

RMR REAL ESTATE FUND
Form N-CSR
February 22, 2008

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**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: 811-21241

RMR REAL ESTATE FUND

(Exact name of registrant as specified in charter)

**400 CENTRE STREET
NEWTON, MASSACHUSETTS 02458**

(Address of principal executive offices) (Zip code)

**(Name and Address of Agent
for Service of Process)**

Adam D. Portnoy, President
RMR Real Estate Fund
400 Centre Street
Newton, Massachusetts 02458

Copy to:

Robert N. Hickey, Esq.
Sullivan & Worcester LLP
1666 K Street, NW
Washington, DC 20006

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State Street Bank and Trust Company
2 Avenue de Lafayette
Boston, Massachusetts 02111

Registrant's telephone number, including area code: **(617) 332-9530**

Date of fiscal year end: December 31

Date of reporting period: December 31, 2007

Item 1. Reports to Shareholders.

ANNUAL REPORTS
DECEMBER 31, 2007



RMR Real Estate Fund

RMR Hospitality and Real Estate Fund

RMR F.I.R.E. Fund

RMR Preferred Dividend Fund

RMR Asia Pacific Real Estate Fund

RMR Asia Real Estate Fund

RMR Dividend Capture Fund

ABOUT INFORMATION CONTAINED IN THIS REPORT:

PERFORMANCE DATA IS HISTORICAL AND REFLECTS HISTORICAL EXPENSES AND HISTORICAL CHANGES IN NET ASSET VALUE. HISTORICAL RESULTS ARE NOT INDICATIVE OF FUTURE RESULTS.

IF RMR ADVISORS HAD NOT WAIVED FEES OR PAID ALL OF EACH FUND'S ORGANIZATIONAL COSTS AND A PORTION OF EACH FUND'S OFFERING COSTS, EACH FUND'S RETURNS WOULD HAVE BEEN REDUCED.

PLEASE CONSIDER THE INVESTMENT OBJECTIVES, STRATEGIES, RISKS, CHARGES AND EXPENSES BEFORE INVESTING IN ANY OF THE FUNDS. AN INVESTMENT IN EACH FUND'S SHARES IS SUBJECT TO MATERIAL RISKS, INCLUDING BUT NOT LIMITED TO THOSE DESCRIBED IN EACH FUND'S PROSPECTUS, THE REGISTRATION STATEMENTS AND OTHER DOCUMENTS FILED WITH THE SEC. EACH FUND'S DECLARATION OF TRUST CONTAINS PROVISIONS WHICH LIMIT OWNERSHIP OF FUND SHARES BY ANY PERSON OR GROUP OF PERSONS ACTING TOGETHER AND LIMIT ANY PERSONS ABILITY TO CONTROL A FUND OR TO CONVERT A FUND TO AN OPEN END FUND. FOR MORE INFORMATION ABOUT ANY OF OUR FUNDS PLEASE VISIT WWW.RMRFUNDS.COM OR CALL OUR INVESTOR RELATIONS GROUP AT (866)-790-3165.

NOTICE CONCERNING LIMITED LIABILITY

THE AGREEMENTS AND DECLARATIONS OF TRUST OF RMR REAL ESTATE FUND, RMR HOSPITALITY AND REAL ESTATE FUND, RMR F.I.R.E. FUND, RMR PREFERRED DIVIDEND FUND, RMR ASIA PACIFIC REAL ESTATE FUND, RMR ASIA REAL ESTATE FUND AND RMR DIVIDEND CAPTURE FUND, COPIES OF WHICH, TOGETHER WITH ALL AMENDMENTS AND SUPPLEMENTS THERETO, ARE DULY FILED IN THE OFFICE OF THE SECRETARY, CORPORATIONS DIVISION, OF THE COMMONWEALTH OF MASSACHUSETTS, PROVIDE THAT THE NAMES "RMR REAL ESTATE FUND", "RMR HOSPITALITY AND REAL ESTATE FUND", "RMR F.I.R.E. FUND", "RMR PREFERRED DIVIDEND FUND", "RMR ASIA PACIFIC REAL ESTATE FUND", "RMR ASIA REAL ESTATE FUND" AND "RMR DIVIDEND CAPTURE FUND" REFER TO THE TRUSTEES UNDER THE AGREEMENTS AND DECLARATIONS COLLECTIVELY AS TRUSTEES, BUT NOT INDIVIDUALLY OR PERSONALLY, AND THAT NO TRUSTEE, OFFICER, SHAREHOLDER, EMPLOYEE OR AGENT OF ANY OF THE FUNDS SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, ANY OF THESE FUNDS. ALL PERSONS DEALING WITH ANY OF THE FUNDS IN ANY WAY, SHALL LOOK ONLY TO THE ASSETS OF THAT FUND WITH WHICH HE OR SHE MAY DEAL FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.

RMR Funds
December 31, 2007

February 20, 2008

To our shareholders,

We are pleased to present you with our 2007 annual report for our seven closed end funds:

RMR Real Estate Fund (AMEX: RMR), which began operations in December 2003, beginning on page 2;

RMR Hospitality and Real Estate Fund (AMEX: RHR), which began operations in April 2004, beginning on page 20;

RMR F.I.R.E. Fund (AMEX: RFR), which began operations in November 2004, beginning on page 39;

RMR Preferred Dividend Fund (AMEX: RDR), which began operations in May 2005, beginning on page 57;

RMR Asia Pacific Real Estate Fund (AMEX: RAP), which began operations in May 2006, beginning on page 73;

RMR Asia Real Estate Fund (AMEX: RAF), which began operations in May 2007, beginning on page 89; and

RMR Dividend Capture Fund (AMEX: RCR), which began operations in December 2007, beginning on page 105.

We invite you to read through the information contained in this report and to view our website at www.rmrfunds.com.

Sincerely,

Adam D. Portnoy
President

RMR Real Estate Fund

December 31, 2007

To our shareholders,

In the pages that follow, you will find data summarizing our financial results for the year ended December 31, 2007, and our financial position as of December 31, 2007.

Relevant Market Conditions

Real Estate Industry Fundamentals. During 2007, commercial real estate vacancy rates generally remained stable and rents increased. Nevertheless, earnings growth from commercial real estate companies began to slow in 2007 compared to prior years because of a general slowdown in the economy. The combination of an economic slowdown, investors concerns relating to weakness in the housing market and credit tightening by lenders led to a sharp decline in valuations for all publicly traded commercial real estate companies in the second half of 2007. Almost all real estate investment trusts, or REITs, experienced a sharp drop in value in the second half of 2007 because of investors concerns regarding any company involved in the real estate business. Furthermore, some REITs that had exposure to subprime mortgages filed for bankruptcy and the value of their securities became essentially worthless after they stopped paying dividends.

In 2008, we expect commercial real estate fundamentals to weaken because of slower economic growth and lower consumer and business confidence. However, higher construction costs and tighter credit markets may limit new supply of commercial real estate and help offset some of the anticipated slowdown in commercial real estate fundamentals. Before the end of 2008, we expect that valuations of REITs that invest directly in commercial real estate may improve in reaction to the sharp decline in their stock prices at the end of 2007 and in early 2008.

Real Estate Industry Technicals. After seven years of positive returns, REITs, as measured by the MSCI U.S. REIT Total Return Index (RMS) finished 2007 down 16.7%, marking one of the sector's worst performances ever. Last year was also one of the most volatile years for REITs. During the year, the RMS posted eight of the biggest one day moves since its inception in 1995. Between March and the end of 2007, investors withdrew more than \$9 billion from dedicated REIT funds.

Fund Strategies, Techniques and Performance

Our primary investment objective is to earn and pay a high level of current income to our common shareholders by investing in real estate companies, including REITs. Our secondary investment objective is capital appreciation. There can be no assurances that we will meet our investment objectives.

During the year ended 2007, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 26.28%. During that same period, the total return for the MSCI U.S. REIT Total Return Index (an unmanaged index of REIT common stocks) was negative 16.7% and the total return for the Merrill Lynch REIT Preferred Index (an unmanaged

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index of REIT preferred stocks) was negative 13.0%. We believe these two indices are relevant to us because our investments, excluding short term investments, as of December 31, 2007, included 64% REIT common stocks and 20% REIT preferred stocks. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the year ended December 31, 2007 was 5.5%.

Our investment allocation to hotel and diversified REITs contributed positively to the Fund's performance in 2007. We benefited from our holdings in hotel REITs because of the high level of M&A activity that took place within this sector during the first half of 2007. The gains from M&A activity during the first half of the year also helped to offset losses experienced by the Fund when the general REIT market declined sharply in the second half of the year. Although we reduced our exposure to mortgage REITs during the year, our holdings in these companies also hurt our performance in 2007. At year end, mortgage REITs accounted for 0.1% of total assets.

Recent Developments. As I am writing this letter, continued turmoil in the credit markets is becoming a concern for our Fund. In particular, the market for auction rate securities seems to be experiencing a liquidity crisis. Although we believe our Fund's \$50 million of auction rate preferred securities are well protected by asset coverage, the spill over effect from other auction rate securities may make it more difficult for our Fund to remarket these securities. If this occurs, the dividend rates we pay on our preferred securities may increase or we may be forced to substitute our outstanding preferred shares with less attractive forms of leverage. Any increase in the cost of leverage or decrease in the amount of leverage could adversely impact our performance and ability to maintain the current dividend rate paid to common shareholders in the future.

Thank you for your continued support. For more information, please view our website at www.rmrfunds.com.

Sincerely,

Adam D. Portnoy
President

February 20, 2008

Portfolio holdings by sub-sector as a percentage of investments (as of December 31, 2007)*

REITs	
Health care	18%
Hospitality	17%
Diversified	15%
Others, less than 10% each	34%
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Total REITs	84%
Other	15%
Short term investments	1%
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Total investments	100%
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*

These percentages represent the Fund's portfolio holdings by sub-sector as a percentage of total portfolio holdings and do not match with the percentages included in the Portfolio of Investments schedule which represent the Fund's portfolio holdings by sub-sector as a percentage of the Fund's net assets.

RMR Real Estate Fund
Portfolio of Investments

December 31, 2007

Company	Shares	Value
<hr/>		
Common Stocks 110.6%		
Real Estate Investment Trusts 101.6%		
<i>Apartments 11.5%</i>		
Apartment Investment & Management Co.	14,000	\$ 486,220
Associated Estates Realty Corp.	105,400	994,976
AvalonBay Communities, Inc.	14,000	1,317,960
BRE Properties, Inc.	10,000	405,300
Equity Residential	49,000	1,787,030
Essex Property Trust, Inc.	6,000	584,940
Home Properties, Inc.	88,800	3,982,680
Mid-America Apartment Communities, Inc.	5,000	213,750
Post Properties, Inc.	5,000	175,600
		<hr/>
		9,948,456
<i>Diversified 22.0%</i>		
CapLease, Inc.	56,000	471,520
Colonial Properties Trust	10,000	226,300
Duke Realty Corp.	70,000	1,825,600
DuPont Fabros Technology, Inc.	7,500	147,000
Franklin Street Properties Corp.	3,000	44,400
Lexington Corporate Properties Trust	383,800	5,580,452
Liberty Property Trust	29,000	835,490
Mission West Properties, Inc.	5,000	47,550
National Retail Properties, Inc.	352,700	8,246,126
Vornado Realty Trust	19,000	1,671,050
Washington Real Estate Investment Trust	300	9,423
		<hr/>
		19,104,911
<i>Health Care 23.5%</i>		
Cogdell Spencer, Inc.	16,500	262,845
HCP, Inc.	39,080	1,359,202
Health Care REIT, Inc.	162,600	7,266,594
LTC Properties, Inc.	20,000	501,000
Medical Properties Trust, Inc.	94,520	963,159
Nationwide Health Properties, Inc.	257,600	8,080,912
OMEGA Healthcare Investors, Inc.	96,000	1,540,800
Universal Health Realty Income Trust	13,000	460,720
		<hr/>
		20,435,232
<i>Hospitality 6.7%</i>		
Ashford Hospitality Trust, Inc.	185,500	1,333,745
Entertainment Properties Trust	22,000	1,034,000
FelCor Lodging Trust, Inc.	17,000	265,030
Hersha Hospitality Trust	129,300	1,228,350
LaSalle Hotel Properties	17,200	548,680
Sunstone Hotel Investors, Inc.	25,000	457,250
Supertel Hospitality, Inc.	161,000	988,540
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		5,855,595

See notes to financial statements and notes to portfolio of investments.

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Industrial 11.6%

AMB Property Corp.	4,000	\$	230,240
DCT Industrial Trust, Inc.	64,500		600,495
EastGroup Properties, Inc.	14,000		585,900
First Industrial Realty Trust, Inc.	211,240		7,308,904
ProLogis	21,000		1,330,980

10,056,519

Manufactured Homes 1.8%

Sun Communities, Inc.	75,900		1,599,213
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Mortgage 0.1%

Alesco Financial, Inc.	19,000		62,320
Anthracite Capital, Inc.	2,000		14,480

76,800

Office 12.7%

American Financial Realty Trust	309,100		2,478,982
Brandywine Realty Trust	102,400		1,836,032
Corporate Office Properties Trust	15,500		488,250
Douglas Emmett, Inc.	12,500		282,625
Highwoods Properties, Inc.	55,000		1,615,900
Mack-Cali Realty Corp.	26,500		901,000
Maguire Properties, Inc.	48,000		1,414,560
Parkway Properties, Inc.	55,000		2,033,900

11,051,249

Retail 7.4%

Cedar Shopping Centers, Inc.	75,000		767,250
Equity One, Inc.	10,000		230,300
Feldman Mall Properties, Inc.	3,000		11,070
Glimcher Realty Trust	109,400		1,563,326
Kimco Realty Corp.	5,000		182,000
Pennsylvania Real Estate Investment Trust	12,000		356,160
Ramco-Gershenson Properties Trust	9,000		192,330
Realty Income Corp.	54,600		1,475,292
Simon Property Group, Inc.	15,000		1,302,900
Tanger Factory Outlet Centers, Inc.	5,000		188,550
Urstadt Biddle Properties, Inc.	8,900		137,950

6,407,128

Specialty 1.0%

Getty Realty Corp.	32,600		869,768
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See notes to financial statements and notes to portfolio of investments.

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<i>Storage 3.3%</i>		
Public Storage, Inc.	3,000	\$ 220,230
Sovran Self Storage, Inc.	50,000	2,005,000
U-Store-It Trust	65,000	595,400
		<hr/>
		2,820,630
<i>Total Real Estate Investment Trusts (Cost \$92,150,007)</i>		88,225,501
 <i>Other 9.0%</i>		
Abingdon Investment, Ltd. (a) (b)	550,000	4,378,000
American Capital Strategies, Ltd.	23,500	774,560
Brookfield Properties Corp.	10,000	192,500
Iowa Telecommunication Services, Inc.	50,500	821,130
MCG Capital Corp.	41,000	475,190
Seaspan Corp.	48,200	1,180,418
<i>Total Other (Cost \$9,017,018)</i>		7,821,798
<i>Total Common Stocks (Cost \$101,167,025)</i>		96,047,299
<i>Preferred Stocks 40.2%</i>		
<i>Real Estate Investment Trusts 33.0%</i>		
<i>Apartments 0.9%</i>		
Apartment Investment & Management Co., Series G	32,800	800,320
<i>Diversified 1.6%</i>		
Colonial Properties Trust, Series D	60,000	1,436,400
<i>Health Care 5.3%</i>		
Health Care REIT, Inc., Series G	20,000	640,600
OMEGA Healthcare Investors Inc., Series D	160,000	3,963,200
		<hr/>
		4,603,800
<i>Hospitality 20.5%</i>		
Ashford Hospitality Trust, Series A	107,900	2,023,125
Ashford Hospitality Trust, Series D	100,000	1,900,000
Eagle Hospitality Properties Trust, Inc., Series A (b)	28,000	350,000
Entertainment Properties Trust, Series D	111,800	2,090,660
FelCor Lodging Trust, Inc., Series A (c)	83,000	1,711,460
FelCor Lodging Trust, Inc., Series C	39,600	734,580
Hersha Hospitality Trust, Series A	92,000	1,968,800
LaSalle Hotel Properties, Series D	100,000	1,830,000
Strategic Hotels & Resorts, Inc., Series A	75,000	1,408,500
Strategic Hotels & Resorts, Inc., Series B	64,500	1,241,625
Sunstone Hotel Investors, Inc., Series A	129,100	2,521,323
		<hr/>
		17,780,073

See notes to financial statements and notes to portfolio of investments.

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<i>Industrial</i> 0.5%		
First Industrial Realty Trust, Series J	20,000	\$ 405,000
<i>Office</i> 1.3%		
Corporate Office Properties Trust, Series H	2,000	41,000
Corporate Office Properties Trust, Series J	22,000	449,900
Kilroy Realty Corp., Series E	500	11,250
Kilroy Realty Corp., Series F	30,000	660,000
		<hr/>
		1,162,150
<i>Retail</i> 2.9%		
Cedar Shopping Centers, Inc., Series A	88,600	2,082,100
Glimcher Realty Trust, Series F	20,000	411,000
		<hr/>
		2,493,100
<i>Total Real Estate Investment Trusts (Cost \$33,520,602)</i>		28,680,843
<i>Other</i> 7.2%		
Hilltop Holdings, Inc., Series A	280,000	6,209,000
<i>Total Other (Cost \$6,016,675)</i>		6,209,000
<i>Total Preferred Stocks (Cost \$39,537,277)</i>		34,889,843
<i>Other Investment Companies</i> 9.0%		
Alpine Total Dynamic Dividend Fund	126,200	2,139,090
Cohen & Steers Premium Income Realty Fund, Inc.	31,950	469,984
Cohen & Steers REIT and Preferred Income Fund, Inc.	38,426	726,252
Cornerstone Strategic Value Fund, Inc.	2,500	12,600
Eaton Vance Enhanced Equity Income Fund II	30,100	534,275
LMP Real Estate Income Fund, Inc.	80,160	1,163,923
Neuberger Berman Real Estate Securities Income Fund, Inc.	72,250	831,597
Neuberger Berman Realty Income Fund, Inc.	55,700	881,174
The Zweig Total Return Fund, Inc.	220,568	999,173
<i>Total Other Investment Companies (Cost \$9,631,583)</i>		7,758,068
<i>Short-Term Investments</i> 1.1%		
<i>Other Investment Companies</i> 1.1%		
Dreyfus Cash Management, Institutional Shares, 4.85% (d) (Cost \$997,913)	997,913	997,913
<i>Total Investments</i> 160.9% (Cost \$151,333,798)		139,693,123
<i>Other assets less liabilities</i> (3.3)%		(2,853,790)
<i>Preferred Shares, at liquidation preference</i> (57.6)%		(50,000,000)
<i>Net Assets applicable to common shareholders</i> 100%		\$ 86,839,333
<i>See notes to financial statements and notes to portfolio of investments.</i>		

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Notes to Portfolio of Investments

- (a) 144A securities. Securities restricted for resale to Qualified Institutional Buyers (5.0% of net assets). These securities are considered to be liquid.
- (b) As of December 31, 2007, the Fund held securities fair valued in accordance with policies adopted by the Board of Trustees, aggregating \$4,728,000 and 3.38% of market value.
- (c) Convertible into common stock.
- (d) Rate reflects 7 day yield as of December 31, 2007.

See notes to financial statements.

RMR Real Estate Fund
Financial Statements

Statement of Assets and Liabilities

December 31, 2007

Assets

Investments in securities, at value (cost \$151,333,798)	\$ 139,693,123
Cash	524
Dividends and interest receivable	2,311,017
	<hr/>
Total assets	142,004,664
	<hr/>

Liabilities

Distributions payable - common shares	4,776,800
Distributions payable - preferred shares	105,000
Advisory fee payable	73,776
Accrued expenses and other liabilities	209,755
	<hr/>
Total liabilities	5,165,331
	<hr/>

Preferred shares, at liquidation preference

Auction preferred shares, Series T; \$.001 par value per share; 2,000 shares issued and outstanding at \$25,000 per share liquidation preference	50,000,000
	<hr/>

Net assets attributable to common shares

\$ 86,839,333

Composition of net assets

Common shares, \$.001 par value per share; unlimited number of shares authorized, 6,824,000 shares issued and outstanding	\$ 6,824
Additional paid-in capital	96,475,287
Distributions in excess of net investment income	(9,373)
Accumulated net realized gain on investment transactions	2,007,270
Net unrealized depreciation on investments	(11,640,675)
	<hr/>

Net assets attributable to common shares

\$ 86,839,333

Net asset value per share attributable to common shares
(based on 6,824,000 common shares outstanding)

\$ 12.73

See notes to financial statements.

RMR Real Estate Fund**Financial Statements** continued

Statement of Operations

For the Year Ended December 31, 2007*Investment Income*

Dividends (Cash distributions, net of capital gain (\$4,010,171) and return of capital (\$1,467,181) distributions, received or due, net of foreign taxes withheld of \$420)	\$ 8,954,018
Interest	307,972
	<hr/>
Total investment income	9,261,990
	<hr/>

Expenses

Advisory	1,457,623
Audit and legal	186,544
Preferred share remarketing	127,964
Administrative	109,271
Custodian	87,376
Shareholder reporting	67,396
Excise Tax	35,510
Compliance and internal audit	29,725
Trustees' fees and expenses	21,606
Other	86,550
	<hr/>
Total expenses	2,209,565
Less: expense waived by the Advisor	(428,713)
	<hr/>

Net expenses	1,780,852
	<hr/>

Net investment income	7,481,138
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Realized and unrealized gain(loss) on investments