

RMR REAL ESTATE FUND
Form N-Q
November 28, 2008

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

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number

811-21241

RMR REAL ESTATE FUND
(Exact name of registrant as specified in charter)

400 CENTRE STREET

NEWTON, MASSACHUSETTS
(Address of principal executive offices)

02458
(Zip code)

Adam D. Portnoy, President

RMR Real Estate Fund

400 Centre Street

Newton, Massachusetts 02458
(Name and address of agent for service)

Copy to:

Brian D. O Sullivan

State Street Bank and Trust Company

801 Pennsylvania Ave, Tower II, 4th FLOOR

Kansas City, Missouri 64102

Christina T. Simmons, Esq.

State Street Bank and Trust Company

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100 Huntington Avenue, 3rd Floor

Boston, Massachusetts 02116

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

Date of fiscal year end: December 31

Date of reporting period: September 30, 2008

RMR Real Estate Fund**Portfolio of Investments** September 30, 2008 (unaudited)

| Company | Shares | Value |
|---|---------|------------|
| <i>Common Stocks 122.2%</i> | | |
| <i>Real Estate Investment Trusts 114.6%</i> | | |
| <i>Apartments 15.1%</i> | | |
| Apartment Investment & Management Co. | 15,550 | \$ 544,561 |
| Associated Estates Realty Corp. | 40,000 | 521,200 |
| AvalonBay Communities, Inc. | 14,000 | 1,377,880 |
| BRE Properties, Inc. | 10,000 | 490,000 |
| Equity Residential | 49,000 | 2,176,090 |
| Essex Property Trust, Inc. | 6,000 | 709,980 |
| Home Properties, Inc. | 88,800 | 5,145,960 |
| Mid-America Apartment Communities, Inc. | 5,000 | 245,700 |
| Post Properties, Inc. | 5,000 | 139,850 |
| | | 11,351,221 |
| <i>Diversified 27.2%</i> | | |
| CapLease, Inc. | 56,000 | 444,080 |
| Colonial Properties Trust | 10,000 | 186,900 |
| Duke Realty Corp. | 70,000 | 1,720,600 |
| DuPont Fabros Technology, Inc. | 7,500 | 114,375 |
| Franklin Street Properties Corp. | 3,000 | 39,000 |
| Lexington Corporate Properties Trust | 383,800 | 6,609,036 |
| Liberty Property Trust | 29,000 | 1,091,850 |
| Mission West Properties, Inc. | 5,000 | 48,700 |
| National Retail Properties, Inc. | 352,700 | 8,447,165 |
| Vornado Realty Trust | 19,000 | 1,728,050 |
| | | 20,429,756 |
| <i>Health Care 30.4%</i> | | |
| Cogdell Spencer, Inc. | 16,500 | 264,660 |
| HCP, Inc. | 39,080 | 1,568,280 |
| Health Care REIT, Inc. | 162,600 | 8,655,198 |
| Medical Properties Trust, Inc. | 112,120 | 1,272,562 |
| Nationwide Health Properties, Inc. | 242,154 | 8,712,701 |
| OMEGA Healthcare Investors, Inc. | 96,000 | 1,887,360 |
| Universal Health Realty Income Trust | 13,000 | 505,700 |
| | | 22,866,461 |
| <i>Hospitality 7.3%</i> | | |
| Ashford Hospitality Trust, Inc. | 185,500 | 751,275 |
| Entertainment Properties Trust | 22,000 | 1,203,840 |
| FelCor Lodging Trust, Inc. | 164,700 | 1,179,252 |
| Hersha Hospitality Trust | 129,300 | 961,992 |
| LaSalle Hotel Properties | 17,200 | 401,104 |
| Sunstone Hotel Investors, Inc. | 25,000 | 337,500 |
| Supertel Hospitality, Inc. | 161,000 | 652,050 |
| | | 5,487,013 |
| <i>Industrial 10.0%</i> | | |
| AMB Property Corp. | 4,000 | 181,200 |
| DCT Industrial Trust, Inc. | 64,500 | 483,105 |
| EastGroup Properties, Inc. | 7,000 | 339,780 |
| First Industrial Realty Trust, Inc. | 211,240 | 6,058,363 |
| ProLogis | 11,000 | 453,970 |
| | | 7,516,418 |
| <i>Manufactured Homes 2.4%</i> | | |

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| | | |
|--------------------------|--------|-----------|
| Sun Communities, Inc. | 89,800 | 1,778,938 |
| <i>Mortgage 0.1%</i> | | |
| Anthracite Capital, Inc. | 2,000 | 10,720 |
| Gramercy Capital Corp. | 34,688 | 89,842 |
| | | 100,562 |

See notes to portfolio of investments.

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| Company | Shares | Value |
|--|---------|--------------|
| <i>Common Stocks continued</i> | | |
| <i>Real Estate Investment Trusts continued</i> | | |
| <i>Office 9.9%</i> | | |
| Brandywine Realty Trust | 102,400 | \$ 1,641,472 |
| Corporate Office Properties Trust | 15,500 | 625,425 |
| Highwoods Properties, Inc. | 55,000 | 1,955,800 |
| Mack-Cali Realty Corp. | 26,500 | 897,555 |
| Maguire Properties, Inc. | 48,000 | 286,080 |
| Parkway Properties, Inc. | 55,000 | 2,082,300 |
| | | 7,488,632 |
| <i>Retail 8.2%</i> | | |
| Cedar Shopping Centers, Inc. | 75,000 | 991,500 |
| Equity One, Inc. | 10,000 | 204,900 |
| Glimcher Realty Trust | 109,400 | 1,142,136 |
| Kimco Realty Corp. | 5,000 | 184,700 |
| Pennsylvania Real Estate Investment Trust | 12,000 | 226,200 |
| Ramco-Gershenson Properties Trust | 9,000 | 201,780 |
| Realty Income Corp. | 54,600 | 1,397,760 |
| Simon Property Group, Inc. | 15,000 | 1,455,000 |
| Tanger Factory Outlet Centers, Inc. | 5,000 | 218,950 |
| Urstadt Biddle Properties, Inc. | 8,900 | 166,875 |
| | | 6,189,801 |
| <i>Specialty 1.0%</i> | | |
| Getty Realty Corp. | 32,600 | 722,742 |
| <i>Storage 3.0%</i> | | |
| Public Storage, Inc. | 3,000 | 297,030 |
| Sovran Self Storage, Inc. | 26,900 | 1,202,161 |
| U-Store-It Trust | 65,000 | 797,550 |
| | | 2,296,741 |
| <i>Total Real Estate Investment Trusts (Cost \$87,970,890)</i> | | 86,228,285 |
| <i>Other 7.6%</i> | | |
| Abingdon Investment, Ltd. (a) (b) | 550,000 | 3,036,000 |
| American Capital, Ltd. | 23,500 | 599,485 |
| Brookfield Properties Corp. | 10,000 | 158,400 |
| Iowa Telecommunication Services, Inc. | 50,500 | 943,340 |
| MCG Capital Corp. | 33,797 | 88,548 |
| Seaspan Corp. | 48,200 | 871,938 |
| <i>Total Other (Cost \$8,872,830)</i> | | 5,697,711 |
| <i>Total Common Stocks (Cost \$96,843,720)</i> | | 91,925,996 |
| <i>Preferred Stocks 35.5%</i> | | |
| <i>Real Estate Investment Trusts 28.9%</i> | | |
| <i>Apartments 0.9%</i> | | |
| Apartment Investment & Management Co., Series G | 32,800 | 705,200 |
| <i>Diversified 1.7%</i> | | |
| Colonial Properties Trust, Series D | 60,000 | 1,140,000 |
| Duke Realty Corp., Series O | 8,000 | 147,920 |
| | | 1,287,920 |
| <i>Health Care 5.7%</i> | | |
| Health Care REIT, Inc., Series G | 20,000 | 760,000 |
| OMEGA Healthcare Investors Inc., Series D | 160,000 | 3,504,000 |
| | | 4,264,000 |

See notes to portfolio of investments.

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| Company | Shares | Value |
|---|---------|---------------|
| <i>Preferred Stocks continued</i> | | |
| <i>Real Estate Investment Trusts continued</i> | | |
| <i>Hospitality 16.0%</i> | | |
| Ashford Hospitality Trust, Series A | 107,900 | \$ 1,240,850 |
| Ashford Hospitality Trust, Series D | 100,000 | 1,100,000 |
| Eagle Hospitality Properties Trust, Inc., Series A (b) | 28,000 | 84,000 |
| Entertainment Properties Trust, Series D | 111,800 | 1,600,976 |
| FelCor Lodging Trust, Inc., Series A (c) | 83,000 | 1,016,750 |
| FelCor Lodging Trust, Inc., Series C | 39,600 | 435,600 |
| Hersha Hospitality Trust, Series A | 92,000 | 1,518,000 |
| LaSalle Hotel Properties, Series D | 100,000 | 1,450,000 |
| Strategic Hotels & Resorts, Inc., Series A | 75,000 | 915,000 |
| Strategic Hotels & Resorts, Inc., Series B | 64,500 | 741,750 |
| Sunstone Hotel Investors, Inc., Series A | 129,100 | 1,892,606 |
| | | 11,995,532 |
| <i>Industrial 0.4%</i> | | |
| First Industrial Realty Trust, Series J | 20,000 | 330,000 |
| <i>Office 1.3%</i> | | |
| Corporate Office Properties Trust, Series H | 2,000 | 40,000 |
| Corporate Office Properties Trust, Series J | 22,000 | 472,780 |
| Kilroy Realty Corp., Series E | 500 | 7,500 |
| Kilroy Realty Corp., Series F | 30,000 | 474,000 |
| | | 994,280 |
| <i>Retail 2.9%</i> | | |
| Cedar Shopping Centers, Inc., Series A | 88,600 | 1,949,200 |
| Glimcher Realty Trust, Series F | 20,000 | 231,600 |
| | | 2,180,800 |
| <i>Total Real Estate Investment Trusts (Cost \$33,795,564)</i> | | 21,757,732 |
| <i>Other 6.6%</i> | | |
| Hilltop Holdings, Inc., Series A | 280,000 | 4,970,000 |
| <i>Total Other (Cost \$6,016,675)</i> | | 4,970,000 |
| <i>Total Preferred Stocks (Cost \$39,812,239)</i> | | 26,727,732 |
| <i>Other Investment Companies 7.0%</i> | | |
| Alpine Total Dynamic Dividend Fund | 126,200 | 1,155,992 |
| Cohen & Steers Premium Income Realty Fund, Inc. | 31,950 | 369,981 |
| Cohen & Steers REIT and Preferred Income Fund, Inc. | 38,426 | 498,385 |
| Eaton Vance Enhanced Equity Income Fund II | 30,100 | 420,497 |
| LMP Real Estate Income Fund, Inc. | 80,160 | 921,038 |
| Neuberger Berman Real Estate Securities Income Fund, Inc. | 150,731 | 1,077,727 |
| The Zweig Total Return Fund, Inc. | 220,568 | 809,485 |
| Ultra Real Estate ProShares | 200 | 5,400 |
| <i>Total Other Investment Companies (Cost \$9,618,157)</i> | | 5,258,505 |
| <i>Short-Term Investments 0.9%</i> | | |
| <i>Other Investment Companies 0.9%</i> | | |
| Dreyfus Cash Management, Institutional Shares, 2.71% (d) (Cost \$673,995) | 673,995 | 673,995 |
| <i>Total Investments 165.6% (Cost \$146,948,111) (e)</i> | | 124,586,228 |
| <i>Other assets less liabilities 0.9%</i> | | 640,979 |
| <i>Preferred Shares, at liquidation preference (66.5%)</i> | | (50,000,000) |
| <i>Net Assets applicable to common shareholders 100%</i> | | \$ 75,227,207 |

See notes to portfolio of investments.

Notes to Portfolio of Investments

- (a) Rule 144A securities. Securities restricted for resale to Qualified Institutional Buyers (4.0% of net assets).
- (b) As of September 30, 2008, the Fund held securities fair valued in accordance with policies adopted by the board of trustees aggregating to \$3,120,000 and 2.5% of market value.
- (c) Convertible into common stock.
- (d) Rate reflects 7 day yield as of September 30, 2008.
- (e) Although subject to adjustments to the extent 2008 distributions by the issuers of the Fund's investments are characterized as return of capital, the cost, gross unrealized appreciation and gross unrealized depreciation of the Fund's investments for federal income tax purposes, as of September 30, 2008, are as follows:

| | | |
|-------------------------------|----|--------------|
| Cost | \$ | 146,948,111 |
| Gross unrealized appreciation | \$ | 13,332,860 |
| Gross unrealized depreciation | | (35,694,743) |
| Net unrealized depreciation | \$ | (22,361,883) |

Reference should be made to the Fund's financial statements for the year ended December 31, 2007, and six months ended June 30, 2008, for further information concerning the income tax characterization of the Fund's investment income and distributions.

Fair Value Measurements

The Fund has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements, or FAS 157, effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three tier hierarchy of inputs is summarized in the three broad levels listed below.

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

The valuation techniques used by the Fund to measure fair value during the period ended September 30, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs. The Fund utilized broker quotes, company financial information and other market indicators to value the securities whose prices were not readily available.

The following is a summary of the inputs used as of September 30, 2008 in valuing the Fund's investments carried at value:

| Valuation Inputs | Investments in Securities | |
|---|---------------------------|--------------------|
| Level 1 - Quoted prices | \$ | 121,466,228 |
| Level 2 - Other significant observable inputs | | 84,000 |
| Level 3 - Significant unobservable inputs | | 3,036,000 |
| Total | \$ | 124,586,228 |

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

| | Investments in Securities Characterized as Level 3 | |
|------------------------|--|-----------|
| Balance as of 12/31/07 | \$ | 4,378,000 |

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| | | |
|--|----|-------------|
| Accrued discounts/premiums | | |
| Realized gain/loss and change in unrealized appreciation/depreciation | | (1,342,000) |
| Net purchases/sales | | |
| Net transfers in and/or out of Level 3 | | |
| Balance as of 09/30/08 | \$ | 3,036,000 |
| Net change in unrealized appreciation/depreciation from investments still held as of 09/30/08 | \$ | (1,342,000) |

Item 2. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")), are effective, as of a date within 90 days of the filing date of this report, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

(a)(1) Certification of Principal Executive Officer, as required by Rule 30a-2(a) under the 1940 Act.

(a)(2) Certification of Principal Financial Officer, as required by Rule 30a-2(a) under the 1940 Act.

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.

RMR REAL ESTATE FUND

By: /s/ Adam D. Portnoy
Adam D. Portnoy
President

Date: November 28, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Adam D. Portnoy
Adam D. Portnoy
President

Date: November 28, 2008

By: /s/ Mark L. Kleifges
Mark L. Kleifges
Treasurer

Date: November 28, 2008
