COHEN & STEERS REIT & PREFERRED INCOME FUND INC
Form N-CSR
March 03, 2008

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 811-21326

Cohen & Steers REIT and Preferred Income Fund, Inc.
(Exact name of registrant as specified in charter)

280 Park Avenue, New York, NY	10017
(Address of principal executive offices)	(Zip code)

Adam M. Derechin
Cohen & Steers Capital Management, Inc.
280 Park 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: December 31, 2007

Item 1. Reports to Stockholders.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

February 8, 2008

To Our Shareholders:

We are pleased to submit to you our report for the year ended December 31, 2007. The net asset value at that date was $21.88 per common share. The fund's common stock is traded on the New York Stock Exchange (NYSE) and its share price can differ from its net asset value; at year end, the fund's closing price on the NYSE was $18.90. The total return, including income, for the fund and the comparative benchmarks were:

	Six Months Ended December 31, 2007	Year Ended December 31, 2007
Cohen & Steers REIT and Preferred Income Fund at Market Value[a]	21.25%	28.62%
Cohen & Steers REIT and Preferred Income Fund at Net Asset Value[a]	16.13%	20.00%
FTSE NAREIT Equity REIT Index[b]	10.42%	15.69%
S&P 500 Index[b]	1.37%	5.49%
Merrill Lynch Fixed Rate Preferred Index[b]	11.37%	11.31%
Blended Index 50% FTSE NAREIT Equity REIT Index, 50% Merrill Lynch Fixed Rate Preferred Index[b]	10.77%	13.25%

The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return 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 the performance data quoted. Performance results reflect the effects of leverage, resulting from the issuance of preferred shares.

A long-term capital gain distribution of $1.40 per share was declared for shareholders of record on December 26, 2007 and was paid on December 31, 2007.

Three monthly dividends of $0.20 per common share were declared and will be paid to common shareholders on January 31, 2008, February 29, 2008 and March 31, 2008.[c]

[a] As a closed-end investment company, the price of the fund's New York Stock Exchange-traded shares will be set by market forces and at times may deviate from the net asset value per share of the fund.

[b] The FTSE 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. The S&P 500 Index is an unmanaged index of common stocks that is frequently used as a general measure of stock market performance. The Merrill Lynch Fixed Rate Preferred Index is an unmanaged index of preferred securities.

[c] Please note that distributions paid by the fund to shareholders are subject to recharacterization for tax purposes. The final tax treatment of these distributions is reported to shareholders after the close of the calendar year.

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Investment Review

The year was a turbulent one for REITs, which declined after four straight years of double-digit gains and seven years of positive total returns. Early in 2007, real estate securities continued to be buoyed by a strong economy, driving growth in demand for commercial real estate, and relatively muted new supply of competitive commercial real estate product, despite the mature phase of the real estate cycle. Highly liquid debt markets accommodated significant real estate M&A activity, including leveraged buyouts. In fact, January brought a bidding contest for Equity Office Properties, which The Blackstone Group finally acquired for $41 billion a 24% premium to the market price when the offer was first made.

REITs disproportionately hit by credit woes

While real estate fundamentals were generally healthy through the year, concerns over subprime mortgages began to mount, resulting in a general re-pricing of risk and a dramatic widening of credit spreads in July. Commercial banks, seeking to preserve capital to offset losses from a variety of financial instruments, became reluctant to lend. Loans to finance leveraged buyouts (LBOs) stopped abruptly, removing a positive catalyst for the REIT market (REITs had been a prime target of private equity investors). In addition, the credit crunch increased the possibility of a U.S. economic recession, fueling worries over underlying fundamentals for real estate.

Real estate securities, which had reached an all-time high in February 2007, declined more than 20% from that peak by August. REITs were volatile over the remainder of the year, as investors reacted to monetary news (the Federal Reserve reduced interest rates from 5.25% to 4.25% between September and year-end) and the latest unsettling credit news.

Most property sectors declined in the year. Amid the economic and financial uncertainty, the best performers were generally sectors with longer leases such as health care (which had a total return of +2.1% in 2007). Apartments (25.4%) had a sizable decline, reflecting their shorter duration leases and concerns over a rise in single-family homes available for rent. The office sector (19.0%) also underperformed, amid fears that unemployment would rise, particularly in markets with high concentrations of financial services tenants.

Preferred securities suffer their worst year ever

Preferred securities had their poorest yearly performance on record in 2007, reflecting a surge in new supply. Faced with diminished capital and increased balance-sheet risk, numerous financial institutions sought to recapitalize themselves in the preferred market instead of the equity market, where financial shares were trading at several-year lows.

The influx of new, aggressively priced securities added to downward pressure on prices in the secondary market for all preferreds, with REIT preferreds taking an additional hit from negative residential mortgage news and sagging investor confidence. This situation was further compounded by tax-loss selling, particularly in the exchange-traded preferred market. However, total returns for preferreds issued by companies in defensive sectors, such as storage and health care, provided some relief and stability.

The higher income of preferred securities served to offset lagging returns somewhat and reduce losses for the quarter and the year. At year-end, yields on corporate and REIT preferreds were 7.4% and 8.5%, respectively. By

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comparison, the 10-year Treasury and corporate bonds, as represented by the Merrill Lynch Corporate Master Index, offered yields of 4.0% and 5.8%, respectively.

Leveraged structure weighed on portfolio returns

The fund's leveraged structure contributed to its underperformance during a difficult period of declining real estate share prices. While leverage is used to enhance the current income potential of the fund and enhances total returns in rising markets, it carries the risk of detracting from total returns in declining markets.

On a pre-leveraged basis, factors that hindered the fund's relative performance compared with its blended benchmark included stock selection in the office, regional mall, shopping center and industrial sectors, along with our underweight in industrial REITs. Positive contributors included our overweight and stock selection in the health care sector and stock selection in the hotel sector.

The fund had a small (about 3%) allocation to the common stock of commercial mortgage companies, which detracted from performance. A few of these holdings had sizable declines, despite continued low and stable default rates for commercial mortgages. The fund's allocation to REIT preferred securities contributed to overall performance, as preferreds did not decline as much as REIT common stocks, and our security selection was relatively favorable.

In 2007, the fund's market price total return lagged its net asset value total return. Closed-end fund share prices were negatively affected by the turbulence in the credit markets and concerns about leverage.

Investment Outlook

Real estate securities, which had factored in a good deal of positive news at the start of the year, ended 2007 with considerable pessimism priced into their shares. Overall, REITs were trading at an 18% discount to their underlying net asset value as of December 31, 2007, compared with a premium of 13% at the end of 2006 and a historical average premium of 5%. This sizable discount suggests that the market is expecting at least a mild recession and perhaps a meaningful decline in property values. We believe that the economy will slow, and possibly dip into a shallow recession, before reaccelerating as monetary actions take hold.

REITs more attractive vs. stocks generally

In the wake of a difficult year, we believe that REITs have improved return prospects for 2008. The group's projected earnings growth is higher than projections for the S&P 500 Index, yet REIT earnings are far less volatile than the average S&P 500 company. In addition, at 14.5 times forward earnings, REITs have a lower P/E ratio than the S&P 500 (16.3x) while their dividend yield is higher (4.9% vs. 2.0%). REIT dividend yields also compared favorably with the 10-year Treasury bond's 4.0% yield at the end of 2007.

With regard to fundamentals, we believe that modest levels of employment growth stand to support demand for sectors such as offices, apartments and hotels, yet new supply is likely to be restrained due to the lack of credit for construction loans, which are, by their nature, more risky. Of course, ongoing credit woes could continue to hamper REITs and stocks broadly, but we believe they are positioned to perform well once investors sense that the worst of the credit news is behind us. In this environment, we remain highly focused on companies with strong managements, compelling long-term business models and properties in the most desirable locations.

Preferred securities offer attractive concessions

If interest rate cuts continue, credit pressures should ease, significantly improving the outlook for preferred securities, which historically perform well in an environment of declining interest rates.

With more financial firms likely to shore up reserves and regulatory capital, corporate preferred issuance levels will likely remain heavy in early 2008, which could continue to subdue prices in the secondary market. However, it is our view that credit spreads have already priced in a great deal of economic slowing and anticipated new supply.

We believe that current market conditions offer an attractive opportunity to long-term investors, particularly given the substantial concessions offered by top-tier companies likely to weather the current storm. Current low prices may pave the way for upside potential as the markets eventually calm. The last time preferreds demonstrated a sizable loss (in 1999), they subsequently rallied to outperform corporate bonds every year for the next six years.

The financial and REIT preferred sectors could remain volatile until the full effect of the financial market credit crisis is disclosed and absorbed. Although we will remain open to selective opportunities in the financial sector, our near-term emphasis will be on non-financials, especially sectors less subject to balance sheet-driven volatility or a slowing economy. These favored sectors include telecommunications and utilities, which deliver essential services to consumers, and select insurance companies with limited exposure or obligations to the real estate market. Overall, we remain focused on high-quality large-cap issuers with strong fundamentals and attractive income streams.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

Sincerely,

MARTIN COHEN	ROBERT H. STEERS
Co-chairman	*Co-chairman*
JOSEPH M. HARVEY	JAMES S. CORL
Portfolio Manager	*Portfolio Manager*
WILLIAM F. SCAPELL	THOMAS N. BOHJALIAN
Portfolio Manager	*Portfolio Manager*

The views and opinions in the preceding commentary are as of the date stated and are subject to change. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.

Visit Cohen & Steers online at cohenandsteers.com

For more information about any of our funds, visit cohenandsteers.com, where you'll find daily net asset values, fund fact sheets and portfolio highlights. You can also access newsletters, education tools and market updates covering REIT, utility and preferred securities sectors.

In addition, our Web site contains comprehensive information about our firm, including our most recent press releases, profiles of our senior investment professionals, and an overview of our investment approach.

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Our Leverage Strategy
(Unaudited)

While we do not attempt to predict what future interest rates will be, it has been our philosophy to utilize interest rate swap transactions to seek to reduce the interest rate risk inherent in our utilization of leverage. Our leverage strategy involves issuing auction market preferred shares (AMPS) to raise additional capital for the fund, with an objective of increasing the net income available for shareholders. As of December 31, 2007, AMPS represented 41% of the fund's managed assets. Considering that AMPS have variable dividend rates, we seek to lock in the rate on a significant portion of this additional capital through interest rate swap agreements (where we effectively convert our variable rate obligation to a fixed rate obligation for the term of the swap agreements). Specifically, we have fixed the rate on 41% of our borrowings at an average interest rate of 3.9% for an average remaining period of 1.9 years (when we first entered into the swaps, the average term was 6.2 years). By locking in a significant portion or our leveraging costs, we have endeavored to adequately protect the dividend-paying ability of the fund. The use of leverage increases the volatility of the fund's net asset value in both up and down markets. However, we believe that locking in a portion of the fund's leveraging costs for the term of the swap agreements partially protects the fund from any impact that an increase in short-term interest rates may have as a result of the use of leverage.

Leverage Facts[a]

Leverage (as a % of managed assets)	41%
% Fixed Rate	41%
% Variable Rate	59%
Weighted Average Rate on Swaps	3.9%
Weighted Average Term on Swaps	1.9 years
Current Rate on AMPS[b]	5.8%

[a] Data as of December 31, 2007. Information subject to change.

[b] The Articles Supplementary (the "Articles") creating each series of Auction Market Preferred Shares ("AMPS") provide for dividends to be paid at either the rate set in the current auction, or at the maximum rate as defined in the Articles if sufficient clearing bids for the AMPS are not received in the current auction. Beginning on February 13, 2008, sufficient clearing bids were not received for a number of auctions for certain AMPS series of the fund, and therefore, the maximum rates were declared on the respective AMPS series. For further information, please see Note 5 in Notes to Financial Statements or visit our Web site at cohenandsteers.com.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

DECEMBER 31, 2007

Top Ten Long-Term Holdings[a]
(Unaudited)

Security	Market Value	% of Managed Assets
Health Care REIT	$ 78,010,864	4.4%
HCP	61,136,284	3.4
Nationwide Health Properties	42,732,214	2.4
Mack-Cali Realty Corp.	40,419,200	2.3
Maguire Properties	37,901,367	2.1
Vornado Realty Trust	32,861,198	1.8
Home Properties	31,445,232	1.8
Camden Property Trust	26,809,920	1.5
Highwoods Properties	26,741,676	1.5
Santander Finance Preferred, 6.80%	26,565,641	1.5

[a] Top ten holdings are determined on the basis of the market value of individual securities held. The fund may also hold positions in other types of securities issued by the companies listed above. See the Schedule of Investments for additional details on such other positions.

Sector Breakdown

(Based on Managed Assets)
(Unaudited)

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS

December 31, 2007

		Number of Shares	Value
COMMON STOCK	74.3%		
DIVERSIFIED	5.0%		
Colonial Properties Trust		219,637	$ 4,970,385
iStar Financial		486,700	12,678,535
Land Securities Group PLC (United Kingdom)		87,700	2,629,110
Vornado Realty Trust		373,635	32,861,198
			53,139,228
HEALTH CARE	20.7%		
HCP[a]		1,757,800	61,136,284
Health Care REIT		1,745,600	78,010,864
Nationwide Health Properties		1,362,200	42,732,214
Omega Healthcare Investors		325,700	5,227,485
Senior Housing Properties Trust		736,677	16,707,834
Ventas		335,000	15,158,750
			218,973,431
HOTEL	3.8%		
DiamondRock Hospitality Co.		612,900	9,181,242
Hospitality Properties Trust		597,400	19,248,228
Strategic Hotels & Resorts		695,400	11,634,042
			40,063,512
INDUSTRIAL	2.7%		
EastGroup Properties		105,500	4,415,175
First Industrial Realty Trust		247,300	8,556,580
ING Industrial Fund (Australia)		5,318,500	11,861,572
Segro PLC (United Kingdom)		376,845	3,525,695
			28,359,022
MORTGAGE	1.2%		
Annaly Capital Management		466,162	8,474,825
Gramercy Capital Corp.		200,000	4,862,000
			13,336,825

See accompanying notes to financial statements.

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SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

		Number of Shares	Value
OFFICE	15.7%		
BioMed Realty Trust		319,488	$ 7,402,537
Boston Properties		148,241	13,610,006
Brandywine Realty Trust		787,800	14,125,254
Derwent London PLC (United Kingdom)		156,000	4,390,946
Highwoods Properties		910,200	26,741,676
ING Office Fund (Australia)		4,736,303	6,737,113
Mack-Cali Realty Corp.		1,188,800	40,419,200
Maguire Properties		1,286,100	37,901,367
Parkway Properties		114,500	4,234,210
SL Green Realty Corp.		107,677	10,063,493
			165,625,802
OFFICE/INDUSTRIAL	2.9%		
Liberty Property Trust		794,199	22,880,873
Mission West Properties		778,800	7,406,388
			30,287,261
RESIDENTIAL APARTMENT	11.4%		
American Campus Communities		305,800	8,210,730
Apartment Investment & Management Co.		494,700	17,180,931
Camden Property Trust		556,800	26,809,920
Education Realty Trust		420,500	4,726,420
GMH Communities Trust		205,861	1,136,353
Home Properties		701,120	31,445,232
Mid-America Apartment Communities		402,500	17,206,875
UDR		706,600	14,026,010
			120,742,471
SELF STORAGE	2.0%		
Extra Space Storage		315,700	4,511,353
Sovran Self Storage		413,200	16,569,320
			21,080,673

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

	Number of Shares	Value