

Cohen & Steers Realty Shares

We would like to share with you our review and outlook for the U.S. real estate securities market as of December 31, 2011. The FTSE NAREIT Equity REIT Index had a total return of +15.2% for the fourth quarter and +8.3% for the year. By comparison, the S&P 500 Index returned +11.8% and +2.1%, respectively, over the same periods.

Investment Review

U.S. real estate securities overcame macro headwinds in 2011 to advance and significantly outperform the broader U.S. equity market. REITs trended upward through July, aided by a steady improvement in real estate fundamentals and low and declining financing costs. However, August brought severe volatility to REITs and broader global capital markets as investors reacted to unsettling developments; the U.S. economy suddenly appeared vulnerable to recession, Standard & Poor's issued its first U.S. credit rating downgrade, Europe's sovereign debt crisis began to spread to the so-called "core" and China's growth trajectory was beginning to slow.

While REITs struggled into September, the group generated fourth-quarter returns large enough to end the year with a gain. Fears of recession eased as late-period U.S. economic data stabilized and demonstrated moderate improvement; in Europe, fiscal and monetary authorities seemed to get a temporary handle on the region's formidable debt problems. Meanwhile, REITs reported third quarter earnings that generally met or exceeded expectations. They also continued to demonstrate ready access to capital, via equity and bond offerings and the refinancing of bank lines with improved terms.

Performance by property type varied widely. The self storage sector (total return of +35.2%⁽¹⁾ in the index) was a standout, benefiting from accelerating cash flow growth driven by improving broader fundamentals, coupled with taking market share from smaller private operators. Apartment owners (+15.1%) also outperformed; fundamentals were aided by improving employment trends among a younger demographic that typically has a higher-than-average propensity to rent.

The gain in regional malls (+22.0%) was driven by a strong return from Simon Property Group, which owns high-quality malls and outlet centers in desirable locations. Certain lower-quality mall owners struggled; this performance reflected a wider sector trend in which companies with the better assets and stronger balance sheets outperformed their peers.

(1) Sector returns as measured by the FTSE NAREIT Equity REIT Index.

Shopping center REITs (-0.7%) were among the underperformers. Compared with mall owners, who focus on higher income demographics, shopping centers tend to be susceptible to the broader issues of limited job and wage growth. The office sector (-0.8%) was restrained by declines in companies focused on suburban properties, where demand has been lackluster. Good performers included companies with office properties concentrated on the east and west coasts. Industrial property companies (-5.2%) declined as ProLogis, which is 80% of the sector, was hindered by slowing global growth. The company's large presence in Europe was also a liability.

Index Performance (USD)

Period	FTSE NAREIT Equity REIT Index
Q4 2011	15.2%
1 Year	8.3%
3 Years	21.1%
5 Years	-1.4%
10 Years	10.2%

Past performance does not guarantee future results. This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index. Total returns of the FTSE NAREIT Equity REIT Index, an unmanaged capitalization-weighted index of all equity real estate investment trusts. Periods greater than one year are annualized.

Index Characteristics

Premium to Net Asset Value	16.5%
Premium to Dividend Discount Model	9.9%
Dividend Yield	3.7%
Price/Cash Flow (2011E)	18.5x
Cash Flow Growth (2011E vs. 2010)	10.3%
Cash Flow Growth (2012E vs. 2011E)	10.0%
Long-Term Cash Flow Growth	2.6%
Weighted-Average Market Cap.	\$11.7B
Total Market Capitalization	\$383.7B
Number of Securities	120

Source: Cohen & Steers.

Characteristics are market capitalization-weighted averages of estimates for companies in the FTSE NAREIT Equity REIT Index and are subject to change over time.

Cohen & Steers Realty Shares

Index Sector Total Returns		
Sector	Q4 2011	YTD
Self Storage	22.5%	35.2%
Regional Mall	20.8%	22.0%
Manufactured Home	7.0%	20.4%
Apartment	13.0%	15.1%
Health Care	15.9%	13.6%
Diversified	10.0%	2.8%
Office/Industrial	11.7%	2.7%
Free Standing Mall	5.8%	0.4%
Shopping Center	10.4%	-0.7%
Office	9.9%	-0.8%
Industrial	18.8%	-5.2%
Hotel	29.3%	-14.3%
Equity REIT Index	15.2%	8.3%

Past performance does not guarantee future results. Total returns of the FTSE NAREIT Equity REIT Index, an unmanaged capitalization-weighted index of all equity real estate investment trusts. Periods greater than one year are annualized. Past performance does not guarantee future results. This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index.

Fund performance

The Fund had a positive total return for the year but underperformed its benchmark. It was ahead of the index through July, but lost ground in August due to an allocation that continued to favor companies with greater cyclical sensitivity. Economically sensitive stocks were hit the hardest in the market's sudden reversal. We adjusted our cyclical leaning downward to produce a more balanced portfolio reflective of slower economic growth, and with primarily downside tail risks.

From a sector standpoint, our overweight and stock selection in the hotel sector (-14.3% return in the index) detracted from performance. The group was highly sensitive to economic expectations on both the up and down sides, but ended the year with a loss. Stock selection in the shopping center and apartment sectors also hindered relative returns.

Performance benefited from our stock selection and underweight in office REITs, where we did not own or were underweight companies with secondary assets. Our overweight and stock selection in the regional mall sector also helped performance; our preference was for owners of high-quality properties.

Investment Outlook

We expect GDP growth of between 1% and 2% in 2012, with modest but steady gains in employment. This should support continued gradual improvement in real estate fundamentals, given low new supply in most sectors. In this environment, we seek to identify markets with above-average employment (and income) trends. And in an election year that should present opportunities and risks, we will monitor how the results might affect employment in the financial and health care industries, and the Washington, D.C. market generally.

In terms of sector positioning, we like high-quality retail owners with portfolios able to thrive despite disintermediation from e-commerce or the potential loss of major tenants (e.g., Sears). We favor urban office owners that we believe should benefit from the growth of the technology, media and life science employment in markets such as San Francisco, Boston and New York. We expect that apartment companies will continue to benefit from positive demographic trends—the key 20-30 year old population group is expanding twice as fast as other segments. We remain underweight suburban offices, secondary retail and health care properties.

Past performance is no guarantee of future results. *The views and opinions in the preceding commentary are as of the date of publication and are subject to change. There is no guarantee that any market forecast set forth in this presentation will be realized. This material should not be relied upon as investment advice, does not constitute a recommendation to buy or sell a security or other investment and is not intended to predict the performance of any investment. Portfolio holdings are subject to change without notice and may not represent current or future portfolio composition.*

Please consider the investment objectives, risks, charges and expenses of any Cohen & Steers fund carefully before investing. A prospectus containing this and other information can be obtained by calling 800.330.7348. Please read the prospectus carefully before investing. Cohen & Steers open-end funds are distributed by Cohen & Steers Securities, LLC.

This commentary is authorized for distribution only when preceded or accompanied by the current fact sheet for Cohen & Steers Realty Shares.

Cohen & Steers Realty Shares

Cohen & Steers is a manager of portfolios specializing in U.S. and international real estate securities, large cap value stocks, listed infrastructure and utilities, and preferred securities. The company also manages alternative investment strategies such as hedged real estate securities portfolios and private real estate multimanager strategies for qualified investors. Headquartered in New York City, with offices in London, Brussels, Hong Kong, Seattle and Tokyo, Cohen & Steers serves individual and institutional investors through a broad range of investment vehicles.

Top Ten Holdings

Name	Sector	% of Market Value
Simon Property Group Inc.	Regional Mall	11.7%
Equity Residential	Apartment	6.5%
Boston Properties Inc.	Office	4.6%
Health Care Property Inc.	Health Care	4.5%
Public Storage	Self Storage	4.5%
AvalonBay Communities Inc.	Apartment	3.3%
ProLogis Inc.	Industrial	3.2%
Vornado Realty Trust	Diversified	3.0%
Host Hotels & Resorts Inc.	Hotel	2.9%
Regency Centers Corp.	Shopping Center	2.4%

The fund's portfolio holdings are subject to change without notice. The mention of specific securities is not a recommendation or solicitation for any person to buy, sell or hold any particular security.

Cohen & Steers Realty Shares, Inc. is distributed by Cohen & Steers Securities, LLC.

Please consider the investment objectives, risks, charges and expenses of the fund carefully before investing. The prospectus and other information may be obtained by visiting cohenandsteers.com or by calling 800.330.7348. Please read the prospectus carefully before investing.

Risks

The fund is subject to special risk considerations similar to those associated with the direct ownership of real estate due to its policy of concentration in the securities of real estate companies. Real estate valuations may be subject to factors such as changing general and local economic, financial, competitive and environmental conditions.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

Dividend income that the fund receives from U.S. REITs will generally not be treated as qualified dividend income and therefore not be eligible for reduced rates of taxation. Shareholders will be notified following year-end regarding the final composition of all distributions via Form 1099-DIV.

The FTSE NAREIT Equity REIT Index ("Equity REITs") is an unmanaged market-capitalization-weighted index of all tax-qualified Equity REITs listed on the NYSE, AMEX and Nasdaq that have 75% or more of their gross invested book assets invested directly or indirectly in the equity ownership of real estate. The Barclays Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. The Barclays Capital 10-Year U.S. Treasury Bellwether Index is an unmanaged index of U.S. Treasury bonds with 10 years' maturity. The Standard and Poor's 500 Composite Stock Index (S&P 500) is an unmanaged index of 500 large capitalization, publicly traded stocks representing a variety of industries. You cannot invest directly in an index, and index performance does not reflect the deduction of any fees or expenses.

Percentages may differ from data in the Fund's financial statements due to the effect of fair value pricing.