have the effect of increasing the Fund's expense ratio. In addition, in order to make these distributions, the Fund may have to sell portfolio securities at a less than opportune time.

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

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

*The Fund implements fair value pricing when the daily change in a specific U.S. market index exceeds a predetermined percentage. Fair value pricing adjusts the valuation of certain non-U.S. holdings to account for such index change following the close of foreign markets. This standard practice has been adopted by a majority of the fund industry. In the event fair value pricing is implemented on the first and/or last day of a performance measurement period, the Fund's NAV return may diverge from the relative performance of its benchmark indices, which do not use fair value pricing. An investor cannot invest directly in an index.*

### Investment Review

U.S. real estate securities advanced in the first half of 2012 and outperformed the broader equity market. After a strong start, the pace of the rally cooled in the second quarter amid slowing economic growth with more-modest job creation. REITs nonetheless added to their first-quarter gains, while the S&P 500 Index turned down. In a less-certain economic environment, investors appeared to favor REITs for their relatively stable lease-based cash flows and access to capital at historically attractive terms. Investors also took comfort in the mostly domestic profile of REITs' income, which made them less vulnerable to slowing growth and sovereign debt issues internationally.

All property sectors advanced, led by owners of regional malls which had a total return of (+22.7%)<sup>b</sup> in the index. The group was aided by good earnings reports from leading companies and continued sales growth from mall tenants broadly. Simon Property Group reported first-quarter earnings that grew 13% compared with the first quarter of 2011, and announced a 5% dividend increase. Simon also acquired a 29% stake in Klépierre, a French retail landlord majority owned by BNP Paribas. It was able to move quickly on this long-term growth opportunity, funding the transaction through a combination of common stock and unsecured debt.

Office REITs (+13.7%) saw stronger-than-expected demand on the West Coast and in Manhattan. SL Green Realty Corp. was a standout, announcing one of the largest lease deals in New York City history with media tenant Viacom. In the diversified sector (+12.5%), data-center operator Digital Realty Trust announced the purchase of three facilities near London. Similar to Simon Property Group's venture into Europe, this was an example of a U.S. company using its low cost of capital to acquire attractively priced, higher-yielding European assets.

<sup>b</sup> Sector returns as measured by the FTSE NAREIT Equity REIT Index.



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

The typically cyclical hotel sector (+12.8%) performed broadly in line with the typically defensive health care property sector (+12.7%), alternating leadership in the first and second quarters, respectively. Apartment REITs (+9.5%) underperformed, as improving sentiment in the single-family housing market prompted concerns of slower cash flow growth in the rental market.

### *REIT preferred securities also advanced*

Preferred securities issued by REITs had a total return of (+4.7%) in the period as measured by the BofA Merrill Lynch REIT Preferred Index. The group was aided by the factors that lifted real estate common shares (relatively stable and visible cash flows and a low cost of capital), and by demand for quality income in a low-yield environment.

### *Fund performance*

The Fund had a positive total return and outperformed its blended benchmark for the period. Factors that aided relative performance based on NAV included favorable security selection within the Fund's allocation to REIT preferreds. With regard to common stocks, performance was helped by security selection in the shopping center sector (+19.3%) and our overweight in regional malls, specifically Simon Property Group. Stock selection in the apartment sector modestly benefited relative returns.

Stock selection in the hotel sector detracted from relative performance. Among our holdings was a U.S.-based company whose portfolio includes hotels in Europe. We believe it has good fundamentals, although revenue growth in dollar terms has been hindered recently by weakness in the Euro.

The Fund employed a modest covered call option overlay strategy to enhance the portfolio's income. This did not have a material effect on the Fund's performance.

### *Investment Outlook*

Recent disappointment in employment reports notwithstanding (monthly job gains below 100,000 in both May and June), we continue to expect slow but steady growth, with modest job creation. Such an environment should, in our view, allow for incremental gains in demand for real estate companies and continued low financing costs as interest rates remain low. We believe fundamentals in most sectors should also be supported by only gradual additions to supply, to the potential benefit of property-level cash flow growth.

Recent property transactions have largely confirmed our value estimates, but we continue to carefully evaluate our inputs. We have a modest cyclical lean (overweight in hotel and industrial companies), but with a defensive component in the portfolio. For this, high-quality malls are more appealing than health care companies, which are trading well above their historical premium to NAV.

We have a generally favorable view of key office markets, including life sciences, technology and media, as well as New York offices broadly. We are marginally underweight apartments based on valuations and improved statistics for single-family homes, although we are monitoring the group for buying opportunities based on its relative underperformance versus other property sectors. We continue to favor prime retail owners, while staying cautious toward health care properties, suburban offices and secondary retail.





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

Overall, we believe REIT preferred securities continue to have attractive total return potential. The credit metrics of REITs continue to improve, and most are well-insulated from the troubles in Europe that have plagued other sectors. However, with call protection running low on many issues, the total return from many REIT preferreds may come from coupon payments rather than price appreciation.

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*

JASON YABLON

*Portfolio Manager*

*The views and opinions in the preceding commentary are subject to change. There is no guarantee that any market forecast set forth in the commentary will be realized. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.*

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

For more information about 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, commodities, global natural resource equities, 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.**

June 30, 2012

Top Ten Holdings  
(Unaudited)

	Value	% of Net Assets
Security		
Simon Property Group	\$ 11,698,938	9.1
Vornado Realty Trust	7,000,573	5.4
Equity Residential	6,126,309	4.8
Prologis	5,886,794	4.6
HCP	4,264,228	3.3
Boston Properties	3,805,629	3.0
Ventas	3,543,304	2.8
AvalonBay Communities	3,505,591	2.7
Public Storage	3,346,846	2.6
General Growth Properties	3,110,340	2.4

Sector Breakdown

(Based on Net Assets)  
(Unaudited)



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

## SCHEDULE OF INVESTMENTS

June 30, 2012 (Unaudited)

		Number of Shares	Value
COMMON STOCK REAL ESTATE	79.5%		
DIVERSIFIED	6.7%		
American Assets Trust		69,052	\$ 1,674,511
Vornado Realty Trust		83,360	7,000,573
			8,675,084
HEALTH CARE	8.2%		
Brookdale Senior Living <sup>a</sup>		56,781	1,007,295
HCP		96,585	4,264,228
Healthcare Realty Trust		74,900	1,785,616
Ventas		56,136	3,543,304
			10,600,443
HOTEL	5.7%		
Hersha Hospitality Trust		221,107	1,167,445
Host Hotels & Resorts		90,143	1,426,062
Hyatt Hotels Corp., Class A <sup>a</sup>		60,342	2,242,309
Pebblebrook Hotel Trust		27,526	641,631
Starwood Hotels & Resorts Worldwide		17,832	945,809
Strategic Hotels & Resorts Worldwide <sup>a</sup>		142,088	917,889
			7,341,145
INDUSTRIAL	5.5%		
DCT Industrial Trust		86,400	544,320
First Industrial Realty Trust <sup>a</sup>		51,505	649,993
Prologis		177,153	5,886,794
			7,081,107
OFFICE	10.4%		
Alexandria Real Estate Equities		21,686	1,577,006
Boston Properties		35,117	3,805,629
Brookfield Office Properties (Canada)		88,961	1,549,701
Corporate Office Properties Trust		30,595	719,288
Hudson Pacific Properties		101,754	1,771,537
Kilroy Realty Corp.		27,359	1,324,449
SL Green Realty Corp.		33,665	2,701,280
			13,448,890

See accompanying notes to financial statements.

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

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012 (Unaudited)

		Number of Shares	Value
OFFICE/INDUSTRIAL	1.0%		
PS Business Parks		19,037	\$ 1,289,186
RESIDENTIAL	16.2%		
APARTMENT	15.5%		
American Campus Communities		14,500	652,210
Apartment Investment & Management Co.		86,444	2,336,581
Associated Estates Realty Corp.		57,318	856,904
AvalonBay Communities		24,778	3,505,591
Colonial Properties Trust		47,200	1,045,008
Education Realty Trust		145,768	1,615,109
Equity Residential		98,241	6,126,309
Essex Property Trust		8,300	1,277,536
Mid-America Apartment Communities		14,654	999,989
UDR		57,584	1,487,971
			19,903,208
MANUFACTURED HOME	0.7%		
Equity Lifestyle Properties		13,406	924,612
TOTAL RESIDENTIAL			20,827,820
SELF STORAGE	3.9%		
CubeSmart		56,421	658,433
Public Storage		23,176	3,346,846
Sovran Self Storage		19,300	966,737
			4,972,016
SHOPPING CENTER	19.3%		
COMMUNITY CENTER	5.7%		
Acadia Realty Trust		28,198	653,630
Federal Realty Investment Trust		22,784	2,371,586
Ramco-Gershenson Properties Trust		99,262	1,247,723
Regency Centers Corp.		51,138	2,432,635
Retail Properties of America		64,955	631,363
			7,336,937

See accompanying notes to financial statements.

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

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012 (Unaudited)

		Number of Shares	Value
<b>REGIONAL MALL</b>	<b>13.6%</b>		
General Growth Properties		171,937	\$ 3,110,340
Glimcher Realty Trust		65,700	671,454
Simon Property Group		75,157	11,698,938
Taubman Centers		25,761	1,987,719
			17,468,451
<b>TOTAL SHOPPING CENTER</b>			<b>24,805,388</b>
<b>SPECIALTY</b>	<b>2.6%</b>		
Digital Realty Trust		31,399	2,357,123
DuPont Fabros Technology		35,060	1,001,314
			3,358,437
<b>TOTAL COMMON STOCK</b> (Identified cost \$72,162,582)			<b>102,399,516</b>
<b>PREFERRED SECURITIES \$25 PAR VALUE</b>	<b>15.8%</b>		
<b>BANK FOREIGN</b>	<b>0.2%</b>		
National Westminster Bank PLC, 7.76%, Series C		13,358	297,884
<b>INSURANCE MULTI-LINE FOREIGN</b>	<b>0.3%</b>		
ING Groep N.V., 7.375%		15,000	357,300
<b>REAL ESTATE</b>	<b>15.3%</b>		
<b>DIVERSIFIED</b>	<b>4.0%</b>		
Capital Lease Funding, 8.125%, Series A		20,000	499,600
Colony Financial, 8.50%, Series A		20,000	510,600
Cousins Properties, 7.75%, Series A		26,725	677,479
DuPont Fabros Technology, 7.875%, Series A		20,000	523,200
DuPont Fabros Technology, 7.625%, Series B		20,000	519,600
Forest City Enterprises, 7.375%, due 2/1/34		38,000	903,260
Lexington Realty Trust, 6.50%, Series C (\$50 Par Value)		24,900	1,106,556
Lexington Realty Trust, 7.55%, Series D		16,500	414,315
			5,154,610

See accompanying notes to financial statements.

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

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012 (Unaudited)

		Number of Shares	Value
<b>HOTEL</b>	<b>3.2%</b>		
Ashford Hospitality Trust, 9.00%, Series E		30,000	\$ 787,500
Hersha Hospitality Trust, 8.00%, Series B		25,000	636,250
Hospitality Properties Trust, 7.00%, Series C		16,000	412,000
Hospitality Properties Trust, 7.125%, Series D		10,000	266,000
Pebblebrook Hotel Trust, 7.875%, Series A		35,000	905,800
Strategic Hotels & Resorts, 8.25%, Series B		20,000	476,200
Sunstone Hotel Investors, 8.00%, Series D		25,000	634,875
			4,118,625
<b>INDUSTRIAL</b>	<b>1.2%</b>		
First Potomac Realty Trust, 7.75%, Series A		15,000	379,350
Monmouth Real Estate Investment Corp., 7.875%, Series B <sup>b</sup>		20,000	528,600
Prologis, 6.75%, Series R		25,000	627,250
			1,535,200
<b>OFFICE</b>	<b>0.2%</b>		
Hudson Pacific Properties, 8.375%, Series B		8,500	226,610
<b>OFFICE/INDUSTRIAL</b>	<b>0.4%</b>		
PS Business Parks, 6.70%, Series P		22,538	569,535
<b>RESIDENTIAL</b>	<b>2.1%</b>		
<b>APARTMENT</b>	<b>1.5%</b>		
Alexandria Real Estate Equities, 7.00%, Series D		19,000	503,500
Apartment Investment & Management Co., 7.75%, Series U		60,000	1,501,200
			2,004,700
<b>MANUFACTURED HOME</b>	<b>0.6%</b>		
Equity Lifestyle Properties, 8.034%, Series A		28,000	732,480
<b>TOTAL RESIDENTIAL</b>			2,737,180

See accompanying notes to financial statements.

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

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012 (Unaudited)

		Number of Shares	Value
SHOPPING CENTER	3.8%		
COMMUNITY CENTER	2.0%		
Cedar Shopping Centers, 8.875%, Series A		23,594	\$ 600,467
DDR Corp., 7.375%, Series H		19,900	498,893
Kite Realty Group Trust, 8.25%, Series A		10,000	255,000
Ramco-Gershenson Properties Trust, 7.25%, Series D (\$50 Par Value)(Convertible)		15,000	750,000
Urstadt Biddle Properties, 8.50%, Series C (\$100 Par Value) <sup>b</sup>		4,000	418,120
			2,522,480
REGIONAL MALL	1.8%		
CBL & Associates Properties, 7.75%, Series C		16,000	407,680
CBL & Associates Properties, 7.375%, Series D		49,998	1,277,449
Pennsylvania REIT, 8.25%, Series A		25,000	643,750
			2,328,879
TOTAL SHOPPING CENTER			4,851,359
SPECIALTY	0.4%		
Entertainment Properties Trust, 9.00%, Series E		20,000	546,000
TOTAL REAL ESTATE			19,739,119
TOTAL PREFERRED SECURITIES \$25 PAR VALUE (Identified cost \$18,342,092)			20,394,303
PREFERRED SECURITIES CAPITAL SECURITIES	0.9%		
BANK	0.5%		
Farm Credit Bank of Texas, 10.00%, due 12/15/20, (\$1,000 Par Value) Series I		500	583,125
INSURANCE MULTI-LINE	0.4%		
American International Group, 8.175%, due 5/15/58, (FRN)		500,000	545,000
TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost \$1,031,124)			1,128,125



See accompanying notes to financial statements.

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

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012 (Unaudited)

		Principal Amount	Value
CORPORATE BONDS	2.6%		
DIVERSIFIED FINANCIAL SERVICES	0.4%		
General Electric Capital Corp., 7.125%, due 12/15/49, Series A		\$ 500,000	\$ 530,188
INSURANCE PROPERTY CASUALTY	0.3%		
Liberty Mutual Insurance, 7.697%, due 10/15/97, 144A <sup>c</sup>		375,000	371,523
INTEGRATED TELECOMMUNICATIONS SERVICES	0.6%		
CenturyLink, 7.65%, due 3/15/42		750,000	730,009
REAL ESTATE	1.3%		
OFFICE	0.4%		
BR Properties SA, 9.00%, due 10/29/49, 144A (Brazil) <sup>c</sup>		500,000	527,500
SHOPPING CENTER	0.9%		
BR Malls International Finance Ltd., 8.50%, due 1/29/49, 144A (Brazil) <sup>b,c</sup>		500,000	523,000
General Shopping Finance Ltd., 10.00%, due 11/29/49, 144A <sup>b,c</sup>		620,000	598,314
			1,121,314
<b>TOTAL REAL ESTATE</b>			<b>1,648,814</b>
<b>TOTAL CORPORATE BONDS</b> (Identified cost \$3,214,290)			<b>3,280,534</b>

See accompanying notes to financial statements.

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

## SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012 (Unaudited)

		Number of Shares	Value
<b>SHORT-TERM INVESTMENTS</b>	<b>0.7%</b>		
<b>MONEY MARKET FUNDS</b>			
BlackRock Liquidity Funds: FedFund, 0.01% <sup>d</sup>		450,019	\$ 450,019
Federated Government Obligations Fund, 0.01% <sup>d</sup>		450,017	450,017
<b>TOTAL SHORT-TERM INVESTMENTS</b> (Identified cost \$900,036)			<b>900,036</b>
<b>TOTAL INVESTMENTS</b> (Identified cost \$95,650,124)	<b>99.5%</b>		<b>128,102,514</b>
<b>OTHER ASSETS IN EXCESS OF LIABILITIES</b>	<b>0.5</b>		<b>662,861</b>
<b>NET ASSETS</b> (Equivalent to \$13.52 per share based on 9,523,277 shares of common stock outstanding)	<b>100.0%</b>		<b>\$ 128,765,375</b>

## Glossary of Portfolio Abbreviations

FRN Floating Rate Note

REIT Real Estate Investment Trust

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

<sup>a</sup> Non-income producing security.<sup>b</sup> Illiquid security. Aggregate holdings equal 1.6% of the net assets of the Fund.<sup>c</sup> Resale is restricted to qualified institutional investors. Aggregate holdings equal 1.6% of the net assets of the Fund, of which 0.9% are illiquid.<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**

June 30, 2012 (Unaudited)

<b>ASSETS:</b>	
Investments in securities, at value (Identified cost \$95,650,124)	\$ 128,102,514
Cash	67,645
Receivable for:	
Investment securities sold	834,804
Dividends and interest	474,072
Other assets	14,070
<b>Total Assets</b>	<b>129,493,105</b>
<b>LIABILITIES:</b>	
Payable for:	
Investment securities purchased	426,203
Dividends declared	142,694
Investment advisory fees	72,041
Directors' fees	968
Other liabilities	85,824
<b>Total Liabilities</b>	<b>727,730</b>
<b>NET ASSETS</b>	<b>\$ 128,765,375</b>
NET ASSETS consist of:	
Paid-in capital	\$ 91,934,303
Dividends in excess of net investment income	(2,633,658)
Accumulated undistributed net realized gain	7,012,340
Net unrealized appreciation	32,452,390
	<b>\$ 128,765,375</b>
<b>NET ASSET VALUE PER SHARE:</b>	
(\$128,765,375 ÷ 9,523,277 shares outstanding)	<b>\$ 13.52</b>
<b>MARKET PRICE PER SHARE</b>	<b>\$ 13.28</b>
<b>MARKET PRICE DISCOUNT TO NET ASSET VALUE PER SHARE</b>	<b>(1.78)%</b>

See accompanying notes to financial statements.

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

## STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 2012 (Unaudited)

Investment Income:	
Dividend income (net of \$2,647 of foreign withholding tax)	\$ 1,723,436
Interest income	132,451
Total Income	1,855,887
Expenses:	
Investment advisory fees	434,392
Professional fees	68,498
Shareholder reporting expenses	24,388
Custodian fees and expenses	15,834
Administration fees	13,104
Transfer agent fees and expenses	11,102
Directors' fees and expenses	5,782
Miscellaneous	18,155
Total Expenses	591,255
Net Investment Income	1,264,632
Net Realized and Unrealized Gain:	
Net realized gain on:	
Investments	6,876,383
Options	10,193
Net realized gain	6,886,576
Net change in unrealized appreciation	7,629,774
Net realized and unrealized gain	14,516,350
Net Increase in Net Assets Resulting from Operations	\$ 15,780,982

See accompanying notes to financial statements.

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

## STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

	For the Six Months Ended June 30, 2012	For the Year Ended December 31, 2011
Change in Net Assets:		
From Operations:		
Net investment income	\$ 1,264,632	\$ 2,133,610
Net realized gain	6,886,576	7,145,778
Net change in unrealized appreciation (depreciation)	7,629,774	(2,599,041)
Net increase in net assets resulting from operations	15,780,982	6,680,347
Dividends and Distributions to Shareholders from:		
Net investment income	(4,187,729)	(2,313,157)
Net realized gain		(6,029,039)
Total dividends and distributions to shareholders	(4,187,729)	(8,342,196)
Capital Stock Transactions:		
Increase in net assets from Fund share transactions	152,002	814,661
Total increase (decrease) in net assets	11,745,255	(847,188)
Net Assets:		
Beginning of period	117,020,120	117,867,308
End of period <sup>a</sup>	\$ 128,765,375	\$ 117,020,120

<sup>a</sup> Includes dividends in excess of net investment income and accumulated undistributed net investment income of \$2,633,658 and \$289,439, respectively.

See accompanying notes to financial statements.





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

## FINANCIAL HIGHLIGHTS (Unaudited)

The following table includes selected data for a share outstanding throughout each period 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 Six Months Ended		For the Year Ended December 31,			
	June 30, 2012	2011	2010	2009	2008	2007
Net asset value, beginning of period	\$ 12.30	\$ 12.48	\$ 11.06	\$ 8.45	\$ 13.93	\$ 19.74
Income from investment operations:						
Net investment income	0.13	0.24	0.29	0.36	0.44	0.52 <sup>a</sup>
Net realized and unrealized gain (loss)	1.53	0.46	2.56	2.78	(4.58)	(3.64)
Total income (loss) from investment operations	1.66	0.70	2.85	3.14	(4.14)	(3.12)
Less dividends and distributions to shareholders from:						
Net investment income	(0.44)	(0.24)	(0.27)	(0.37)	(0.41)	(0.52)
Net realized gain		(0.64)	(1.17)		(0.18)	(1.52)
Tax return of capital				(0.16)	(0.76)	(0.65)

Total dividends and distributions to shareholders	(0.44)	(0.88)	(1.44)	(0.53)	(1.35)	(2.69)
Anti-dilutive effect from the issuance of shares	0.00 <sup>b</sup>	0.00 <sup>b</sup>	0.01	0.00 <sup>b</sup>	0.01	
Net increase (decrease) in net asset value	1.22	(0.18)	1.42	2.61	(5.48)	(5.81)
Net asset value, end of period	\$ 13.52	\$ 12.30	\$ 12.48	\$ 11.06	\$ 8.45	\$ 13.93
Market value, end of period	\$ 13.28	\$ 11.91	\$ 14.88	\$ 9.68	\$ 7.35	\$ 13.19
Total net asset value return <sup>c</sup>	13.56% <sup>d</sup>	5.91% <sup>e</sup>	25.41% <sup>e</sup>	40.21%	32.15%	15.92%
Total market value return <sup>c</sup>	15.20% <sup>d</sup>	14.13%	71.12%	41.08%	37.72%	22.60%

See accompanying notes to financial statements.

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

## FINANCIAL HIGHLIGHTS (Unaudited) (Continued)

Per Share Operating Performance	For the Six Months Ended	For the Year Ended December 31,				
	June 30, 2012	2011	2010	2009	2008	2007
Net assets, end of period (in millions)	\$ 128.8	\$ 117.0	\$ 117.9	\$ 103.7	\$ 79.1	\$ 128.8
Ratio of expenses to average daily net assets	0.95% <sup>f</sup>	0.91%	0.96%	1.13%	1.00%	0.92%
Ratio of net investment income to average daily net assets	2.04% <sup>f</sup>	1.78%	1.99%	3.79%	3.62%	2.48%
Portfolio turnover rate	36% <sup>d</sup>	72%	101%	101%	33%	29%

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

<sup>b</sup> Amount is less than \$0.005.

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

<sup>d</sup> Not annualized.

<sup>e</sup> Does not reflect adjustments in accordance with accounting principles generally accepted in the United States of America. The net asset value for financial reporting purposes and the returns based upon that net asset value differ from the net asset value and return reported on December 31, 2010.

<sup>f</sup> Annualized.

See accompanying notes to financial statements.



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

NOTES TO FINANCIAL STATEMENTS (Unaudited)

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 non-diversified, closed-end management investment company. The Fund's investment objective is high 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 on such day or, if no asked price is available, at the bid price. Exchange traded options are valued at their last sale price as of the close of options trading on applicable exchanges on the valuation date. In the absence of a sale on such date, options are valued at the average of the quoted bid and asked prices as of the close of business. Over-the-counter options quotations are provided by the respective counterparty when such prices are believed by Cohen & Steers Capital Management, Inc. (the advisor), pursuant to delegation by the Board of Directors, to reflect the fair market value.

Securities not listed on the New York Stock Exchange but listed on other domestic or foreign securities exchanges are valued in a similar manner. Securities traded on more than one securities exchange are valued at the last sale price reflected at the close of the exchange representing the principal market for such securities on the business day as of which such value is being determined. If after the close of a foreign market, but prior to the close of business on the day the securities are being valued, market conditions change significantly, certain foreign securities may be fair valued pursuant to procedures established by the Board of Directors.

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by the advisor to be over-the-counter, are valued at the last sale price on the valuation date as reported by sources deemed appropriate by the Board of Directors 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 on such 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 advisor, pursuant to delegation by the Board of Directors, to reflect the fair market value of such securities.



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

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

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

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

Securities for which market prices are unavailable, or securities for which the advisor determines that the bid and/or asked price or a counterparty valuation does not reflect market value, will be valued at fair value, as determined in good faith by the Valuation Committee, pursuant to procedures approved by the Fund's Board of Directors. Circumstances in which market prices may be unavailable include, but are not limited to, when trading in a security is suspended, the exchange on which the security is traded is subject to an unscheduled close or disruption or material events occur after the close of the exchange on which the security is principally traded. In these circumstances, the Fund determines fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors it deems appropriate. These may include, but are not limited to, recent transactions in comparable securities, information relating to the specific security and developments in the markets.

The Fund's use of fair value pricing may cause the 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.

Fair value is defined as the price that the Fund would expect to receive upon the sale of an investment or expect to pay to transfer a liability in an orderly transaction with an independent buyer in the principal market or, in the absence of a principal market, the most advantageous market for the investment or liability. The hierarchy of inputs that are used in determining the fair value of the Fund's investments is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfer at the end of the period in which the underlying event causing the movement





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

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

occurred. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. There were no transfers between Level 1 and Level 2 securities during the six months ended June 30, 2012.

The following is a summary of the inputs used as of June 30, 2012 in valuing the Fund's investments carried at value:

	Total	Quoted Prices In Active Markets for Identical Investments (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 102,399,516	\$ 102,399,516	\$	\$
Preferred Securities \$25 Par Value	20,394,303	20,394,303		
Preferred Securities Capital Securities	1,128,125		1,128,125	
Corporate Bonds Real Estate Shopping Center	1,121,314			1,121,314 <sup>a</sup>
Corporate Bonds Other Industries	2,159,220		2,159,220	
Money Market Funds	900,036		900,036	
Total Investments <sup>b</sup>	\$ 128,102,514	\$ 122,793,819	\$ 4,187,381	\$ 1,121,314

<sup>a</sup> Deemed illiquid and valued by a pricing service which utilized independent broker quotes.

<sup>b</sup> Portfolio holdings are disclosed individually on the Schedule of Investments.

Investments classified as Level 3 infrequently trade and have significant unobservable inputs. Such items include investments for which the determination of fair value is based on prices from third party pricing

services without applying any adjustment.

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

	Investments in Securities
Balance as of December 31, 2011	\$ 621,550
Change in unrealized depreciation	(23,236)
Transfers into Level 3	523,000
Balance as of June 30, 2012	\$ 1,121,314

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

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

The change in unrealized appreciation/(depreciation) attributable to securities owned on June 30, 2012 which were valued using significant unobservable inputs (Level 3) amounted to \$(23,236). Transfers are recognized at the end of the period.

*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. Distributions from Real Estate Investment Trusts ("REITs") are recorded as ordinary income, net realized capital gain or return of capital based on information reported by the REITs and management's estimates of such amounts based on historical information. These estimates are adjusted when the actual source of distributions is disclosed by the REITs and may differ from the estimated amounts.

*Options:* The Fund writes covered call options on securities and may write put or call options on an index and put options on securities with the intention of earning option premiums. Option premiums may increase the Fund's realized gains and therefore may help increase distributable income. When the Fund writes (sells) an option, an amount equal to the premium received by the Fund is recorded on the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When an option expires, the Fund realizes a gain on the option to the extent of the premium received. Premiums received from writing options which are exercised or closed are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option on a security is exercised, the premium reduces the cost basis of the security purchased by the Fund. If a call option is exercised, the premium is added to the proceeds of the security sold to determine the realized gain or loss. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the underlying index or security. Other risks include the possibility of an illiquid options market or the inability of the counterparties to fulfill their obligations under the contracts.

*Foreign Currency Translation:* 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 on the date of valuation; 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 foreign exchange rates on investments from the changes in market prices of 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



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

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

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.

*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, if any, are 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 in accordance with the Fund's Reinvestment Plan, unless the shareholder has elected to have them paid in cash.

On December 13, 2011, the Fund's Board of Directors announced that the Fund implemented a managed distribution policy in accordance with exemptive relief issued by the Securities and Exchange Commission. This policy gives the Fund greater flexibility to realize long-term capital gains throughout the year and to distribute those gains on a more regular basis to shareholders. Therefore, regular quarterly distributions throughout the year may include a portion of estimated realized long-term capital gains, along with net investment income, short-term capital gains and return of capital, which is not taxable. In accordance with the relief, the Fund is required to adhere to certain conditions in order to distribute long-term capital gains during the year.

Distributions paid by the Fund are subject to recharacterization for tax purposes. Based upon the results of operations for the six months ended June 30, 2012, the advisor considers it likely that a portion of the dividends will be reclassified to net realized capital gain upon the final determination of the Fund's taxable income for the year.

*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. Dividend and interest income from holdings in non-U.S. securities is recorded net of non-U.S. taxes paid. Management has analyzed the Fund's tax positions taken on federal income tax returns as well as its tax positions in non-U.S. jurisdictions in which it trades for all open tax years and has concluded that as of June 30, 2012, no additional provisions for income tax are required in the Fund's financial statements. The Fund's tax positions for the tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service, state departments of revenue and by foreign tax authorities.

Note 2. Investment Advisory Fees and Other Transactions with Affiliates

*Investment Advisory Fees:* The advisor serves as the Fund's investment advisor pursuant to an investment advisory agreement (the investment advisory agreement). Under the terms of the investment 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 Board of Directors.



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

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

For the services provided to the Fund, the advisor receives a fee, accrued daily and paid monthly, at the annual rate of 0.70% of the average daily net assets of the Fund.

*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 directors and officers affiliated with the advisor except for the Chief Compliance Officer, who received compensation from the advisor which was reimbursed by the Fund in the amount of \$919 for the six months ended June 30, 2012.

## Note 3. Purchases and Sales of Securities

Purchases and sales of securities, excluding short-term investments, for the six months ended June 30, 2012, totaled \$44,157,348 and \$45,907,534, respectively.

Transactions in options written during the six months ended June 30, 2012, were as follows:

	Number of Contracts	Premium
Options outstanding at December 31, 2011		\$
Options written	196	27,815
Options expired	(111)	(10,193)
Options exercised	(85)	(17,622)
Options outstanding at June 30, 2012		\$

## Note 4. Derivative Investments

The following table presents the effect of derivatives held during the six months ended June 30, 2012, along with the respective location in the financial statements. The volume of activity for written options for the six months ended June 30, 2012 is summarized in Note 3.

## Statement of Operations

Derivatives	Location	Realized Gain/(Loss)	Change in Unrealized Appreciation/ (Depreciation)
Equity contracts	Net Realized and Unrealized Gain (Loss)	\$ 10,193	\$



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

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Note 5. Income Tax Information

As of June 30, 2012, the federal tax cost and unrealized appreciation and depreciation in value of securities held were as follows:

Cost for federal income tax purposes	\$ 95,650,124
Gross unrealized appreciation	\$ 32,697,638
Gross unrealized depreciation	(245,248)
Net unrealized appreciation	\$ 32,452,390

Note 6. 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 six months ended June 30, 2012, and the year ended December 31, 2011, the Fund issued 11,420 and 64,667 shares of common stock, respectively, for the reinvestment of dividends.

On December 14, 2011, the Board of Directors approved the continuation of 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 common shares outstanding ("Share Repurchase Program") as of January 1, 2012 through the fiscal year ended December 31, 2012. During the six months ended June 30, 2012 and the year ended December 31, 2011, the Fund did not effect any repurchases.

Note 7. 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 8. Subsequent Events

Management has evaluated events and transactions occurring after June 30, 2012 through the date that the financial statements were issued, and has determined that no additional disclosure in the financial statements is required.



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

PROXY RESULTS (Unaudited)

Cohen & Steers Total Return Realty Fund, Inc. shareholders voted on the following proposals at the annual meeting held on April 26, 2012. The description of each proposal and number of shares voted are as follows:

Common Shares

	Shares Voted For	Authority Withheld
To elect Directors:		
George Grossman	8,252,021.651	112,461.357
Robert H. Steers	8,245,345.637	119,137.371
C. Edward Ward Jr.	8,241,264.302	123,218.706

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

## AVERAGE ANNUAL TOTAL RETURNS

(periods ended June 30, 2012) (Unaudited)

Based on Net Asset Value				Based on Market Value			
One Year	Five Years	Ten Years	Since Inception (09/27/93)	One Year	Five Years	Ten Years	Since Inception (09/27/93)
9.19%	4.95%	9.72%	10.22%	2.76%	5.30%	9.42%	9.69%

*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. Current total returns of the Fund can be obtained by visiting our Web site at [cohenandsteers.com](http://cohenandsteers.com). The Fund's returns assume the reinvestment of all dividends and distributions at prices obtained under the Fund's dividend reinvestment plan.*

## REINVESTMENT PLAN

We urge shareholders who want to take advantage of this plan and whose shares are held in 'Street Name' to consult your broker as soon as possible to determine if you must change registration into your own name to participate.

## 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 by August 31 of each year (i) without charge, upon request, by calling 800-330-7348 or (ii) on the SEC's Web site at <http://www.sec.gov>.

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 and are taxable up to the amount of the Fund's investment company taxable income and net realized gains. Distributions in excess of the Fund's net investment company taxable income and realized gains are a 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 Rule 23c-1 under the Investment Company Act of 1940 that the Fund may purchase, from time to time, shares of its common stock in the open market.

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

### *Change to the Portfolio Management Team*

Jason A. Yablon was added to the Fund's portfolio management team in 2012. Mr. Yablon is vice president of the Advisor and Cohen & Steers and serves as an analyst specializing in real estate securities in Brazil and Mexico. Prior to joining the Advisor in 2004, Mr. Yablon was a sell-side analyst at Morgan Stanley for four years, focusing on apartment and health care REITs.

### **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 telephonic meeting of the Board of Directors held on June 12, 2012 and at a meeting held in person on June 19, 2012, the Advisory Agreement was discussed and was unanimously continued for a term ending June 30, 2013 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") and performance comparisons to a larger category universe, prepared by an independent data provider; summary information prepared by the Investment Advisor; and a memorandum 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 advisory personnel. In addition, the Board of Directors considered information provided from time to time by the Investment Advisor 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 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 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 Fund. The Board of Directors further noted the Investment Advisor's ability to attract qualified and experienced personnel, noting the recent leadership changes to the global real estate investment team. The Board of Directors also considered the administrative services provided by the Investment Advisor, including compliance and accounting services. After consideration of the above factors, among others,



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

the Board of Directors concluded that the nature, extent and quality 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 a relevant benchmark and a blended benchmark. The Board of Directors noted that the Fund outperformed the Peer Funds' median for the one- and five-year periods ended March 31, 2012, and was at the Peer Funds' median for the three-year period (the Fund was the only fund in its peer group with a ten-year performance record). The Board of Directors also noted that the Fund outperformed both the benchmark and the blended benchmark for the five-year period ended March 31, 2012, and underperformed the benchmark but outperformed the blended benchmark for the three-year period. The Board of Directors then noted that the Fund underperformed both the benchmark and blended benchmark for the one- and ten-year periods ended March 31, 2012. The Board of Directors engaged in discussions with the Investment Advisor regarding the contributors and detractors to the Fund's performance during the periods. The Board of Directors also considered supplemental information provided by the Investment Advisor, including a narrative summary of various factors affecting performance, recent changes to the global real estate investment team, and the Investment Advisor's performance in managing other real estate funds. Due to the limited number of Peer Funds, the Board of Directors further considered the Fund's performance across all periods versus a group of open-end funds compiled by the Investment Advisor, and noted that the Fund outperformed the group's median for the five- and ten-year periods and underperformed for the one- and three-year periods. The Board of Directors determined that Fund performance, in light of all the 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 the total expense ratio. As part of its analysis, the Board of Directors gave consideration to the fee and expense analyses provided by the independent data provider. The Board of Directors considered the Fund's actual and contractual advisory fees and the Fund's total expense ratio compared to the medians of the Peer Funds, noting that the Fund was lower than the Peer Fund medians across all categories. The Board of Directors further considered the Fund's actual and contractual advisory fees and total expense ratio versus a group of four open-end funds compiled by the Investment Advisor, noting that the Fund was lower than the group's medians across all categories. The Board of Directors concluded that the Fund's current expense structure was satisfactory.

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 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. The Board of Directors noted that the Investment Advisor does not charge a separate administration fee, and noted the significant services received, such as compliance, accounting and operational services and furnishing office space and facilities for the Fund, and providing persons satisfactory to the Board of Directors to serve as officers of the Fund, and that these services were beneficial to the Fund. The Board of Directors concluded that





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

the profits realized by the Investment Advisor from its relationship with the Fund were reasonable and consistent with the Investment Advisor's fiduciary duties.

*(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, there were not significant economies of scale that were not being shared with shareholders.

*(v) Comparison of services rendered and fees paid to those under other investment advisory contracts, such as contracts of the same and other investment advisers or other clients:* As discussed above in (iii), the Board of Directors compared the fees paid under the Advisory Agreement to those under other investment management contracts of other investment advisers managing Peer Funds. The Board of Directors also considered the services rendered, fees paid and profitability under the Advisory Agreement to those under the Investment Advisor's other fund management agreements and advisory contracts with institutional and other clients with similar investment mandates. The Board of Directors also considered the entrepreneurial risk and financial exposure assumed by the Investment Advisor in developing and managing the Fund that the Investment Advisor does not have with institutional and other clients. 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.**

Cohen & Steers Privacy Policy

Facts	What Does Cohen & Steers Do With Your Personal Information?
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: <ul style="list-style-type: none"> <li>• Social Security number and account balances</li> <li>• Transaction history and account transactions</li> <li>• Purchase history and wire transfer instructions</li> </ul>
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Cohen & Steers chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Cohen & Steers share?	Can you limit this sharing?
For our everyday business purposes such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or reports to credit bureaus	Yes	No
For our marketing purposes to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For non-affiliates to market to you	No	We don't share

Questions? Call 800.330.7348



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

### Cohen & Steers Privacy Policy (Continued)

Who we are	
Who is providing this notice?	Cohen & Steers Capital Management, Inc., Cohen & Steers Asia Limited, Cohen & Steers UK Limited, Cohen & Steers Europe SA, Cohen & Steers Securities, LLC, Cohen & Steers Private Funds and Cohen & Steers Open and Closed-End Funds (collectively, "Cohen & Steers").
What we do	
How does Cohen & Steers protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. We restrict access to your information to those employees who need it to perform their jobs, and also require companies that provide services on our behalf to protect your information.
How does Cohen & Steers collect my personal information?	We collect your personal information, for example, when you: <ul style="list-style-type: none"><li>• Open an account or buy securities from us</li><li>• Provide account information or give us your contact information</li><li>• Make deposits or withdrawals from your account</li></ul> We also collect your personal information from other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only: <ul style="list-style-type: none"><li>• sharing for affiliates' everyday business purposes information about your creditworthiness</li><li>• affiliates from using your information to market to you</li><li>• sharing for non-affiliates to market to you</li></ul> State law and individual companies may give you additional rights to limit sharing.
Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"><li>• <i>Cohen &amp; Steers does not share with affiliates.</i></li></ul>
Non-affiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"><li>• <i>Cohen &amp; Steers does not share with non-affiliates.</i></li></ul>
Joint marketing	A formal agreement between non-affiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"><li>• <i>Cohen &amp; Steers does not jointly market.</i></li></ul>

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

*Cohen & Steers Investment Solutions*

**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 INSTITUTIONAL REALTY SHARES**

- Designed for institutional investors seeking total return, investing primarily in REITs
- Symbol: CSRIX

**COHEN & STEERS REALTY INCOME FUND**

- Designed for investors seeking 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  
EMERGING MARKETS REAL ESTATE FUND**

- Designed for investors seeking total return, investing primarily in emerging market real estate securities
- Symbols: APFAX, APFCX, APFIX

**COHEN & STEERS REALTY SHARES**

- Designed for investors seeking total return, investing primarily in REITs
- Symbol: CSRSX

**COHEN & STEERS  
INSTITUTIONAL GLOBAL REALTY SHARES**

- Designed for institutional investors seeking total return, investing primarily in global real estate securities
- Symbol: GRSIX

**COHEN & STEERS GLOBAL INFRASTRUCTURE FUND**

- Designed for investors seeking total return, investing primarily in global infrastructure securities
- Symbols: CSUAX, CSUBX\*, CSUCX, CSUIX

**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  
PREFERRED SECURITIES AND INCOME FUND**

- Designed for investors seeking total return (high current income and capital appreciation), investing primarily in preferred and debt securities
- Symbols: CPXAX, CPXCX, CPXIX

**COHEN & STEERS REAL ASSETS FUND**

- Designed for investors seeking total return and the maximization of real returns during inflationary environments by investing primarily in real assets
- Symbols: RAPAX, RAPCX, RAPIX, RAPRX, RAPZX

Distributed by Cohen & Steers Securities, LLC.

**COHEN & STEERS GLOBAL REALTY MAJORS ETF**

- Designed for investors who seek a relatively low-cost "passive" approach for investing in a portfolio of real estate equity securities of companies in a specified index
- Symbol: GRI

Distributed by ALPS Distributors, Inc.

**ISHARES COHEN & STEERS  
REALTY MAJORS INDEX FUND**

- Designed for investors who seek a relatively low-cost "passive" approach for investing in a portfolio of real estate equity securities of companies in a specified index
- Symbol: ICF

Distributed by SEI Investments Distribution Co.

\* *Class B shares are no longer offered except through dividend reinvestment and permitted exchanges by existing Class B shareholders.*

*Please consider the investment objectives, risks, charges and expenses of the fund carefully before investing. A summary prospectus and 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 TOTAL RETURN REALTY FUND, INC.**

OFFICERS AND DIRECTORS

Robert H. Steers  
Director and co-chairman

Martin Cohen  
Director and co-chairman

Michael G. Clark  
Director

Bonnie Cohen  
Director

George Grossman  
Director

Richard E. Kroon  
Director

Richard J. Norman  
Director

Frank K. Ross  
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

Computershare  
480 Washington Boulevard  
Jersey City, NJ 07310  
(866) 227-0757

### Legal Counsel

Ropes & Gray LLP  
1211 Avenue of the Americas  
New York, NY 10036

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 no guarantee of future results and your investment may be worth more or less at the time you sell.



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COHEN & STEERS

TOTAL RETURN REALTY FUND

280 PARK AVENUE

NEW YORK, NY 10017

**Semiannual Report** June 30, 2012

Cohen & Steers Total Return Realty Fund

RFISAR

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Item 2. Code of Ethics.

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

**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.**

Not applicable.

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

Not applicable.

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

None.

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

None.

**Item 11. Controls and Procedures.**

(a) The registrant's principal executive officer and principal financial officer have concluded, based upon their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this report, that these disclosure controls and procedures provide reasonable assurance that material information required to be disclosed by the registrant in the report it files or submits on Form N-CSR is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms

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and that such material information is accumulated and communicated to the registrant's management, including its principal executive officer and principal financial officer, as appropriate, in order to allow timely decisions regarding required disclosure.

(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.

(a)(3) Not applicable.

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

(c) Registrant's notices to shareholders pursuant to Registrant's exemptive order granting an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder regarding distributions pursuant to the Registrant's Managed Distribution Plan.

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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: September 4, 2012

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 and Chief Financial Officer  
(principal financial officer)

Date: September 4, 2012

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