

COHEN & STEERS TOTAL RETURN REALTY FUND INC  
Form N-CSRS  
August 23, 2005

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)

757 Third Avenue, New York, NY 10017  
(Address of principal executive offices) (Zip code)

Adam M. Derechin  
Cohen & Steers Capital Management, Inc.  
757 Third 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, 2005

Item 1. Reports to Stockholders.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

July 28, 2005

To Our Shareholders:

We are pleased to submit to you our report for the quarter and six months ended June 30, 2005. The net asset value at that date was \$19.96 per share. The fund's stock is traded on the New York Stock Exchange and its share price can differ from its net asset value; at quarter end, the fund's closing price on the NYSE was \$20.12. The total return, including income, for the Cohen & Steers Total Return Realty Fund and the comparative benchmarks were:

| TOTAL RETURN,<br>QUARTER ENDED 6/30/05       |                  |                 |                     |                 |
|--|------------------|-----------------|---------------------|-----------------|
|  | MARKET PRICE (a) |                 | NET ASSET VALUE (a) |                 |
|  | QUARTER          | YEAR<br>TO DATE | QUARTER             | YEAR<br>TO DATE |
| Cohen & Steers Total Return Realty Fund....  | 12.1%            | 3.5%            | 12.3%               | 4.7%            |
| NAREIT Equity REIT Index (b).....            | 14.5%            | 6.4%            | 14.5%               | 6.4%            |
| Morgan Stanley REIT Preferred Index (c)..... | 3.5%             | 2.8%            | 3.5%                | 2.8%            |

The fund's asset mix at quarter end consisted of 77% REIT common stocks and 23% preferred and other fixed income investments. During the quarter, three monthly dividends of \$0.11 per share were paid to common shareholders. In addition, three monthly dividends of \$0.11 per share were declared and will be paid to shareholders on July 29, August 31, and September 30.(d)

- (a) 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.
- (b) The NAREIT Equity REIT Index ('Equity REITs') 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.
- (c) The Morgan Stanley REIT Preferred Index is an unmanaged index of all exchange-traded perpetual preferred securities of equity REITs, weighted by capitalization and considered representative of real estate preferred stock performance.
- (d) 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 each fiscal year on form 1099-DIV. To the extent the fund pays distributions in excess of its net investment company taxable income, 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 would be notified of the approximate amount of capital returned for each such distribution. 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.

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In our last quarterly report, we suggested that negative sentiment in the market for REIT shares, as manifested in the peaking of short interest in the REIT index trading vehicles, was a bullish contrarian indicator and that REIT shares were trading at or below the value of their underlying real estate assets -- not above, as Wall Street analysts had almost unanimously suggested. Additionally, for quite some time, we have discussed our view that the risk-adjusted returns of real estate would continue to be relatively attractive in a low return environment. Recent events have validated all of these beliefs. During the quarter, continued momentum in the recovery of real estate fundamentals and REIT earnings, and a flurry of merger and buyout activity, drove REIT share prices to new highs. Buyout activity reached a crescendo in June as Catellus, Gables Residential and CRT Properties all announced that they were being acquired.

The table below illustrates major REIT buyout activity over the last year:

### REIT M&A PRICES EXCEED NAVS

| Announced     | Acquirer/Target             | Property Type   | Total Transaction Value (billion) | Target Pre-announce NAV per Share |
|---------------|-----------------------------|-----------------|-----------------------------------|-----------------------------------|
| 08/20/04      | General Growth/Rouse        | Mall            | \$12.6                            | \$39.00-\$45.25                   |
| 10/04/04      | Camden/Summit               | Apartment       | \$ 1.9                            | \$19.81-\$26.75                   |
| 10/25/04      | Colonial/Cornerstone        | Apartment       | \$ 1.5                            | \$ 7.75-\$ 9.00                   |
| 12/19/04      | Centro/Kramont              | Shopping Center | \$ 1.2                            | \$18.00-\$20.00                   |
| 06/06/05      | ProLogis/Catellus           | Industrial      | \$ 4.9                            | \$26.00-\$30.24                   |
| 06/07/05      | ING Clarion/Gables          | Apartment       | \$ 2.8                            | \$31.39-\$43.00                   |
| 06/17/05      | DRA Advisors/CRT Properties | Office          | \$ 1.7                            | \$19.50-\$20.60                   |
| AVERAGE/TOTAL |                             |                 | \$26.6                            |                                   |

| Announced | Offer Price Premium to Pre-announce Price per Share | Percent Difference Between Offer Price & Midpoint NAV Estimate | Implied Cap Rate |
|-----------|---|--|------------------|
| 08/20/04  | 33.4%   | 62.2%  | 5.7%             |
| 10/04/04  | 12.7%   | 34.8%  | 5.8%             |
| 10/25/04  | 7.2%  | 29.0%  | 6.5%             |
| 12/19/04  | 13.0%   | 23.7%  | 6.9%             |
| 06/06/05  | 15.6%   | 20.2%  | 6.1%             |
| 06/07/05  | 14.1%   | 17.0%  | 5.8%             |
| 06/17/05  | 15.4%   | 38.7%  | 7.1%             |
| AVERAGE/T | 15.9%   | 32.2%  | 6.3%             |

Several observations are worth noting. These seven buyouts were sizeable, totaling approximately \$27 billion in value across all four 'core' property types: retail, apartment, industrial and office. Several of these deals were public-to-public mergers while others were leveraged buyouts by private sponsors

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backed by major institutional sources -- in other words, the acquirers were all highly credible and sophisticated. In our view, the debt providers for these transactions have also validated the real estate asset pricing implied by these deals. On average, the implied capitalization rate (the current income generated by these properties compared to the price paid for the investment) for these sales was 6.3%, consistent with the high quality single property transactions that we observe in the private marketplace but certainly lower than the capitalization rate regime that existed for many years. Finally, these deals were all struck at significant premiums to the pre-announcement target stock prices -- ranging from 7.2% to 33.4%.

Perhaps even more interesting for the rest of the REIT market, all of these deals were struck at prices above the commonly perceived value of the target company's real estate net asset value (NAV). In every instance, the deal price was greater than most, if not all the published analyst estimates of NAV. These deals implied lower capitalization rates for major real estate assets than any of the Wall Street analysts had heretofore been willing to

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

use, even though similar implied capitalization rates had been observed in the private market for some time. As a result, many Wall Street analysts who had been negative on the REIT sector for most of the previous three years, and who fostered a sense of disbelief among many investors, turned more positive on the REIT group, lowering their assumed capitalization rates and boosting their NAV estimates. In short, although there was near unanimity among REIT pundits that the stocks had been expensive, the evidence above suggests that they certainly were not.

As rents and occupancies benefited from strong economic growth, the regional mall sector was the best performing sector in the fund, returning 21%. Our overweight and stock selection in the health care sector, which returned 17.4%, was also among the most significant contributors to our relative performance during the quarter.

Manufactured housing was the worst performing property sector, with a 7.2% return. It continues to lag the others as a fundamental recovery has not yet become visible enough to excite investors. While the for-sale housing boom is indirectly benefiting the apartment sector by constraining supply of new rental apartments via condo conversions, there has been no such ancillary impact on the manufactured home sector. In general, the fund's focus on income caused it to trail the REIT market as more growth-oriented companies led the second quarter rally.

Gables Residential and Macerich Company were two of the best performing holdings during the quarter, with returns of 31.9% and 27.2%, respectively. Our overweights in Gables Residential, one of the companies that announced buyouts in June, and Ventas Inc., were two of the largest contributors in the portfolio at the security level. Laggards during the quarter were iStar Financial and Newcastle Investment Corp., with returns of 2.8% and 4.0%, respectively.

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Our allocation to REIT preferred stocks, which is used to increase the yield of the income-oriented portfolio and lower its volatility, was the largest detractor from the fund's performance. REIT preferreds, while generating a 7.7% current yield at the end of June, as measured by the index, produced a 3.5% total return in the second quarter and trailed REIT common stock performance during this period.

### INVESTMENT OUTLOOK

In the mid to late 1990s, real estate company share prices as a group consistently traded at large premiums to NAV -- up to 30% for the REIT group as a whole. The public market's perception of the value and growth prospects of real estate assets was clearly ahead of that of the private market, and this enabled massive amounts of assets to flow from private to public ownership. REITs were, in fact, the marginal buyers of most large real estate assets during this time period, and REIT market capitalization expanded dramatically through IPOs and secondary offerings of existing companies.

Today, the public market and private market views of real estate value are much more closely aligned, as evidenced by the fact that most commentators see REIT valuations as closer than many had realized to private market NAV. This has profound implications for the way the real estate stock cycle will evolve, in our opinion.

We believe that assets will continue to flow from private to public hands as skilled public players seek out selective, strategic acquisition and development opportunities and as the moderate but steady and disciplined pace of IPO activity continues. Additionally, we think that current strong investor interest in REITs' investment

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attributes, as well as the improved outlook on the sector by analysts offer an attractive environment for companies to utilize secondary stock offerings in order to finance these activities. However, if private market values continue to be strong as well, as we expect, REIT equity issuance should not get out of hand as it did during the latter stages of the REIT stock cycle in the late 1990s. The large premiums to asset value that resulted in many instances in undisciplined equity issuance contributed significantly to the severity of the downturn in REIT share prices in 1998 and 1999.

In our view, assets will continue to flow from public to private and from public to public -- as public companies that can neither create value for shareholders nor achieve an attractive valuation are taken private or merged into other public companies. Again, the converging views of real estate asset value by both private and public capital markets, in conjunction with continued strong private market demand for real estate assets can potentially serve as a governor on REIT stock prices -- helping to guard against the massive discounts to asset value that persisted in late 1999 and 2000 in the aftermath of the REIT bear market.

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Our investment outlook and strategy continues to be predicated on the beliefs that the U.S. economy will continue to expand, the Federal Reserve is nearing the end of the monetary tightening cycle, and that most property sectors will continue to realize improving occupancies and rental rates. We have focused the portfolio on those sectors that we believe are benefiting most from the cyclical recovery in occupancies and rents: office, self storage, hotel and certain segments of the apartment market (including student housing). We have trimmed some retail holdings based on less attractive relative valuation, according to our proprietary valuation model, as this sector's fundamentals stay steady while others' improve. The rally in the second quarter, combined with the dynamics of the merger environment, has created many shifts in relative valuation for individual companies, and we continually rebalance the portfolio to capture those shifts.

In closing, while REIT share prices continue to perform well, and valuations inch higher, we believe that in a low return environment, with fundamentals improving and the interaction between private and public real estate increasing, REITs can continue to provide attractive investment returns.

Sincerely,

MARTIN COHEN  
MARTIN COHEN  
Co-chairman

ROBERT H. STEERS  
ROBERT H. STEERS  
Co-chairman

JOSEPH M. HARVEY  
JOSEPH M. HARVEY  
Portfolio Manager

JAMES S. CORL  
JAMES S. CORL  
Portfolio Manager

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

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VISIT COHEN & STEERS ONLINE AT COHENANDSTEERS.COM

For more information about any of our funds, visit [cohenandsteers.com](http://cohenandsteers.com), where you'll find daily net asset values, fund fact sheets and portfolio highlights. You can also access newsletters, education tools and market updates covering the REIT, utility 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.

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 COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

JUNE 30, 2005  
 TOP TEN HOLDINGS  
 (UNAUDITED)

| SECURITY<br>-----                      | MARKET<br>VALUE<br>----- | % OF<br>NET ASSETS<br>----- |
|--|--------------------------|-----------------------------|
| 1. Ventas.....                         | \$8,507,340              | 4.61%                       |
| 2. Vornado Realty Trust.....           | 7,268,160                | 3.94                        |
| 3. Macerich Co. ....                   | 7,207,875                | 3.90                        |
| 4. Prentiss Properties Trust.....      | 6,067,260                | 3.29                        |
| 5. Mack-Cali Realty Corp. ....         | 5,938,830                | 3.22                        |
| 6. Equity Office Properties Trust..... | 5,938,140                | 3.22                        |
| 7. Health Care Property Investors..... | 5,867,680                | 3.18                        |
| 8. Arden Realty.....                   | 5,756,800                | 3.12                        |
| 9. Liberty Property Trust.....         | 5,724,852                | 3.10                        |
| 10. Brandywine Realty Trust.....       | 5,667,185                | 3.07                        |

SECTOR BREAKDOWN  
 (BASED ON NET ASSETS)  
 (UNAUDITED)

[PIE CHART]

|                                       |        |
|---------------------------------------|--------|
| Other Assets in Excess of Liabilities | 0.67%  |
| Other                                 | 5.30%  |
| Diversified                           | 10.51% |
| Residential                           | 13.91% |
| Health Care                           | 14.69% |
| Office/Industrial                     | 35.12% |
| Shopping Center                       | 19.80% |

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS  
JUNE 30, 2005 (UNAUDITED)

|                                       |        | NUMBER<br>OF SHARES | VALUE<br>(NOTE 1) | DIVIDEND<br>YIELD (a) |
|---------------------------------------|--------|---------------------|-------------------|-----------------------|
| EQUITIES                              | 99.33% |                     |                   |                       |
| COMMON STOCK                          | 77.57% |                     |                   |                       |
| DIVERSIFIED                           | 8.31%  |                     |                   |                       |
| Colonial Properties Trust.....        |        | 82,100              | \$ 3,612,400      | 6.14%                 |
| Crescent Real Estate Equities Co..... |        | 61,500              | 1,153,125         | 8.00                  |
| iStar Financial.....                  |        | 55,200              | 2,295,768         | 7.04                  |
| Spirit Finance Corp.....              |        | 86,900              | 1,021,075         | 6.47                  |
| Vornado Realty Trust.....             |        | 90,400              | 7,268,160         | 3.78                  |
|                                       |        |                     | 15,350,528        |                       |
| HEALTH CARE                           | 11.30% |                     |                   |                       |
| Health Care Property Investors.....   |        | 217,000             | 5,867,680         | 6.21                  |
| Healthcare Realty Trust.....          |        | 42,200              | 1,629,342         | 6.79                  |
| Health Care REIT.....                 |        | 27,600              | 1,040,244         | 6.58                  |
| Nationwide Health Properties.....     |        | 161,800             | 3,820,098         | 6.27                  |
| Ventas.....                           |        | 281,700             | 8,507,340         | 4.77                  |
|                                       |        |                     | 20,864,704        |                       |
| HOTEL                                 | 1.76%  |                     |                   |                       |
| DiamondRock Hospitality Co.....       |        | 47,400              | 535,620           | 6.11                  |
| Hospitality Properties Trust.....     |        | 38,700              | 1,705,509         | 6.54                  |
| Strategic Hotel Capital.....          |        | 55,500              | 999,000           | 4.89                  |
|                                       |        |                     | 3,240,129         |                       |
| INDUSTRIAL                            | 1.40%  |                     |                   |                       |
| First Industrial Realty Trust.....    |        | 64,700              | 2,581,530         | 6.97                  |
| MORTGAGE                              | 1.72%  |                     |                   |                       |
| Newcastle Investment Corp.....        |        | 105,527             | 3,181,639         | 8.29                  |

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)  
JUNE 30, 2005 (UNAUDITED)

|   |        | NUMBER<br>OF SHARES | VALUE<br>(NOTE 1) | DIVIDEND<br>YIELD (a) |
|---|--------|---------------------|-------------------|-----------------------|
| OFFICE                                  | 25.85% |                     |                   |                       |
| American Financial Realty Trust.....    |        | 117,300             | \$ 1,804,074      | 7.02%                 |
| Arden Realty.....                       |        | 160,000             | 5,756,800         | 5.61                  |
| Brandywine Realty Trust.....            |        | 184,900             | 5,667,185         | 5.74                  |
| CarrAmerica Realty Corp.....            |        | 154,500             | 5,589,810         | 5.53                  |
| Equity Office Properties Trust.....     |        | 179,400             | 5,938,140         | 6.04                  |
| HRPT Properties Trust.....              |        | 157,400             | 1,956,482         | 6.76                  |
| Kilroy Realty Corp.....                 |        | 56,600              | 2,687,934         | 4.30                  |
| Mack-Cali Realty Corp.....              |        | 131,100             | 5,938,830         | 5.56                  |
| Maguire Properties.....                 |        | 93,000              | 2,635,620         | 5.65                  |
| Prentiss Properties Trust.....          |        | 166,500             | 6,067,260         | 6.15                  |
| Reckson Associates Realty Corp.....     |        | 110,000             | 3,690,500         | 5.07                  |
|   |        |                     | 47,732,635        |                       |
| OFFICE/INDUSTRIAL                       | 4.10%  |                     |                   |                       |
| Duke Realty Corp.....                   |        | 58,500              | 1,852,110         | 5.87                  |
| Liberty Property Trust.....             |        | 129,200             | 5,724,852         | 5.51                  |
|   |        |                     | 7,576,962         |                       |
| RESIDENTIAL                             | 11.09% |                     |                   |                       |
| APARTMENT                               | 10.92% |                     |                   |                       |
| American Campus Communities.....        |        | 37,900              | 859,572           | 5.95                  |
| Apartment Investment & Management Co... |        | 11,500              | 470,580           | 5.87                  |
| Archstone-Smith Trust.....              |        | 120,300             | 4,645,986         | 4.45                  |
| AvalonBay Communities.....              |        | 59,400              | 4,799,520         | 3.51                  |
| Camden Property Trust.....              |        | 53,500              | 2,875,625         | 4.73                  |
| Education Realty Trust.....             |        | 68,400              | 1,251,720         | 6.50                  |
| GMH Communities Trust.....              |        | 49,900              | 691,115           | 6.57                  |
| Gables Residential Trust.....           |        | 21,600              | 933,768           | 5.57                  |
| Home Properties.....                    |        | 47,000              | 2,021,940         | 5.86                  |
| Mid-America Apartment Communities.....  |        | 35,400              | 1,607,868         | 5.15                  |
|   |        |                     | 20,157,694        |                       |
| MANUFACTURED HOME                       | 0.17%  |                     |                   |                       |
| Affordable Residential Communities..... |        | 24,300              | 324,405           | 5.62                  |
| TOTAL RESIDENTIAL.....                  |        |                     | 20,482,099        |                       |

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)  
 JUNE 30, 2005 (UNAUDITED)

|  | NUMBER<br>OF SHARES | VALUE<br>(NOTE 1) | DIVIDEND<br>YIELD (a) |
|--|---------------------|-------------------|-----------------------|
| SELF STORAGE   | 1.15%               |                   |                       |
| Extra Space Storage.....   | 54,200              | \$ 776,686        | 6.35%                 |
| Extra Space Storage (Restricted) (b,c) ..                                | 8,000               | 108,908           | 6.35                  |
| Sovran Self Storage.....   | 6,200               | 281,852           | 5.32                  |
| U-Store-It Trust.....  | 50,000              | 952,500           | 5.88                  |
|  |                     | 2,119,946         |                       |
| SHOPPING CENTER  | 10.89%              |                   |                       |
| COMMUNITY CENTER   | 2.55%               |                   |                       |
| Cedar Shopping Centers.....  | 35,400              | 522,150           | 6.10                  |
| Heritage Property Investment Trust.....                                  | 51,300              | 1,796,526         | 6.00                  |
| Inland Real Estate Corp.....   | 55,300              | 889,224           | 5.97                  |
| Urstadt Biddle Properties -- Class A...                                  | 86,600              | 1,499,912         | 5.08                  |
|  |                     | 4,707,812         |                       |
| REGIONAL MALL  | 8.34%               |                   |                       |
| Glimcher Realty Trust.....   | 95,500              | 2,650,125         | 6.92                  |
| Macerich Co.....   | 107,500             | 7,207,875         | 3.88                  |
| Mills Corp.....  | 91,100              | 5,537,969         | 4.13                  |
|  |                     | 15,395,969        |                       |
| TOTAL SHOPPING CENTER.....   |                     | 20,103,781        |                       |
| TOTAL COMMON STOCK<br>(Identified cost -- \$82,931,699)                  |                     | 143,233,953       |                       |
| PREFERRED STOCK  | 21.76%              |                   |                       |
| DIVERSIFIED  | 2.20%               |                   |                       |
| Colonial Properties Trust, 8.125%,<br>Series D.....                      | 14,600              | 383,250           | 7.73                  |
| Colonial Properties Trust, 7.62%,<br>Series E.....                       | 49,500              | 1,212,750         | 7.80                  |
| Crescent Real Estate Equities Co.,<br>6.75%, Series A (Convertible)..... | 60,500              | 1,289,255         | 7.93                  |
| Digital Realty, 8.50%, Series A.....                                     | 10,700              | 277,291           | 8.22                  |
| iStar Financial, 7.875%, Series E.....                                   | 25,000              | 644,625           | 7.64                  |
| iStar Financial, 7.80%, Series F.....                                    | 10,000              | 256,000           | 7.62                  |
|  |                     | 4,063,171         |                       |

See accompanying notes to financial statements.

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

SCHEDULE OF INVESTMENTS -- (CONTINUED)  
JUNE 30, 2005 (UNAUDITED)

|  |       | NUMBER<br>OF SHARES | VALUE<br>(NOTE 1) | DIVIDEND<br>YIELD (a) |
|--|-------|---------------------|-------------------|-----------------------|
| HEALTH CARE  | 3.39% |                     |                   |                       |
| Health Care REIT, 7.625%, Series F.....                              |       | 17,000              | \$ 429,590        | 7.56%                 |
| Nationwide Health Properties, 7.677%,<br>Series P.....               |       | 47,000              | 4,805,750         | 7.51                  |
| Windrose Medical, 7.50%, Series A.....                               |       | 40,800              | 1,020,000         | 7.52                  |
|  |       |                     | 6,255,340         |                       |
| HOTEL  | 0.67% |                     |                   |                       |
| Eagle Hospitality Properties Trust,<br>8.25%, Series A.....          |       | 13,600              | 349,520           | 8.02                  |
| FelCor Lodging Trust, 9.00%,<br>Series B.....                        |       | 589                 | 15,061            | 8.80                  |
| FelCor Lodging Trust, 8.00%,<br>Series C.....                        |       | 17,000              | 417,010           | 8.15                  |
| Host Marriott Corp, 10.00%, Series C...                              |       | 3,500               | 92,435            | 9.47                  |
| Host Marriott Financial Trust, 6.75%,<br>QUIPS(d) (Convertible)..... |       | 3,200               | 188,800           | 5.73                  |
| Sunstone Hotel Investors, 8.00%,<br>Series A.....                    |       | 7,000               | 180,250           | 7.77                  |
|  |       |                     | 1,243,076         |                       |
| INDUSTRIAL   | 0.30% |                     |                   |                       |
| EastGroup Properties, 7.95%,<br>Series D.....                        |       | 21,000              | 560,700           | 7.45                  |
| OFFICE   | 3.47% |                     |                   |                       |
| Alexandria Real Estate Equities, 9.10%,<br>Series B.....             |       | 13,900              | 366,404           | 8.65                  |
| HRPT Properties Trust, 8.75%,<br>Series B.....                       |       | 52,800              | 1,429,824         | 8.09                  |
| Highwoods Properties, 8.625%,<br>Series A.....                       |       | 4,300               | 4,601,000         | 8.06                  |
|  |       |                     | 6,397,228         |                       |
| RESIDENTIAL -- APARTMENT   | 2.82% |                     |                   |                       |
| Apartment Investment & Management Co.,<br>9.375%, Series G.....      |       | 113,200             | 3,011,120         | 8.80                  |

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|   |        |           |      |
|---|--------|-----------|------|
| Apartment Investment & Management Co.,<br>10.10%, Series Q..... | 25,000 | 649,500   | 9.74 |
| Apartment Investment & Management Co.,<br>10.00%, Series R..... | 18,100 | 473,315   | 9.56 |
| Mid-America Apartment Communities,<br>8.30%, Series H.....      | 17,300 | 449,800   | 8.00 |
| Post Properties, 8.50%, Series A.....                           | 11,000 | 624,800   | 7.48 |
|   |        | 5,208,535 |      |

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)  
JUNE 30, 2005 (UNAUDITED)

|  |       | NUMBER<br>OF SHARES | VALUE<br>(NOTE 1) | DIVIDEND<br>YIELD |
|--|-------|---------------------|-------------------|-------------------|
|  |       | -----               | -----             | -----             |
| SHOPPING CENTER  | 8.91% |                     |                   |                   |
| COMMUNITY CENTER   | 1.33% |                     |                   |                   |
| Cedar Shopping Centers, 8.875%,<br>Series A.....             |       | 10,000              | \$ 267,000        | 8.31%             |
| Developers Diversified Realty Corp.,<br>8.60%, Series F..... |       | 1,600               | 42,352            | 8.12              |
| Ramco-Gershenson Property Trust, 9.50%,<br>Series B.....     |       | 11,600              | 308,676           | 8.94              |
| Saul Centers, 8.00%, Series A.....                           |       | 26,800              | 701,892           | 7.64              |
| Urstatdt Biddle Properties, 8.50%,<br>Series C.....          |       | 4,000               | 434,000           | 7.83              |
| Urstatdt Biddle Properties, 7.50%,<br>Series D.....          |       | 27,000              | 696,600           | 7.29              |
|  |       |                     | 2,450,520         |                   |
| REGIONAL MALL  | 7.58% |                     |                   |                   |
| CBL & Associates Properties, 8.75%,<br>Series B.....         |       | 13,000              | 692,250           | 8.23              |
| CBL & Associates Properties, 7.75%,<br>Series C.....         |       | 13,000              | 356,850           | 7.07              |
| Glimcher Realty Trust, 8.125%,<br>Series G.....              |       | 16,000              | 408,800           | 7.95              |
| Mills Corp., 9.00%, Series B.....                            |       | 73,800              | 1,987,803         | 8.35              |
| Mills Corp., 9.00%, Series C.....                            |       | 25,000              | 674,125           | 8.34              |
| Mills Corp., 8.75%, Series E.....                            |       | 26,000              | 704,600           | 8.08              |
| Pennsylvania Real Estate Investment                          |       |                     |                   |                   |

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|  |         |             |      |
|--|---------|-------------|------|
| Trust, 11.00%, Series A.....                               | 55,400  | 3,268,600   | 9.32 |
| Simon Property Group, 8.375%, Series<br>J.....             | 13,000  | 877,500     | 6.21 |
| Taubman Centers, 8.30%, Series A.....                      | 139,500 | 3,520,980   | 8.24 |
| Taubman Centers, 7.625%, Series H.....                     | 59,900  | 1,506,484   | 7.59 |
|  |         | -----       |      |
|  |         | 13,997,992  |      |
|  |         | -----       |      |
| TOTAL SHOPPING CENTER.....                                 |         | 16,448,512  |      |
|  |         | -----       |      |
| TOTAL PREFERRED STOCK<br>(Identified cost -- \$35,284,891) |         | 40,176,562  |      |
|  |         | -----       |      |
| TOTAL EQUITIES (Identified<br>cost -- \$118,216,590).....  |         | 183,410,515 |      |
|  |         | -----       |      |

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)  
JUNE 30, 2005 (UNAUDITED)

|  |         | PRINCIPAL<br>AMOUNT | VALUE<br>(NOTE 1) |
|--|---------|---------------------|-------------------|
|  |         | -----               | -----             |
| COMMERCIAL PAPER   | 1.00%   |                     |                   |
| San Paolo U.S. Finance Company,<br>2.20%, due 07/01/2005<br>(Identified cost -- \$1,850,000).....              |         | \$1,850,000         | \$ 1,850,000      |
|  |         |                     | -----             |
| TOTAL INVESTMENTS (Identified<br>cost -- \$120,066,590).....   | 100.33% |                     | 185,260,515       |
| LIABILITIES IN EXCESS OF OTHER<br>ASSETS.....  | (0.33)% |                     | (611,303)         |
|  |         | -----               | -----             |
| NET ASSETS (Equivalent to \$19.96 per<br>share based on 9,249,159 shares of<br>capital stock outstanding)..... | 100.00% |                     | \$184,649,212     |
|  |         | -----               | -----             |

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

(a) Dividend yield is computed by dividing the security's current annual dividend rate by its value on June 30, 2005. The current annual dividend

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rate does not reflect any potential reclassifications to capital gain or return of capital.

- (b) Resale is restricted. Security acquired 6/20/05 at a cost of \$107,760; equals 0.06% of net assets.
- (c) Fair valued security; equals 0.06% of net assets.
- (d) QUIPS Quarterly Income Preferred Securities.

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES  
JUNE 30, 2005 (UNAUDITED)

ASSETS:

|  |               |
|--|---------------|
| Investments in securities, at value (Identified cost -- \$120,066,590) (Note 1)..... | \$185,260,515 |
| Dividends and interest receivable.....   | 879,215       |
| Receivable for investment securities sold.....                                       | 571,281       |
| Other assets.....  | 14,413        |
| Total Assets.....  | 186,725,424   |

LIABILITIES:

|  |           |
|--|-----------|
| Payable for investment securities purchased..... | 1,891,236 |
| Payable to investment advisor.....               | 104,859   |
| Payable to administrator.....                    | 8,141     |
| Payable for directors fees.....                  | 7,824     |
| Other liabilities.....                           | 64,152    |
| Total Liabilities.....                           | 2,076,212 |

|  |               |
|--|---------------|
| NET ASSETS applicable to 9,249,159 shares of \$0.001 par value common stock outstanding..... | \$184,649,212 |
|--|---------------|

NET ASSET VALUE PER SHARE:

|   |          |
|---|----------|
| (\$184,649,212 [div] 9,249,159 shares outstanding)..... | \$ 19.96 |
|---|----------|

|                             |          |
|-----------------------------|----------|
| MARKET PRICE PER SHARE..... | \$ 20.12 |
|-----------------------------|----------|

|  |       |
|--|-------|
| MARKET PRICE PREMIUM TO NET ASSET VALUE PER SHARE..... | 0.80% |
|--|-------|

NET ASSETS consist of:

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|  |               |
|--|---------------|
| Paid-in capital.....   | \$111,082,965 |
| Dividends in excess of net investment income.....                  | (3,897,685)   |
| Accumulated undistributed net realized gain on<br>investments..... | 12,270,007    |
| Net unrealized appreciation on investments.....                    | 65,193,925    |
|  | -----         |
|  | \$184,649,212 |
|  | -----         |
|  | -----         |

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2005 (UNAUDITED)

|   |             |
|---|-------------|
| Investment Income (Note 1):                               |             |
| Dividend income.....                                      | \$2,964,489 |
| Interest income.....                                      | 29,363      |
|   | -----       |
| Total Income.....   | 2,993,852   |
|   | -----       |
| Expenses:   |             |
| Investment advisory fees (Note 2).....                    | 603,777     |
| Reports to shareholders.....                              | 67,650      |
| Professional fees.....                                    | 43,907      |
| Directors' fees and expenses (Note 2).....                | 25,044      |
| Administration fees.....                                  | 12,825      |
| Custodian fees and expenses.....                          | 11,946      |
| Registration and filing fees.....                         | 9,789       |
| Transfer agent fees and expenses.....                     | 7,783       |
| Miscellaneous.....  | 4,371       |
|   | -----       |
| Total Expenses.....                                       | 787,092     |
|   | -----       |
| Net Investment Income.....                                | 2,206,760   |
|   | -----       |
| Net Realized and Unrealized Gain (Loss) on Investments:   |             |
| Net realized gain on investments.....                     | 12,501,452  |
| Net change in unrealized appreciation on investments....  | (6,309,407) |
|   | -----       |
| Net realized and unrealized gain on investments....       | 6,192,045   |
|   | -----       |
| Net Increase in Net Assets Resulting from Operations..... | \$8,398,805 |
|   | -----       |
|   | -----       |

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)

|   | FOR THE<br>SIX MONTHS ENDED<br>JUNE 30, 2005 | FOR THE<br>YEAR ENDED<br>DECEMBER 31, 2004 |
|---|--|--|
| Change in Net Assets:   |  |  |
| From Operations:  |  |  |
| Net investment income.....                                    | \$ 2,206,760                                 | \$ 5,947,413                               |
| Net realized gain on investments.....                         | 12,501,452                                   | 3,223,829                                  |
| Net change in unrealized appreciation on<br>invesments.....   | (6,309,407)                                  | 26,674,230                                 |
| Net increase in net assets<br>resulting from operations.....  | 8,398,805                                    | 35,845,472                                 |
| Dividends and Distributions to Shareholders<br>from (Note 1): |  |  |
| Net investment income.....                                    | (6,104,445)                                  | (5,947,413)                                |
| Net realized gain on investments.....                         | --   | (3,210,876)                                |
| Tax return of capital.....                                    | --   | (1,478,257)                                |
| Total dividends and distributions<br>to shareholders.....     | (6,104,445)                                  | (10,636,546)                               |
| Total increase in net assets.....                             | 2,294,360                                    | 25,208,926                                 |
| Net Assets:   |  |  |
| Beginning of period.....                                      | 182,354,852                                  | 157,145,926                                |
| End of period(a).....   | \$184,649,212                                | \$182,354,852                              |

(a) Includes dividends in excess of net investment income of \$3,897,685 and \$0, 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                   | FOR THE YEAR ENDED DECEMBER |         |         |         |
|---|-------------------------------|-----------------------------|---------|---------|---------|
|   | MONTHS ENDED<br>JUNE 30, 2005 | 2004                        | 2003    | 2002    | 2001    |
| Net asset value, beginning of period...                           | \$19.72                       | \$16.99                     | \$13.52 | \$13.41 | \$13.41 |
| Income from investment operations:                                |                               |                             |         |         |         |
| Net investment income.....  | 0.24 (a)                      | 0.64                        | 0.58    | 0.64    | 0.64    |
| Net realized and unrealized gain on<br>investments.....           | 0.66                          | 3.24                        | 3.92    | 0.43    | 0.43    |
| Total income from investment<br>operations.....                   | 0.90                          | 3.88                        | 4.50    | 1.07    | 1.07    |
| Less dividends and distributions to<br>shareholders from:         |                               |                             |         |         |         |
| Net investment income.....  | (0.66)                        | (0.64)                      | (0.58)  | (0.75)  | (0.75)  |
| Net realized gain on investments....                              | --                            | (0.35)                      | (0.35)  | (0.21)  | (0.21)  |
| Tax return of capital.....  | --                            | (0.16)                      | (0.10)  | --      | --      |
| Total from dividends and<br>distributions to<br>shareholders..... | (0.66)                        | (1.15)                      | (1.03)  | (0.96)  | (0.96)  |
| Net increase in net assets.....                                   | 0.24                          | 2.73                        | 3.47    | 0.11    | 0.11    |
| Net asset value, end of period.....                               | \$19.96                       | \$19.72                     | \$16.99 | \$13.52 | \$13.52 |
| Market value, end of period.....                                  | \$20.12                       | \$20.12                     | \$17.74 | \$14.19 | \$14.19 |
| Total market value return(b).....                                 | 3.49% (c)                     | 20.83%                      | 33.36%  | 11.53%  | 11.53%  |
| Total net asset value return(b).....                              | 4.74% (c)                     | 23.65%                      | 34.05%  | 7.77%   | 7.77%   |

RATIOS/SUPPLEMENTAL DATA:

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|  |           |         |         |         |     |
|--|-----------|---------|---------|---------|-----|
| Net assets, end of period (in millions)  | \$184.6   | \$182.4 | \$157.1 | \$125.0 | \$1 |
| Ratio of expenses to average daily net assets (before expense reduction).....              | 0.91% (d) | 0.92%   | 0.95%   | 0.96%   |     |
| Ratio of expenses to average daily net assets (net of expense reduction).....              | 0.91% (d) | 0.92%   | 0.95%   | 0.96%   |     |
| Ratio of net investment income to average daily net assets (before expense reduction)..... | 2.56% (d) | 3.62%   | 3.93%   | 4.59%   |     |
| Ratio of net investment income to average daily net assets (net of expense reduction)..... | 2.56% (d) | 3.62%   | 3.93%   | 4.59%   |     |
| Portfolio turnover rate.....   | 12% (c)   | 3%      | 22%     | 30%     |     |

- 
- (a) Calculated based on the average shares outstanding during the period.  
 (b) 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. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the fund's dividend reinvestment plan. Total net asset value return measures the changes in value over the period indicated, taking into account dividends as reinvested.  
 (c) Not annualized.  
 (d) Annualized.

See accompanying notes to financial statements.

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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 nondiversified,

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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. 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 deems 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.

Securities for which market prices are unavailable will be valued at fair value pursuant to procedures approved by the fund's Board of Directors. Circumstances in which market prices may be unavailable include, but

are not limited to, when trading in a security is suspended, the exchange on which the security is traded is subject to an unscheduled close or disruption or material events occur after the close of the exchange on which the security is principally traded. In these circumstances, the fund determines fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors it deems appropriate. These may include 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.

To the extent the fund holds securities that are primarily listed on foreign exchanges that trade on weekends or days when the fund does not price its shares, the value of the securities held in the fund may change on days when you will not be able to purchase or redeem fund shares.

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

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. Dividend income is recorded on 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.

Dividends and Distributions to Shareholders: Dividends from net investment income are declared and paid monthly. Dividends and distributions to shareholders are recorded on the ex-dividend date. 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, 2005, the advisor considers it likely that a portion of the dividends will be reclassified to return of capital and distributions of net realized capital gains upon the final determination of the fund's taxable income for the year. Net realized capital gains, unless offset by any available capital loss carryforward, are distributed to shareholders annually.

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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.

**Federal Income Taxes:** It is the policy of the fund 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.

**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 six months ended June 30, 2005.

### NOTE 2. INVESTMENT ADVISORY FEES AND OTHER TRANSACTIONS WITH AFFILIATES

**Investment Advisory Fees:** Cohen & Steers Capital Management, Inc. (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.

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.

**Director's Fees:** Certain directors and officers of the fund are also directors, officers and/or employees of the advisor. None of the directors and officers so affiliated received compensation from the fund for their services.

### NOTE 3. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities, excluding short-term investments, for the six months ended June 30, 2005 totaled \$21,621,375 and \$23,496,788, respectively.

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED) -- (CONTINUED)

NOTE 4. INCOME TAX INFORMATION

At June 30, 2005 the cost of investments and net unrealized appreciation for federal income tax purposes were as follows:

|                                    |                |
|------------------------------------|----------------|
| Aggregate cost.....                | \$ 120,066,590 |
|                                    | -----          |
| Gross unrealized appreciation..... | \$ 65,234,861  |
| Gross unrealized depreciation..... | (40,936)       |
|                                    | -----          |
| Net unrealized appreciation.....   | \$ 65,193,925  |
|                                    | -----          |
|                                    | -----          |

NOTE 5. COMMON STOCK

The fund is authorized to issue 100 million shares of common stock at a par value of \$0.001 per share. At June 30, 2005, the advisor owned 46,136 shares of the fund.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

AVERAGE ANNUAL TOTAL RETURNS  
(PERIODS ENDED JUNE 30, 2005) (UNAUDITED)

BASED ON NET ASSET VALUE

| ONE YEAR | FIVE YEARS | TEN YEARS | SINCE INCEPTION<br>(9/27/93) |
|----------|------------|-----------|------------------------------|
| -----    | -----      | -----     | -----                        |
| 24.61%   | 19.43%     | 14.47%    | 12.59%                       |

BASED ON MARKET VALUE

| ONE YEAR | FIVE YEARS | TEN YEARS | SINCE INCEPTION<br>(9/27/93) |
|----------|------------|-----------|------------------------------|
| -----    | -----      | -----     | -----                        |
|          |            |           |                              |

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26.27%      19.66%      15.18%      12.14%

The performance data quoted represents 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 redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

### 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

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.

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 1-800-330-7348, (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 1-800-330-7348 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 1-800-330-7348, or (ii) on the SEC's website 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 1-800-SEC-0330.

Please note that the 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 on their 1099-DIV forms, which

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

are mailed to shareholders after the close of each fiscal year. The fund may 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). Distributions of capital decrease the fund's total assets

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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.

The fund's board of directors approved the removal of the self-tender provision contained in the prospectus that required the board to consider and conduct a tender offer each year unless the fund's shares trade at an average discount of less than 3% during a 12 week period prior to a date in the first quarter designated by the board.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

PROXY RESULTS

During the six month period ended June 30, 2005, Cohen & Steers Total Return Realty Fund, Inc. shareholders voted on the following proposals at the annual meeting held on April 28, 2005. The description of each proposal and number of shares voted are as follows:

-----

|                           | SHARES VOTED<br>FOR | AUTHORITY<br>WITHHELD |
|---------------------------|---------------------|-----------------------|
| 1. To elect Directors     |                     |                       |
| Bonnie Cohen.....         | 8,165,467           | 102,792               |
| Richard E. Kroon.....     | 8,170,622           | 97,637                |
| Willard H. Smith Jr. .... | 8,172,325           | 95,934                |
| C. Edward Ward, Jr. ....  | 8,180,408           | 87,851                |

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

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MEET THE COHEN & STEERS FAMILY OF OPEN-END FUNDS:

FOR TOTAL RETURN:  
COHEN & STEERS  
REALTY SHARES

DESIGNED FOR INVESTORS SEEKING MAXIMUM TOTAL  
RETURN, INVESTING PRIMARILY IN REITS  
SYMBOL: CSRSX

FOR HIGH CURRENT INCOME:  
COHEN & STEERS  
REALTY INCOME FUND

DESIGNED FOR INVESTORS SEEKING HIGH CURRENT  
INCOME, INVESTING PRIMARILY IN REITS  
SYMBOLS: CSEIX, CSBIX, CSCIX, CSDIX

FOR TOTAL RETURN:  
COHEN & STEERS  
INTERNATIONAL REALTY FUND

DESIGNED FOR INVESTORS SEEKING MAXIMUM TOTAL  
RETURN, INVESTING PRIMARILY IN INTERNATIONAL  
REAL ESTATE SECURITIES  
SYMBOLS: IRFAX, IRFCX, IRFIX

FOR MORE INFORMATION ABOUT ANY COHEN & STEERS FUND  
OR TO OBTAIN A PROSPECTUS PLEASE CONTACT US AT:  
1-800-330-7348, OR VISIT OUR WEB SITE AT COHENANDSTEERS.COM

PLEASE CONSIDER THE INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES OF THE  
FUND CAREFULLY BEFORE INVESTING. THE PROSPECTUS CONTAINS THIS AND OTHER  
INFORMATION ABOUT THE FUND.

PLEASE READ THE PROSPECTUS CAREFULLY BEFORE INVESTING.

COHEN & STEERS SECURITIES, LLC, DISTRIBUTOR

FOR TOTAL RETURN:  
COHEN & STEERS  
INSTITUTIONAL REALTY SHARES

DESIGNED FOR INSTITUTIONAL INVESTORS SEEKING  
MAXIMUM TOTAL RETURN, INVESTING PRIMARILY  
IN REITS  
SYMBOL: CSRIX

FOR CAPITAL APPRECIATION:  
COHEN & STEERS  
REALTY FOCUS FUND

DESIGNED FOR INVESTORS SEEKING MAXIMUM CAPITAL  
APPRECIATION, INVESTING IN A LIMITED NUMBER OF  
REITS AND OTHER REAL ESTATE SECURITIES  
SYMBOLS: CSFAX, CSFBX, CSFCX, CSSPX

FOR TOTAL RETURN:  
COHEN & STEERS  
UTILITY FUND

DESIGNED FOR INVESTORS SEEKING MAXIMUM TOTAL  
RETURN, INVESTING PRIMARILY IN UTILITIES  
SYMBOLS: CSUAX, CSUBX, CSUCX, CSUIX

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### 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

James S. Corl  
Vice president

Lawrence B. Stoller  
Secretary

Jay J. Chen  
Treasurer

John E. McLean  
Chief compliance officer and assistant secretary

### KEY INFORMATION

INVESTMENT ADVISOR  
Cohen & Steers Capital Management, Inc.  
757 Third Avenue  
New York, NY 10017  
(212) 832-3232

FUND ADMINISTRATOR AND CUSTODIAN  
State Street Corp.  
225 Franklin Street  
Boston, MA 02110

TRANSFER AGENT  
Computershare  
250 Royall Street  
Canton, MA 02021  
(800) 426-5523

LEGAL COUNSEL  
Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, NY 10017

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 maybe worth more or less at the time you sell.

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COHEN & STEERS  
TOTAL RETURN REALTY FUND

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SEMIANNUAL REPORT  
JUNE 30, 2005

COHEN & STEERS  
TOTAL REUTRN REALTY FUND  
757 THIRD AVENUE  
NEW YORK, NY 10017

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 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.

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(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 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 has materially affected, or is 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.

### 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

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Name: Adam M. Derechin

Title: President and Chief Executive Officer

Date: August 23, 2005

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

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following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Adam M. Derechin

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Name: Adam M. Derechin  
Title: President and Chief Executive Officer  
(principal executive officer)

By: /s/ Jay J. Chen

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Name: Jay J. Chen  
Title: Treasurer  
(principal financial officer)

Date: August 23, 2005

STATEMENT OF DIFFERENCES

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The division sign shall be expressed as ..... [div]  
The section symbol shall be expressed as..... 'SS'