

COHEN & STEERS TOTAL RETURN REALTY FUND INC  
Form N-CSRS  
August 24, 2004

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)

Robert H. Steers  
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, 2004

Item 1. Reports to Stockholders.

The registrant's semi-annual report to shareholders, for the period ended June 30, 2004 is included herein.

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.

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Not applicable.

Item 6. Schedule of Investments.

Not applicable.

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

Not applicable.

Item 8. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

Not applicable.

Item 9. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 10. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange

Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of this report.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 11. Exhibits.

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

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

SIGNATURES

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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/ Robert H. Steers

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Name: Robert H. Steers  
Title: Chairman

Date: August 24, 2004

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/ Robert H. Steers

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Name: Robert H. Steers  
Title: Chairman, Secretary  
and principal executive officer

Date: August 24, 2004

By: /s/ Martin Cohen

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Name: Martin Cohen  
Title: President, Treasurer  
and principal financial officer

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

July 26, 2004

To Our Shareholders:

We are pleased to submit to you our report for the quarter and six months ended June 30, 2004. The net asset value at that date was \$17.15. In addition, during the quarter, three \$0.085 per share monthly dividends were declared and paid.

INVESTMENT REVIEW

For the quarter, Cohen & Steers Total Return Realty Fund had a total return, based on income and change in net asset value, of -6.3%. This compares to the NAREIT Equity REIT Index's(a) total return of -5.8%. For the six months ended June 30, 2004, the fund's total return was 3.9%, compared to NAREIT's 5.5%.

The second quarter of 2004 brought further evidence of a strengthening U.S. economic recovery. The release of the March report on U.S. non-farm payrolls in early April forced many of the pessimistic, economic naysayers to acknowledge that the recovery was, in fact, for real.

The second quarter began with a dramatic decline in REIT stock prices,

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followed by a dramatic rebound and, most importantly, in our view a decisive rotation in leadership within the REIT market. By way of review, the March jobs report took the capital markets by surprise on April 2 and sent the bond market reeling, resulting in the worst quarter for the bond market since the first quarter of 1994. REITs dropped 18% from their highs at the end of March, before bottoming on May 10. We characterized this decline as technical in nature, driven by the valuation concerns of some investors, and one that we believed presented an attractive investment opportunity. In our view, the very jobs report that set off the decline in REIT share prices was likely to contribute to improving real estate fundamentals and greater cash flow for REITs.

We are pleased to report that since then REITs have rebounded significantly, recording a 14% total return from May 10 through the end of June, and were one of the best performing asset classes over this time period. The strong returns of the last two months are certainly inconsistent with the notion put forward by some pundits that REITs tipped into a bear market in the second quarter in sympathy with the bond market. In fact, if the first half of 2004 is a proper guide, we believe REITs are on pace to deliver the low- to mid-teens total return profile that is consistent with the sector's long-term average.

While many observers focused on the uncharacteristic volatility in REIT share prices, the more interesting story in the second quarter was a rotation of leadership within the REIT market. The defensive issues, which had led the REIT group since 2001, have ceded their market leadership to the more cyclically inclined companies that we believe will respond to the economic recovery most quickly and most dramatically. The broad distribution of returns across sectors during the quarter highlights in greater detail this change in leadership, as well as the above-average volatility experienced during the quarter. The best performing sectors were apartment and hotel,

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(a) The 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.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

which generated total returns of 2.2% and -2.6% respectively. Conversely, the worst performing sectors during the quarter were health care (-13.4% total return) and regional mall (-11.5%). The obvious difference between the two groups is the short lease duration and more variable demand patterns of the strong performing cyclical sectors versus the long lease terms and relatively consistent demand profiles of the laggards, which tend not to respond quickly to accelerating economic growth.

The fund's best performing investments during the quarter were in the apartment and industrial sectors, which produced total returns of 1.1% and -0.5% respectively, while the worst performing sector for the fund was the healthcare sector, which had a -13.9% total return. Apartment companies AvalonBay Communities and Mid-America Apartment Communities were the fund's best performing holdings, contributing total returns of 6.8% and 3.9% respectively.

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Laggards during the quarter included Health Care REIT, with a total return of -18.5% and Glimcher Realty Trust, which generated a total return of -16.6%.

Our performance during the quarter was also enhanced by our position in Keystone Property Trust, a small-cap industrial REIT that announced it was being acquired by a joint venture between Prologis Trust and affiliates of Eaton Vance Management for \$23.80 per share in cash, a 14% premium to the previous day's closing price. This transaction is significant for two reasons, among others. One is that it highlights the fact that, in our view, Wall Street continues to underestimate real estate values (the consensus net asset value estimate for Keystone prior to the deal was approximately \$18.50 per share). Additionally, we believe the transaction represents another validation of our strategy, as Keystone embodied many of the key attributes we look for in investment candidates. Specifically, these attributes include companies that are relatively underfollowed, small to mid-cap in size with an above-average dividend yield, and that are trading at a lower price/NAV ratio than their peers.

### INVESTMENT OUTLOOK

In the wake of the REIT stock price decline in the second quarter, many investors have asked us whether REITs can continue to perform well in what many are concerned (overly so, in our view) may be a period of rising interest rates.

Our view has always been and continues to be that real estate fundamentals are the primary driver of REIT returns over the long run. Still, we regularly examine the extent to which REITs are correlated with other asset classes. We have found that over the long term REIT share price behavior has not been statistically related in any material way to the performance of bonds or interest rates. In other words, over time, the performance of the bond market has explained virtually none of the performance of REITs.

Over the short term, REITs may appear to correlate with interest rates, as we have seen recently. However, although we can say with certainty that rising rates result in poor returns for bonds, the REIT return equation cannot be solved using interest rates as the only input variable. Importantly, we have also found that in the 12 months following periods of rising interest rates, as the dampening effect of higher interest rates on security returns has subsided and the acceleration of real estate fundamentals has kicked in, REIT performance historically has been consistently very strong.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

Nonetheless, we cannot ignore the fact that interest rates can have an impact on REIT earnings and asset values. Higher interest rates will increase the cost of REITs' debt capital over time, although the impact will be mitigated by REITs' use of primarily long-term, fixed-rate debt. Higher interest rates may also result in higher real estate capitalization rates, which would tend to lower estimates of property values. However, we believe that if interest rates are rising due to a stronger economy and attendant higher inflationary expectations (which in the past have been favorable for real estate fundamentals), this could serve to offset at least some of the impact that higher interest rates would otherwise have on capitalization rates.

Higher interest rates can also have some beneficial effects on REITs. The higher inflationary expectations, which are partially driving higher interest rates, push up the price of building costs, especially inputs like steel, concrete, lumber, labor and construction period interest. Thus the overall replacement cost of real estate escalates, which flows through eventually in the form of higher market rents. Already we are hearing reports that construction costs have risen by as much as 25% over the past two years. If capitalization rates were to rise, the return on assets that REITs could achieve on external acquisitions of property should increase. Furthermore, higher debt costs will tend to choke off development of new, competitive real estate. These higher debt costs tend to have a greater impact on the private developers who typically build the majority of new buildings and use a higher proportion of debt in their capital structure.

Our conclusion is that, although changes in interest rates have a varied impact on REITs, the positive and negative impacts have historically tended to offset one another, such that the overall impact on REIT returns has not generally been material, thus, the historical lack of correlation. What remains material is the supply and demand for real estate and how that impacts building occupancies and rents. The most important thing to recognize about the prospects for REIT returns, in our view, is that the job growth that occurred in March of this year was followed up with strong job growth reports for both April and May. With this key economic driver in place, we believe the prospects for higher building occupancies and rents, and thus for higher cash flows for REITs, are excellent.

At this point, with the first dose of Fed tightening already under our belts and a further rise in interest rates widely anticipated among economists and investors alike, it is safe to say that whatever impact investors believe rising interest rates may have on REITs has been well digested by the stock market. The net effect has been to bring REIT valuations in line with historical averages. In our view, the favorable prospects for accelerating cash

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

flow growth over the next couple of years in combination with these valuations give us confidence that REITs can continue to generate attractive total returns.

Sincerely,

MARTIN COHEN	ROBERT H. STEERS
MARTIN COHEN	ROBERT H. STEERS
President	Chairman

GREG E. BROOKS, CFA  
GREG E. BROOKS, CFA  
Portfolio Manager

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

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We have enhanced both the look and features of our Web site to give you more information about our company, our funds and the REIT market in general. Check out our interactive Asset Allocation Tool, which allows you to hypothetically add REITs to any portfolio to see how they impact expected total returns and risk. Or try the Fund Performance Calculator and see how our funds have performed versus the S&P 500 Index or Nasdaq Composite. As always, you can also get daily net asset values, fund fact sheets, portfolio highlights, recent news articles and our overall insights on the REIT market.

So visit us today at [cohenandsteers.com](http://cohenandsteers.com)

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

### SCHEDULE OF INVESTMENTS JUNE 30, 2004 (UNAUDITED)

		NUMBER OF SHARES	VALUE (NOTE 1)	DIVIDEND YIELD (a)
		-----	-----	-----
EQUITIES	98.89% (b)			
COMMON STOCK	78.85%			
DIVERSIFIED	9.81%			
Colonial Properties Trust.....		82,100	\$ 3,163,313	6.96%
Crescent Real Estate Equities Co. ....		170,600	2,750,072	9.31
iStar Financial.....		36,900	1,476,000	6.98
Vornado Realty Trust.....		143,200	8,178,152	4.97
			-----	
			15,567,537	
			-----	
HEALTH CARE	10.12%			
Health Care Property Investors.....		230,000	5,529,200	6.95
Health Care REIT.....		27,600	897,000	7.38
Nationwide Health Properties.....		161,800	3,058,020	7.83
Ventas.....		281,700	6,577,695	5.57
			-----	
			16,061,915	
			-----	
HOTEL	1.02%			
Hospitality Properties Trust.....		38,400	1,624,320	6.81
			-----	
INDUSTRIAL	1.51%			
First Industrial Realty Trust.....		64,700	2,386,136	7.43
			-----	
MORTGAGE	1.95%			
Newcastle Investment Corp. ....		103,027	3,085,659	8.01
			-----	

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- (a) Dividend yield is computed by dividing the security's current annual dividend rate by the last sale price on the principal exchange, or market, on which such security trades.
- (b) Percentages indicated are based on the net assets of the fund.

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)  
 JUNE 30, 2004 (UNAUDITED)

		NUMBER OF SHARES	VALUE (NOTE 1)	DIVIDEND YIELD
		-----	-----	-----
OFFICE	21.91%			
Arden Realty.....		160,000	\$ 4,705,600	6.87%
Brandywine Realty Trust.....		184,900	5,027,431	6.47
CarrAmerica Realty Corp.....		155,100	4,688,673	6.62
Equity Office Properties Trust.....		203,400	5,532,480	7.35
HRPT Properties Trust.....		71,900	719,719	7.99
Mack-Cali Realty Corp.....		150,800	6,240,104	6.09
Maguire Properties.....		93,000	2,303,610	6.46
Prentiss Properties Trust.....		165,300	5,540,856	6.68
			-----	
			34,758,473	
			-----	
OFFICE/INDUSTRIAL	6.56%			
Kilroy Realty Corp.....		56,600	1,930,060	5.81
Liberty Property Trust.....		135,600	5,452,476	6.02
Reckson Associates Realty Corp. ....		110,000	3,020,600	6.18
			-----	
			10,403,136	
			-----	
RESIDENTIAL	12.48%			
APARTMENT	12.23%			
Archstone-Smith Trust.....		152,900	4,484,557	5.86
AvalonBay Communities.....		69,900	3,950,748	4.95
Camden Property Trust.....		78,900	3,613,620	5.55
Gables Residential Trust.....		122,900	4,176,142	7.09
Home Properties.....		47,000	1,832,060	6.36
Mid-America Apartment Communities.....		35,400	1,341,306	6.18
			-----	
			19,398,433	
			-----	
MANUFACTURED HOME	0.25%			
Affordable Residential Communities.....		24,300	403,380	7.53

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TOTAL RESIDENTIAL.....			19,801,813	
SELF STORAGE	0.15%			
Sovran Self Storage.....		6,200	236,716	6.31

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)  
JUNE 30, 2004 (UNAUDITED)

	NUMBER OF SHARES	VALUE (NOTE 1)	DIVIDEND YIELD
SHOPPING CENTER			
COMMUNITY CENTER			
Developers Diversified Realty Corp. ...	22,600	\$ 799,362	5.20%
Federal Realty Investment Trust.....	52,400	2,179,316	4.71
Heritage Property Investment Trust.....	51,300	1,388,178	7.76
Kramont Realty Trust.....	69,500	1,112,000	8.13
Urstadt Biddle Properties -- Class A...	60,000	888,600	5.81
		6,367,456	
REGIONAL MALL			
CBL & Associates Properties.....	42,100	2,315,500	5.27
Glimcher Realty Trust.....	95,200	2,105,824	8.69
Macerich Co.....	110,500	5,289,635	5.10
Mills Corp.....	109,000	5,090,300	5.10
		14,801,259	
TOTAL SHOPPING CENTER.....		21,168,715	
TOTAL COMMON STOCK			
(Identified cost -- \$82,496,464)		125,094,420	
PREFERRED STOCK			
DIVERSIFIED			
Colonial Properties Trust, 9.25%, Series C.....	600	15,570	8.91
Colonial Properties Trust, 8.125%, Series D.....	14,600	374,198	7.93
Crescent Real Estate Equities Co., 6.75%, Series A (Convertible).....	75,500	1,508,490	8.45

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			1,898,258	
			-----	
HEALTH CARE	2.83%			
Nationwide Health Properties, 7.677%,				
Series P.....		47,000	4,491,438	8.03
			-----	

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)  
JUNE 30, 2004 (UNAUDITED)

		NUMBER OF SHARES	VALUE (NOTE 1)	DIVIDEND YIELD
		-----	-----	-----
HOTEL	0.21%			
FelCor Lodging Trust, 9.00%, Series B..		2,900	\$ 72,500	9.00%
Host Marriott Corp, 10.00%, Series C...		3,500	92,050	9.51
Host Marriott Financial Trust, 6.75%,				
QUIPS(a) (Convertible).....		3,200	166,400	6.50
			-----	
			330,950	
			-----	
INDUSTRIAL	0.26%			
Keystone Property Trust, 9.125%,				
Series D.....		16,100	416,990	8.81
			-----	
OFFICE	3.83%			
Alexandria Real Estate Equities, 9.10%,				
Series B.....		13,900	371,408	8.51
HRPT Properties Trust, 8.75%,				
Series B.....		52,800	1,388,640	8.32
Highwoods Properties, 8.625%,				
Series A.....		4,300	4,310,750	8.60
			-----	
			6,070,798	
			-----	
RESIDENTIAL -- APARTMENT	3.32%			
Apartment Investment & Management Co.,				
8.75%, Series D.....		6,431	161,482	8.71
Apartment Investment & Management Co.,				
9.375%, Series G.....		113,200	2,931,880	9.05
Apartment Investment & Management Co.,				
10.10%, Series Q.....		25,000	655,000	9.64
Apartment Investment & Management Co.,				
10.00%, Series R.....		18,100	477,116	9.48
Mid-America Apartment Communities,				

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8.30%, Series H.....	17,300	435,095	8.25
Post Properties, 8.50%, Series A.....	11,000	606,375	7.80
		-----	
		5,266,948	
		-----	

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(a) QUIPS Quarterly Income Preferred Securities.

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS -- (CONTINUED)  
JUNE 30, 2004 (UNAUDITED)

	NUMBER OF SHARES	VALUE (NOTE 1)	DIVIDEND YIELD
	-----	-----	-----
SHOPPING CENTER			
8.39%			
COMMUNITY CENTER			
0.93%			
Developers Diversified Realty Corp.,			
8.60%, Series F.....	1,600	\$ 41,360	8.33%
Ramco-Gershenson Property Trust, 9.50%,			
Series B.....	11,600	306,820	9.05
Saul Centers, 8.00%, Series A.....	26,800	683,400	7.84
Urstadt Biddle Properties, 8.50%,			
Series C.....	4,000	438,000	7.76
		-----	
		1,469,580	
		-----	
OUTLET CENTER			
0.46%			
Chelsea Property Group, 8.375%,			
Series A.....	13,000	736,937	7.39
		-----	
REGIONAL MALL			
7.00%			
CBL & Associates Properties, 8.75%,			
Series B.....	13,000	686,400	8.29
Glimcher Realty Trust, 8.125%,			
Series G.....	16,000	380,000	8.55
Mills Corp., 9.00%, Series B.....	73,800	1,966,032	8.45
Mills Corp., 9.00%, Series C.....	25,000	663,125	8.52
Mills Corp., 8.75%, Series E.....	26,000	681,460	8.35
Pennsylvania Real Estate Investment			
Trust, 11.00%, Series A.....	55,400	3,263,060	9.34
Taubman Centers, 8.30%, Series A.....	139,500	3,466,575	8.35
		-----	
		11,106,652	
		-----	

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TOTAL SHOPPING CENTER.....		13,313,169
TOTAL PREFERRED STOCK		
(Identified cost -- \$28,004,704)		31,788,551
		-----
TOTAL EQUITIES (Identified		
cost -- \$110,501,168).....		156,882,971
		-----
	PRINCIPAL	
	AMOUNT	
	-----	
CORPORATE BOND	0.41%	
Host Marriott, LP, 9.50%,		
due 01/15/07		
(Identified cost -- \$600,418).....	\$600,000	658,500
		-----
TOTAL INVESTMENTS (Identified		
cost -- \$111,101,586).....	99.30%	157,541,471
OTHER ASSETS IN EXCESS OF LIABILITIES	0.70%	1,108,738
	-----	-----
NET ASSETS (Equivalent to \$17.15 per		
share based on 9,249,159 shares of		
capital stock outstanding).....	100.00%	\$158,650,209
	-----	-----
	-----	-----

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES  
JUNE 30, 2004 (UNAUDITED)

ASSETS:

Investments in securities, at value (Identified		
cost -- \$111,101,586) (Note 1).....		\$157,541,471
Cash.....		377,443
Dividends and interest receivable.....		896,298
Other assets.....		17,575
		-----
Total Assets.....		158,832,787
		-----

LIABILITIES:

Payable to investment advisor.....		89,845
Payable for professional fees.....		39,851
Payable to directors.....		4,751
Payable to administrator.....		3,076
Other liabilities.....		45,055
		-----
Total Liabilities.....		182,578

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NET ASSETS applicable to 9,249,159 shares of \$0.001 par value common stock outstanding (Note 5).....	\$158,650,209
-----	
NET ASSET VALUE PER SHARE: (\$158,650,209[div]9,249,159 shares outstanding).....	\$ 17.15
-----	
MARKET PRICE PER SHARE.....	\$ 17.06
-----	
MARKET PRICE PREMIUM/(DISCOUNT) TO NET ASSET VALUE PER SHARE.....	(0.52%)
-----	
NET ASSETS consist of:	
Paid-in capital (Notes 1 and 5).....	\$112,560,482
Distributions in excess of net investment income.....	(1,681,891)
Accumulated net realized gain on investments.....	1,331,733
Net unrealized appreciation on investments.....	46,439,885
	-----
	\$158,650,209
	-----

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, 2004 (UNAUDITED)

Investment Income (Note 1):	
Dividend income.....	\$3,741,622
Interest income.....	30,895
	-----
Total Income.....	3,772,517
	-----
Expenses:	
Investment advisory fees (Note 2).....	552,236
Reports to shareholders.....	73,260
Professional fees.....	36,183
Directors' fees and expenses (Note 2).....	20,138
Administration fees.....	13,580
Transfer agent fees and expenses.....	11,644
Custodian fees and expenses.....	10,280
Registration and filing fees.....	6,566
Line of credit fees (Note 6).....	3,562
Miscellaneous.....	9,881

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Total Expenses.....	737,330
Net Investment Income.....	3,035,187
Net Realized and Unrealized Gain on Investments:	
Net realized gain on investments.....	1,575,391
Net change in unrealized appreciation on investments....	1,610,783
Net realized and unrealized gain on investments....	3,186,174
Net Increase in Net Assets Resulting from Operations.....	\$6,221,361

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)

	FOR THE SIX MONTHS ENDED JUNE 30, 2004	FOR THE YEAR ENDED DECEMBER 31, 2003
Change in Net Assets:		
From Operations:		
Net investment income.....	\$ 3,035,187	\$ 5,365,361
Net realized gain on investments.....	1,575,391	3,136,985
Net change in unrealized appreciation on investments.....	1,610,783	33,087,426
Net increase in net assets resulting from operations.....	6,221,361	41,589,772
Dividends and Distributions to Shareholders from (Note 1):		
Net investment income.....	(4,717,078)	(5,365,361)
Net realized gain on investments.....	--	(3,196,876)
Tax return of capital.....	--	(917,957)
Total dividends and distributions to shareholders.....	(4,717,078)	(9,480,194)
Total increase in net assets.....	1,504,283	32,109,578
Net Assets:		
Beginning of period.....	157,145,926	125,036,348

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End of period(a).....	\$158,650,209	\$157,145,926
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(a) Includes distributions in excess of net investment income of \$1,681,891 and \$0 at June 30, 2004 and December 31, 2003, respectively.

See accompanying notes to financial statements.

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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	FOR THE YEAR ENDED DECEMBER		
	SIX MONTHS ENDED JUNE 30, 2004	2003	2002	2001
Net asset value, beginning of period.....	\$16.99	\$13.52	\$13.41	\$12.35
Income from investment operations:				
Net investment income.....	0.33	0.58	0.64	0.77
Net realized and unrealized gain/(loss) on investments.....	0.34	3.92	0.43	1.28
Total income from investment operations.....	0.67	4.50	1.07	2.05
Less dividends and distributions to shareholders from:				
Net investment income.....	(0.51)	(0.58)	(0.75)	(0.77)
Net realized gain on investments...	--	(0.35)	(0.21)	--
Tax return of capital.....	--	(0.10)	--	(0.22)
Total from dividends and distributions to shareholders.....	(0.51)	(1.03)	(0.96)	(0.99)
Net increase/(decrease) in net assets.....	0.16	3.47	0.11	1.06
Net asset value, end of period.....	\$17.15	\$16.99	\$13.52	\$13.41

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Market value, end of period.....	\$17.06	\$17.74	\$14.19	\$13.60	\$
Total market value return(a).....	- 0.98% (b)	33.36%	11.53%	23.34%	
Total net asset value return(a).....	3.94% (b)	34.05%	7.77%	16.82%	

RATIOS/SUPPLEMENTAL DATA:

Net assets, end of year (in millions).	158.7	157.1	125.0	124.1	
Ratio of expenses to average daily net assets (before expense reduction)....	0.93% (c)	0.95%	0.96%	1.18%	
Ratio of expenses to average daily net assets (net of expense reduction)....	0.93% (c)	0.95%	0.96%	1.18%	
Ratio of net investment income to average daily net assets (before expense reduction).....	3.85% (c)	3.93%	4.59%	5.86%	
Ratio of net investment income to average daily net assets (net of expense reduction).....	3.85% (c)	3.93%	4.59%	5.86%	
Portfolio turnover rate.....	2% (b)	22%	30%	34%	

(a) 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.

(b) Not annualized.

(c) 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 closed-end, nondiversified management investment company.

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. The preparation of the financial statements in accordance with generally accepted accounting principles 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. If no bid or asked prices are quoted on such day, then the security is valued by such method as the board of directors shall determine in good faith to reflect its fair market value.

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 Quotations Bureau, or such other comparable sources as the board of directors deems appropriate to reflect their fair market value. 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 reflect most closely the value of such securities.

Short-term debt securities, which have a maturity 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

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

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

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) on investments as necessary once the issuers provide information about the actual composition of the distributions.

Discounts and premiums of securities purchased are amortized using the effective yield basis over their respective lives.

**Dividends and Distributions to Shareholders:** Dividends from net investment income are declared and paid monthly. Distributions to shareholders are recorded on the ex-dividend date. Dividends will automatically be reinvested in full and fractional shares of the fund based on open market purchases made by Equiserve (the Plan Agent) on payable date unless the shareholder has elected to have them paid in cash.

A portion of the fund's dividend may consist of amounts in excess of net investment income derived from nontaxable components of the dividends from the fund's portfolio investments. Net realized capital gains, unless offset by any available capital loss carryforward, are distributed to shareholders annually.

Dividends from net investment income and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which may differ from generally accepted accounting principles. These differences are primarily due to return of capital and capital gain distributions received by the fund on portfolio securities.

**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

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June 30, 2004.

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

Investment Advisory Fees: Cohen & Steers Capital Management, Inc. (the advisor) serves as the investment advisor to the fund, pursuant to an advisory agreement (the advisory agreement). The advisor is responsible for the

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

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

actual management of the fund's portfolio. The responsibility for making decisions to buy, sell or hold a particular investment rests with the advisor, subject to review by the board of directors and the applicable provisions of the Act. For the services provided pursuant to the advisory agreement, the advisor is entitled to receive a fee, computed daily and payable monthly at an annual rate of 0.70% of the fund's average daily net assets. For the six months ended June 30, 2004, the fund incurred investment advisory fees of \$552,236.

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. For the six months ended June 30, 2004, fees and related expenses accrued for nonaffiliated directors totaled \$20,138.

## NOTE 3. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities, excluding short-term investments, for the six months ended June 30, 2004, totaled \$3,066,423 and \$3,164,238, respectively.

## NOTE 4. INCOME TAXES

At June 30, 2004, the cost of investments and net unrealized appreciation for federal income tax purposes were as follows:

Aggregate cost.....	\$111,101,586
	-----
Gross unrealized appreciation.....	\$ 46,460,017
Gross unrealized depreciation.....	\$ (20,132)
	-----
Net unrealized appreciation.....	\$ 46,439,885
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## NOTE 5. COMMON STOCK

At June 30, 2004, the fund had one class of common stock, par value \$0.001

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per share, of which 100 million shares are authorized and 9,249,159 shares are outstanding. Cohen & Steers Capital Management, Inc. owned 43,105 shares.

### NOTE 6. BORROWINGS

The fund, in conjunction with Cohen & Steers Realty Shares, Inc. Cohen & Steers Institutional Realty Shares, Inc., Cohen & Steers Special Equity Fund, Inc., Cohen & Steers Equity Income Fund, Inc., and Cohen & Steers Utility Fund, Inc. has entered into a \$200,000,000 credit agreement (the credit agreement) with Fleet National Bank, as administrative agent, State Street Bank and Trust Company, as operations agent, and the lenders identified in the credit agreement.

During the six months ended June 30, 2004, did not utilize the line of credit. For the six months ended June 30, 2004, the fund paid commitment fees and other expenses of \$3,562.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

AVERAGE ANNUAL TOTAL RETURNS (a)  
(PERIODS ENDED JUNE 30, 2004) (UNAUDITED)

ONE YEAR	FIVE YEARS	TEN YEARS	SINCE INCEPTION (9/27/93)
-----	-----	-----	-----
22.16%	14.40%	12.01%	11.53%

The performance data quoted represents past performance. Past performance is no guarantee of future results. The rate of 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 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.

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

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calling 1-800-330-7348, (ii) on our Web site at cohenandsteers.com or (iii) on the Securities and Exchange Commission's Web site at http://www.sec.gov.

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 (a) Based on net asset value.

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 COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

PROXY RESULTS

During the six month period ended June 30, 2004, Cohen & Steers Total Return Realty Fund, Inc. shareholders voted on the following proposals at the annual meeting held on April 29, 2004. The description of each proposal and number of shares voted are as follows:

	SHARES VOTED FOR	AUTHORITY WITHHELD	
1. To elect Directors			
Martin Cohen.....	8,819,453	83,359	
Richard J. Norman.....	8,819,172	83,641	
Frank K. Ross.....	8,810,622	92,191	
	SHARES VOTED FOR	SHARES VOTED AGAINST	SHARES VOTED ABSTAIN
2. To ratify PricewaterhouseCoopers LLP as the fund's independent registered public accountants.....	8,765,117	64,488	73,207

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 COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

PRIVACY POLICY

The fund is committed to maintaining the privacy of its shareholders and to safeguarding their personal information. The following is provided to help you understand what personal information the fund collects, how we protect that

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information, and why in certain cases we may share this information with others.

The fund does not receive any personal information relating to shareholders who purchase shares through an intermediary that acts as the record owner of the shares. In the case of shareholders who are record owners of the fund, to conduct and process your business in an accurate and efficient manner, we must collect and maintain certain personal information about you. This is the information we collect on applications or other forms, and from the transactions you make with us.

The fund does not disclose any personal information about its shareholders or former shareholders to anyone, except as required or permitted by law or as is necessary to service shareholder accounts. We will share information with organizations, such as the fund's transfer agent, that assist the fund in carrying out its daily business operations. These organizations will use this information only for purposes of providing the services required or as otherwise as may be required by law. These organizations are not permitted to share or use this information for any other purpose. In addition, the fund restricts access to personal information about its shareholders to employees of the adviser who have a legitimate business need for the information.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

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

FOR HIGH CURRENT INCOME:

COHEN & STEERS  
EQUITY INCOME FUND

IDEAL FOR INVESTORS SEEKING A HIGH DIVIDEND  
YIELD AND CAPITAL APPRECIATION, INVESTING  
PRIMARILY IN REITS

A, B, C AND I SHARES AVAILABLE

SYMBOLS: CSEIX, CSBIX, CSCIX, CSDIX

FOR TOTAL RETURN

FOR TOTAL RETURN:

COHEN & STEERS  
REALTY SHARES

IDEAL FOR INVESTORS SEEKING MAXIMUM TOTAL  
RETURN THROUGH BOTH CURRENT INCOME AND  
CAPITAL APPRECIATION, INVESTING PRIMARILY  
IN REITS

SYMBOL: CSRSX

ALSO AVAILABLE: COHEN & STEERS INSTITUTIONAL  
REALTY SHARES (CSRIX) REQUIRES A HIGHER  
MINIMUM PURCHASE, BUT OFFERS A LOWER TOTAL  
EXPENSE RATIO

FOR CAPITAL APPRECIATION

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COHEN & STEERS  
UTILITY FUND

IDEAL FOR INVESTORS SEEKING MAXIMUM TOTAL  
RETURN THROUGH BOTH CURRENT INCOME AND  
CAPITAL APPRECIATION, INVESTING PRIMARILY IN  
UTILITIES

SYMBOLS: CSUAX, CSUBX, CSUCX, CSUIX

COHEN & STEERS  
SPECIAL EQUITY FUND

IDEAL FOR INVESTORS SEEKING MAXIMUM CAP  
APPRECIATION, INVESTING IN A LIMITED NU  
OF REITS AND OTHER REAL ESTATE COMPANIE

CONCENTRATED, HIGHLY FOCUSED PORTFOLIO

SYMBOL: CSSPX

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. A PROSPECTUS CONTAINING THIS AND OTHER  
INFORMATION ABOUT THE FUND MAY BE OBTAINED BY FOLLOWING THE  
INSTRUCTIONS ABOVE. PLEASE READ THE PROSPECTUS  
CAREFULLY BEFORE INVESTING.

COHEN & STEERS SECURITIES, LLC, DISTRIBUTOR

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

OFFICERS AND DIRECTORS

Robert H. Steers  
Director and chairman

Martin Cohen  
Director and president

Bonnie Cohen  
Director

George Grossman  
Director

Richard J. Norman  
Director

Frank K. Ross  
Director

Willard H. Smith Jr.  
Director

Greg E. Brooks

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  
Equiserve Trust Company  
250 Royall Street  
Canton, MA 02021  
(800) 426-5523

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

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Vice president

New York Stock Exchange Symbol: RFI

Joseph M. Harvey  
Vice president

Web site: cohenandsteers.com

Adam Derechin  
Vice president and assistant treasurer

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

Lawrence B. Stoller  
Assistant secretary

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

COHEN & STEERS  
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TOTAL RETURN REALTY FUND

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SEMIANNUAL REPORT  
JUNE 30, 2004

STATEMENT OF DIFFERENCES

The division sign shall be expressed as..... [div]

The section symbol shall be expressed as..... 'SS'