COHEN & STEERS REIT & PREFERRED INCOME FUND INC
Form N-CSR
March 05, 2007

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, 2006

Item 1. Reports to Stockholders.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

February 9, 2007

To Our Shareholders:

We are pleased to submit to you our report for the year ended December 31, 2006. The net asset value at that date was $32.02 per common share. The fund's common stock is traded on the New York Stock Exchange and its share price can differ from its net asset value; at year end, the fund's closing price on the NYSE was $31.00. The total return, including income, for Cohen & Steers REIT and Preferred Income Fund and the comparative benchmarks were:

	Six Months Ended 12/31/06	Year Ended 12/31/06
Cohen & Steers REIT and Preferred Income Fund at Market Value[a]	25.15%	36.91%
Cohen & Steers REIT and Preferred Income Fund at Net Asset Value[a]	18.87%	29.40%
FTSE NAREIT Equity REIT Index[b]	19.61%	35.06%
S&P 500 Index[b]	12.75%	15.80%
Merrill Lynch Fixed Rate Preferred Index[b]	8.50%	8.10%
Blend 50% FTSE NAREIT Equity REIT Index, 50% Merrill Lynch Fixed Rate Preferred Index[b]	13.98%	21.06%

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 gains distribution of $1.68 per common share was declared for shareholders of record on December 26, 2006 and was paid on December 29, 2006.

Three monthly dividends of $0.195 per common share were declared and will be paid to common shareholders on January 31, 2007, February 28, 2007 and March 30, 2007.[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 each fiscal year on form 1099-DIV.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

Investment Review

Real estate securities performed well in 2006, both in absolute terms and compared with the broader U.S. stock market, reflecting strong underlying real estate fundamentals and earnings that generally met or exceeded expectations. In addition, a global phenomenon of investor demand for the characteristics that real estate provides benefited REITs, as investors willingly accepted lower yields for property investments. Finally, investors began to recognize that the inflation-hedging characteristics historically offered by real property have again become valuable.

With a total return of 8.1% for the year, preferred securities ended 2006 on a high note as the Fed officially halted its rate hike campaign and bond yields fell. During the second half of 2006, the Merrill Lynch Fixed Rate Preferred Index had a total return of 8.1% vs. 0.04% in the first six months. Over the course of the year, preferred index returns beat those of 10-year Treasurys and investment-grade corporate bonds by approximately 650 basis points and 360 basis points, respectively, while trailing high-yield bonds by 370 basis points.

Strong performance across REIT sectors

All sectors within the NAREIT benchmark enjoyed double-digit gains in 2006, as demand outstripped supply. Profitable businesses continued to hire despite a slowing of GDP growth, fueling demand in the office and apartment sectors. Business-related travel supported hotels, which performed better than generally expected. Regional malls underperformed as a group on stock-specific weaknesses and fears that dwindling home equity would sap consumer vitality.

Record supply of corporate preferreds

An extraordinary supply and demand story characterized the year for corporate preferreds. Issuance soared to levels not seen in seven years as issuers took full advantage of a new hybrid structure offering greater "equity credit" from the ratings agencies. This favorable balance sheet treatment resulted in explosive supply-side growth as issuers and investors appeared to grow more comfortable with the new structures. Issuers used these new securities to bolster regulatory capital levels and to manage leverage levels in connection with stock buyback and M&A activity. During the fourth quarter alone, approximately 40% of the year's total new paper was priced. Other factors driving issuance included a flat yield curve and fairly tight credit spreads by recent historical standards.

High demand was the other, equally important side of the preferred story. We expect continued high demand as investors seek to meet income needs in a market that offers scant opportunity.

The fund's underperformance of its NAREIT benchmark was due primarily to its allocation to preferred securities. While preferreds trailed REITs, they performed in accordance with their designated objective to enhance income and lower the fund's volatility. However, the fund outperformed its blended benchmark by more than 800 basis points, aided by its leveraged capital structure versus the unleveraged benchmark and by good relative security selection within the fund's preferred component. With regard to REIT performance, the fund's holdings performed roughly in line with the NAREIT benchmark on a pre-leveraged basis. Factors that helped the fund's REIT performance included its overweight in the health care sector and stock selection in the specialty sector. Absolute returns for the office and apartment sectors were strong, but underperformed their respective components in the NAREIT benchmark.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

In fact, over the course of the year, preferred instruments with good call protection were among the best performing instruments as falling bond yields increased the threat of issuers refinancing at lower rates. In addition, given the strong tone to credit markets, which continued to enjoy very low default rates, certain lower credit quality instruments performed very well. Finally, the new high-equity-content securities were star performers as market comfort with them appeared to grow.

Investment Outlook

Positive REIT fundamentals

The strong returns for real estate securities in 2006 were generated amid a slowing economy. The moderate GDP growth slowdown that we forecast in our last annual report was accompanied by ongoing job growth, as noted above, and we expect the general employment picture to remain healthy. That said, real estate securities have now outperformed the broader U.S. stock market with sizable double-digit gains for the fourth straight year. We do not expect results of similar magnitude in 2007, although based on our view of market sentiment, real estate fundamentals and valuations, we see the potential for attractive total returns, barring an unforeseen and dramatic economic pullback.

Of course, there are certain risks that exist when investing in real estate or preferred securities, including the erosion of property values or declining rents resulting from legal or economic developments. A resumption of interest rate increases by the Fed, for example, would have a detrimental effect on both REITs and preferred securities.

We believe sentiment toward real estate securities has moved from overtly bearish to approximately neutral: Wall Street estimates of REIT total returns in 2007 are mostly positive, as opposed to the previous two years, when analysts called for flat to negative total returns. At the same time, the rapid acceleration of real estate fundamentals will most likely moderate somewhat in the coming year. Our outlook for REIT cash flows and valuations is neutral, given projected cash flow growth in the 9% range a marginal acceleration from 2006 levels and asset value premiums at historical norms. Therefore, during 2007 we expect attractive but more normalized returns for real estate stocks.

Favorable environment for preferred securities

Preferred securities historically have performed well following the end of Fed interest rate hike cycles, when growth is slowing and inflation is moderating. In our view, performance in 2007 should reflect a somewhat slower economic environment, driving higher-quality issues to outperform and encouraging income investors to accept preferreds' subordination over the riskier high-yield market. While the long positive credit cycle has likely peaked, we still expect good overall performance in 2007 given the high-quality nature of the broad preferred market.

Sustained high levels of LBO activity and shareholder-friendly actions such as stock buybacks and higher leverage levels should continue to affect preferred shareholders and bond holders. Financial corporations, which need to maintain strong debt ratings, are likely to be safe havens in this environment. With issuers calling older, higher cost issues in large numbers, we also expect call protection to remain essential.

We will continue to seek to provide relatively high-income and a lower volatility strategy. We also will attempt to find opportunities to capitalize on what we expect will be a declining interest rate environment that has the potential to lead to strong total returns, barring an unforeseen and dramatic economic pullback.

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.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

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, 2006, AMPS represented 32% 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 55% of our borrowings at an average interest rate of 3.8% for an average remaining period of 2.3 years (when we first entered into the swaps, the average term was 5.6 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)	32%
% Fixed Rate	55%
% Variable Rate	45%
Weighted Average Rate on Swaps	3.8%
Weighted Average Term on Swaps	2.3 years
Current Rate on AMPS	5.3%

[a] Data as of December 31, 2006. Information subject to change.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

DECEMBER 31, 2006

Top Ten Holdings[a]
(Unaudited)

Security	Market Value	% of Managed Assets
Equity Office Properties Trust	$ 125,034,869	5.5%
Health Care REIT	75,095,712	3.3
Health Care Property Investors	74,218,074	3.3
Mack-Cali Realty Corp.	64,943,400	2.9
Liberty Property Trust	58,771,440	2.6
Archstone-Smith Trust	57,713,294	2.5
Maguire Properties	51,444,000	2.3
Glimcher Realty Trust	49,002,166	2.2
iStar Financial	47,341,800	2.1
Nationwide Health Properties	41,165,684	1.8

[a] Top ten holdings are determined on the basis of the market value of individual securities held.

Sector Breakdown

(Based on Managed Assets)
(Unaudited)

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS

December 31, 2006

		Number of Shares	Value
COMMON STOCK	78.3%		
DIVERSIFIED	7.0%		
Colonial Properties Trust		347,100	$ 16,272,048
Entertainment Properties Trust		146,700	8,573,148
iStar Financial		990,000	47,341,800
Spirit Finance Corp.		687,700	8,575,619
Vornado Realty Trust		221,900	26,960,850
			107,723,465
HEALTH CARE	14.4%		
Health Care Property Investors[a]		2,015,700	74,218,074
Health Care REIT		1,745,600	75,095,712
Medical Properties Trust		314,500	4,811,850
Nationwide Health Properties		1,362,200	41,165,684
Senior Housing Properties Trust		518,700	12,697,776
Ventas		335,000	14,177,200
			222,166,296
HOTEL	3.5%		
DiamondRock Hospitality Co.		612,900	11,038,329
Hospitality Properties Trust		597,400	28,394,422
Strategic Hotels & Resorts		695,400	15,152,766
			54,585,517
INDUSTRIAL	1.8%		
DCT Industrial Trust		473,000	5,581,400
First Industrial Realty Trust		247,400	11,600,586
ING Industrial Fund (Australia)		2,704,700	5,059,844
ProLogis European Properties (Netherlands)		287,700	5,696,676
			27,938,506
MORTGAGE	2.5%		
Gramercy Capital Corp.		200,000	6,178,000
Newcastle Investment Corp.		1,024,274	32,080,262
			38,258,262

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Number of Shares	Value
OFFICE	21.2%		
Brandywine Realty Trust		787,800	$ 26,194,350
Equity Office Properties Trust		2,595,700	125,034,869
Highwoods Properties		910,200	37,099,752
HRPT Properties Trust		947,200	11,697,920
Mack-Cali Realty Corp.		1,273,400	64,943,400
Maguire Properties		1,286,100	51,444,000
Mapeley, Ltd. (United Kingdom)		61,600	4,788,331
Parkway Properties		114,500	5,840,645
			327,043,267
OFFICE/INDUSTRIAL	4.5%		
Liberty Property Trust		1,196,000	58,771,440
Mission West Properties		778,800	10,202,280
			68,973,720
RESIDENTIAL APARTMENT	13.8%		
American Campus Communities		318,700	9,073,389
Apartment Investment & Management Co.		374,000	20,951,480
Archstone-Smith Trust		991,467	57,713,294
Camden Property Trust		556,800	41,119,680
Education Realty Trust		399,300	5,897,661
GMH Communities Trust		604,200	6,132,630
Home Properties		607,123	35,984,180
Mid-America Apartment Communities		310,000	17,744,400
United Dominion Realty Trust		592,100	18,822,859
			213,439,573
SELF STORAGE	1.7%		
Extra Space Storage		315,700	5,764,682
Sovran Self Storage		242,400	13,884,672
U-Store-It Trust		362,600	7,451,430
			27,100,784

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Number of Shares	Value
SHOPPING CENTER	7.9%		
COMMUNITY CENTER	3.5%		
Cedar Shopping Centers		587,200	$ 9,342,352
Inland Real Estate Corp.		395,700	7,407,504
New Plan Excel Realty Trust		854,200	23,473,416
Ramco-Gershenson Properties Trust		390,000	14,874,600
			55,097,872
REGIONAL MALL	4.4%		
Glimcher Realty Trust		1,834,600	49,002,166
Macerich Co.		215,200	18,629,864
			67,632,030
TOTAL SHOPPING CENTER			122,729,902
TOTAL COMMON STOCK (Identified cost $743,940,626)			1,209,959,292
PREFERRED SECURITIES $25 PAR VALUE	33.7%		
AUTOMOTIVE	0.1%		
DaimlerChrysler, 7.25%, due 8/1/97, Series (CBTCS)		44,808	1,129,162
DaimlerChrysler, 7.50%, due 8/1/97, Series (CBTCS)		50,500	1,268,560
			2,397,722
BANK	7.0%		
BAC Capital Trust XII, 6.875%, due 8/2/55, Series C		511,750	13,469,260
Bank of America Corp., 5.718%, Series E (FRN)		200,000	4,990,000
Citigroup Capital VIII, 6.95%, due 9/15/31		61,100	1,538,498
Citizens Funding Trust I, 7.50%, due 9/15/66		90,000	2,340,000
Cobank ACB, 7.00%, 144A, ($50 par value)[b]		200,000	10,200,000
Colonial Capital Trust IV, 7.875%, due 10/1/33		390,000	9,964,500
First Republic Bank, 6.70%, Series A		115,000	2,972,750
KeyCorp Capital IX, 6.75%		600,135	15,147,407
National City Capital Trust II, 6.625%		198,000	4,987,620
Santander Finance Preferred, 6.80%, 144A[b]		1,049,000	26,959,300
Sovereign Bancorp, 7.30%, Series C		120,000	3,343,200
Sovereign Capital Trust V, 7.75%, due 5/22/36		57,900	1,548,825
U.S. Bancorp Capital XI, 6.60%, due 9/15/66		90,800	2,304,504

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Number of Shares	Value
Wells Fargo Capital Trust IV, 7.00%, due 9/1/31		114,900	$ 2,894,331
Wells Fargo Capital Trust V, 7.00%, due 12/1/31		48,600	1,219,860
Zions Bancorporation, 5.87%, Series A (FRN)		160,000	4,032,000
			107,912,055
BANK FOREIGN	0.2%		
Northern Rock PLC, 8.00%, Series A		48,487	1,217,218
Royal Bank of Scotland Group PLC, 7.25%, Series H		55,600	1,405,568
			2,622,786
ELECTRIC INTEGRATED	3.4%		
Aquila, 7.875%, due 3/1/32		51,100	1,282,610
DTE Energy Trust II, 7.50%, due 6/1/44		84,700	2,211,094
FPC Capital I, 7.10%, due 5/13/39, Series A (QUIPS)		355,200	8,958,144
FPL Group Capital, 6.60%, due 10/1/66, Series A		536,000	13,550,080
PPL Energy Supply LLC, 7.00%, due 7/15/46		863,000	22,463,890
PSEG Funding Trust II, 8.75%, due 12/31/32		111,900	2,867,997
Virginia Power Capital Trust II, 7.375%, due 7/30/42 (TruPS)		79,761	2,040,286
			53,374,101
FINANCE	0.9%		
Countrywide Capital V, 7.00%		270,000	6,804,000
Goldman Sachs Group, 6.116%, Series D (FRN)		98,000	2,538,200
Morgan Stanley, 6.186%, Series A (FRN)		160,000	4,056,000
			13,398,200
GAS DISTRIBUTION	1.4%		
Southern Union Co., 7.55%, Series A[c]		240,000	6,120,000
Southwest Gas Capital Trust II, 7.70%, due 9/15/43		600,000	15,660,000
			21,780,000
INSURANCE	4.4%		
LIFE/HEALTH INSURANCE	0.3%		
Principal Financial Group, 6.518%, Series B		160,000	4,408,000

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Number of Shares	Value
MULTI-LINE	0.9%		
ING Groep NV, 7.05%		98,600	$ 2,503,454
ING Groep NV, 7.20%		125,700	3,214,149
MetLife, 6.50%, Series B		300,000	7,893,000
			13,610,603
PROPERTY CASUALTY	0.8%		
Berkley W R Capital Trust II, 6.75%, due 7/26/45		530,000	13,329,500
PROPERTY CASUALTY FOREIGN	1.1%		
ACE Ltd., 7.80%., Series C		389,300	10,082,870
Arch Capital Group Ltd., 7.875%, Series B		70,000	1,817,200
Arch Capital Group Ltd., 8.00%		177,200	4,686,940
			16,587,010
REINSURANCE FOREIGN	1.3%		
Aspen Insurance Holdings Ltd., 7.401%, Series A		300,000	7,680,000
Everest Re Capital Trust II, 6.20%, due 3/29/34, Series B		75,100	1,793,388
PartnerRe Ltd., 6.75%, Series C		166,100	4,218,940
RenaissanceRe Holdings Ltd., 6.60%, Series D		234,000	5,833,620
			19,525,948
TOTAL INSURANCE			67,461,061
MEDIA DIVERSIFIED SERVICES	3.9%		
AOL Time Warner, 7.625%, due 5/1/32, Series A-1 (CABCO)		133,600	3,398,784
CBS Corp., 7.25%, due 6/30/51		257,800	6,468,202
Comcast Corp., 7.00%, due 5/15/55		828,100	21,472,633
Comcast Corp., 7.00%, due 9/15/55		607,965	15,703,736
Liberty Media Corp., 8.75%, due 2/1/30 (PPLUS)		23,645	611,223
Viacom, 6.85%, due 12/15/55		496,000	12,400,000
			60,054,578
OIL EXPLORATION AND PRODUCTION	1.0%		
Nexen, 7.35%, due 11/1/43, Series B		608,660	15,703,428

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Number of Shares	Value
REAL ESTATE	8.9%		
DIVERSIFIED	1.8%		
Digital Realty Trust, 8.50%, Series A		29,000	$ 753,710
Digital Realty Trust, 7.875%, Series B		46,900	1,198,764
Duke Realty Corp., 6.95%, Series M		157,600	4,094,448
Duke Realty Corp., 7.25%, Series N		192,900	5,127,282
iStar Financial, 7.875%, Series E		400,000	10,310,000
iStar Financial, 7.80%, Series F		183,600	4,736,880
iStar Financial, 7.65%, Series G		80,000	2,048,000
			28,269,084
HEALTH CARE	0.6%		
Health Care REIT, 7.875%, Series D		115,000	2,978,500
Health Care REIT, 7.625%, Series F		21,400	553,618
Omega Healthcare Investors, 8.375%, Series D		200,000	5,347,000
			8,879,118
HOTEL	0.3%		
Innkeepers USA Trust, 8.00%, Series C		93,500	2,357,135
Strategic Hotels & Resorts, 8.25%, Series B		85,000	2,199,375
			4,556,510
INDUSTRIAL	0.4%		
AMB Property Corp., 6.85%, Series P		98,000	2,538,200
First Industrial Realty Trust, 7.25%, Series J		150,000	3,841,500
			6,379,700
OFFICE	1.6%		
Cousins Properties, 7.75%, Series A		457,500	11,849,250
HRPT Properties Trust, 8.75%, Series B		60,000	1,542,600
Kilroy Realty Corp., 7.80%, Series E		100,000	2,598,500
Maguire Properties, 7.625%, Series A		163,700	4,048,301
SL Green Realty Corp., 7.625%, Series C		100,000	2,562,000
SL Green Realty Corp., 7.875%, Series D		60,000	1,558,500
			24,159,151

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Number of Shares	Value
OFFICE/INDUSTRIAL	0.4%		
PS Business Parks, 7.00%, Series H		105,364	$ 2,681,514
PS Business Parks, 7.95%, Series K		88,000	2,332,000
PS Business Parks, 7.20%, Series M		25,000	639,875
			5,653,389
RESIDENTIAL APARTMENT	1.3%		
Apartment Investment & Management Co., 8.00%, Series T		93,700	2,384,665
Apartment Investment & Management Co., 8.00%, Series V		101,000	2,595,700
Apartment Investment & Management Co., 7.875%, Series Y		110,000	2,805,000
Mid-America Apartment Communities, 8.30%, Series H		470,900	12,384,670
			20,170,035
SELF STORAGE	1.3%		
Public Storage, 7.00%, Series G		46,100	1,191,685
Public Storage, 7.25%, Series I		435,027	11,332,453
Public Storage, 7.25%, Series K		283,000	7,329,700
			19,853,838
SHOPPING CENTER	1.2%		
COMMUNITY CENTER	0.5%		
Developers Diversified Realty Corp., 8.00%, Series G		38,700	989,559
Developers Diversified Realty Corp., 7.50%, Series I		62,720	1,593,715
Regency Centers Corp., 7.25%, Series D		160,200	4,093,110
Saul Centers, 8.00%, Series A		69,400	1,791,908
			8,468,292
REGIONAL MALL	0.7%		
CBL & Associates Properties, 7.75%, Series C		69,000	1,770,540
Glimcher Realty Trust, 8.75%, Series F		171,000	4,461,390
Glimcher Realty Trust, 8.125%, Series G		173,800	4,405,830
Mills Corp., 8.75%, Series E		10,067	232,145
			10,869,905
TOTAL SHOPPING CENTER			19,338,197
TOTAL REAL ESTATE			137,259,022

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Number of Shares	Value
TELECOMMUNICATION SERVICES	2.5%		
AT&T (SBC Communications), 7.00%, due 6/1/41 (PINES)		665,900	$ 16,774,021
Telephone & Data Systems, 7.60%, due 12/1/41, Series A		253,605	6,357,877
United States Cellular Corp., 7.50%, due 6/15/34		166,300	4,282,225
Verizon New England, 7.00%, due 5/15/42, Series B		184,000	4,657,040
Verizon South, 7.00%, due 4/30/41, Series F		238,300	6,024,224
			38,095,387
TOTAL PREFERRED SECURITIES $25 PAR VALUE (Identified cost $508,338,432)			520,058,340
PREFERRED SECURITIES CAPITAL SECURITIES	31.7%		
AUTO FOREIGN	1.1%		
Porsche International Finance PLC, 7.20%		17,000,000	17,165,750
BANK	6.2%		
AgFirst Farm Credit Bank, 7.30%, due 10/14/49, 144A[b]		26,100,000	25,707,378
Astoria Capital Trust I, 9.75%, due 11/1/29, Series B		10,000,000	11,145,000
First Tennessee Bank, 6.357%, 144A[b]		2,000	2,050,000
PNC Preferred Funding Trust, 6.517%, due 12/31/49, 144A[b]		5,000,000	5,092,470
Roslyn Preferred Trust I, 8.97%, due 4/1/32, (FRN), 144A[b]		7,500,000	7,546,875
Roslyn Real Estate Asset Corp., 9.02%, due 9/30/08, Series D (FRN)		80	8,020,000
Sovereign Capital Trust VI, 7.908%, due 6/13/36		15,000,000	16,900,575
Washington Mutual Preferred Funding II, 6.665%, due 12/31/49, 144A[b]		3,000,000	3,013,485
Washington Mutual Preferred Funding Cayman, 7.25%, Series A-1, 144A[b]		17,000,000	16,964,113
			96,439,896
BANK FOREIGN	6.7%		
BNP Paribas Capital Trust V, 7.20%		3,150,000	3,173,931
CA Preferred Funding Trust, 7.00% (Eurobond)		21,500,000	22,045,992
CA Preferred Funding Trust II, 7.00% (Eurobond)		2,000,000	2,053,564
Caisse Nationale des Caisses d'Epargne et de Prevoyance, 6.75%, due 1/27/49		4,000,000	4,013,048
HBOS Capital Funding LP, 6.85%		23,000,000	23,297,045

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Number of Shares	Value
HSBC Capital Funding LP, 10.176%, 144A[b]		9,680,000	$ 14,343,495
Lloyds TSB Bank PLC, 6.90%		3,000,000	3,030,519
RBS Capital Trust B, 6.80%		19,700,000	19,950,978
Shinsei Finance II, 7.16%, 144A[b]		5,000,000	5,044,225
Standard Chartered PLC, 6.409%, due 1/30/17, 144A[b]		6,000,000	5,963,298
			102,916,095
ELECTRIC INTEGRATED	2.5%		
Dominion Resources Capital Trust III, 8.40%, due 1/15/31		21,732,000	26,595,143
DPL Capital Trust II, 8.125%, due 9/1/31		3,000,000	3,390,000
Entergy Louisiana LLC, 6.95%, 144A[b]		40,000	4,080,000
Southern California Edison Co., 6.125%, due 9/30/10, Series B		41,900	4,179,525
			38,244,668
FINANCE	5.7%		
CREDIT CARD	0.8%		
Capital One Capital III, 7.686%, due 8/15/36		11,000,000	12,497,353
DIVERSIFIED FINANCIAL SERVICES	2.0%		
Old Mutual Capital Funding, 8.00% (Eurobond)		29,950,000	31,222,875
INVESTMENT BANKER/BROKER	2.2%		
JP Morgan Chase Capital XVIII, 6.95%, due 8/17/36, Series R		10,000,000	10,852,200
JP Morgan Chase Capital XIX, 6.625%, due 9/29/36, Series S		182,100	4,643,550
NBP Capital Trust III, 7.375%, due 10/29/49		16,900,000	17,500,373
			32,996,123
MORTGAGE LOAN/BROKER	0.7%		
Countrywide Capital III, 8.05%, due 6/15/27, Series B (SKIS)		10,000,000	11,309,110
TOTAL FINANCE			88,025,461
FOOD	1.2%		
Dairy Farmers of America, 7.875%, 144A[b,d]		95,000	9,288,720
Gruma S.A., 7.75%, due 12/29/49, 144A[b]		9,000,000	9,315,000
			18,603,720

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Number of Shares	Value
GAS DISTRIBUTION	1.1%		
Southern Union Co., 7.20%, due 11/1/66, (FRN)		17,000,000	$ 16,842,920
INSURANCE	4.8%		
LIFE/HEALTH INSURANCE	1.4%		
Great-West Life & Annuity Insurance Co., 7.153%, due 5/16/46, 144A[b]		5,000,000	5,307,510
Liberty Mutual Insurance, 7.697%, due 10/15/97, 144A[b]		15,230,000	15,637,296
			20,944,806
MULTI-LINE	3.4%		
AFC Capital Trust I, 8.207%, due 2/3/27, Series B		10,750,000	11,170,744
Allianz Finance II BV, 7.25%, due 12/29/49		3,000,000	3,061,734
AXA, 7.10%, due 5/29/49 (Eurobond)		21,500,000	22,061,150
AXA SA, 6.463%, due 12/31/49, 144A[b]		8,000,000	7,914,968
AXA SA, 6.379%, due 12/14/49, 144A[b]		4,000,000	3,962,508
USF&G Capital, 8.312%, due 7/1/46, 144A[b]		3,845,000	4,688,862
			52,859,966
TOTAL INSURANCE			73,804,772
MULTI UTILITIES	0.3%		
Dominion Resources, 7.50%, due 6/30/66		4,100,000	4,416,044
OIL EXPLORATION AND PRODUCTION	0.8%		
Pemex Project Funding Master Trust, 7.75%		12,000,000	12,507,000
TELECOMMUNICATION SERVICES	1.0%		
Centaur Funding Corp., 9.08%, due 4/21/20, 144A[b]		12,954	15,131,567
TRANSPORT RAIL	0.3%		
BNSF Funding Trust I, 6.613%, due 12/15/55		5,000,000	4,984,930
TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost $478,597,754)			489,082,823

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Principal Amount	Value
CORPORATE BONDS	1.6%		
CELLULAR TELECOMMUNICATIONS	0.1%		
Rogers Wireless Communications, 8.00%, due 12/15/12, 144A[b]		$ 1,000,000	$ 1,072,500
MEDIA	0.4%		
Cablevision Systems Corp., 8.00%, due 4/15/12		2,700,000	2,666,250
Rogers Cable, 8.75%, due 5/1/32		3,000,000	3,660,000
			6,326,250
REAL ESTATE	0.3%		
BF Saul REIT, 7.50%, due 3/1/14		5,000,000	5,106,250
TELECOMMUNICATION SERVICES	0.8%		
Citizens Communications Co, 7.875%, due 1/15/27, 144A[b]		2,000,000	2,030,000
Citizens Communications Co, 9.00%, due 8/15/31		6,500,000	7,085,000
Embarq Corp., 7.995%, due 6/1/36		3,000,000	3,130,923
			12,245,923
TOTAL CORPORATE BONDS (Identified cost $23,615,585)			24,750,923

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

		Principal Amount	Value
COMMERCIAL PAPER	1.4%		
General Electric Capital Corp., 4.15%, due 1/2/07 (Identified cost $22,008,463)		$ 22,011,000	$ 22,008,463
TOTAL INVESTMENTS (Identified cost $1,776,500,860)	146.7%		2,265,859,841
OTHER ASSETS IN EXCESS OF LIABILITIES	0.3%		5,181,919
LIQUIDATION VALUE OF PREFERRED SHARES	(47.0)%		(726,000,000)
NET ASSETS APPLICABLE TO COMMON SHARES (Equivalent to $32.02 per share based on 48,251,666 shares of common stock outstanding)	100.0%		$ 1,545,041,760

Glossary of Portfolio Abbreviations

CABCO Corporate Asset Backed Corporation

CBTCS Corporate Backed Trust Certificates

FRN Floating Rate Note

PINES Public Income Notes

PPLUS Preferred Plus Trust

QUIPS Quarterly Income Preferred Securities

REIT Real Estate Investment Trust

SKIS Subordinated Capital Income Securities

TruPS Trust Preferred Securities

Note: Percentages indicated are based on the net assets applicable to common shares of the fund.

[a] 75,000 shares segregated as collateral for interest rate swap transactions.

[b] Resale is restricted to qualified institutional investors. Aggregate holdings equal 13.0% of net assets applicable to common shares.

[c] 74,000 shares segregated as collateral for interest rate swap transactions.

[d] Fair valued security. Aggregate holdings equal 0.6% of net assets applicable to common shares.

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2006

ASSETS:	
Investments in securities, at value (Identified cost $1,776,500,860)	$ 2,265,859,841
Cash	334,969
Dividends and interest receivable	13,039,291
Unrealized appreciation on interest rate swap transactions	8,642,081
Receivable for investment securities sold	227,146
Other assets	79,588
Total Assets	2,288,182,916
LIABILITIES:	
Payable for dividends declared on common shares	13,676,401
Payable for dividends declared on preferred shares	1,785,631
Payable to investment manager	1,286,536
Payable to administrator	75,620
Payable for directors' fees	2,457
Other liabilities	314,511
Total Liabilities	17,141,156

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES (Continued)

December 31, 2006

LIQUIDATION VALUE OF PREFERRED SHARES:		
Auction market preferred shares, Series M7, ($25,000 liquidation value, $0.001 par value, 3,280 shares issued and outstanding)	$	82,000,000
Auction market preferred shares, Series T7, ($25,000 liquidation value, $0.001 par value, 3,280 shares issued and outstanding)		82,000,000
Auction market preferred shares, Series W7, ($25,000 liquidation value, $0.001 par value, 3,280 shares issued and outstanding)		82,000,000
Auction market preferred shares, Series TH7, ($25,000 liquidation value, $0.001 par value, 3,280 shares issued and outstanding)		82,000,000
Auction market preferred shares, Series F7, ($25,000 liquidation value, $0.001 par value, 3,280 shares issued and outstanding)		82,000,000
Auction market preferred shares, Series T28, ($25,000 liquidation value, $0.001 par value, 2,040 shares issued and outstanding)		51,000,000
Auction market preferred shares, Series W28A, ($25,000 liquidation value, $0.001 par value, 2,800 shares issued and outstanding)		70,000,000
Auction market preferred shares, Series W28B, ($25,000 liquidation value, $0.001 par value, 2,800 shares issued and outstanding)		70,000,000
Auction market preferred shares, Series W28C, ($25,000 liquidation value, $0.001 par value, 2,800 shares issued and outstanding)		70,000,000
Auction market preferred shares, Series TH28, ($25,000 liquidation value, $0.001 par value 2,200 shares issued and outstanding)		55,000,000
		726,000,000
TOTAL NET ASSETS APPLICABLE TO COMMON SHARES	$	1,545,041,760
TOTAL NET ASSETS APPLICABLE TO COMMON SHARES consist of:		
Common stock ($0.001 par value, 48,251,666 shares issued and outstanding)	$	1,050,137,827
Dividends in excess of net investment income		(3,043,620)
Accumulated net realized loss		(53,649)
Net unrealized appreciation		498,001,202
	$	1,545,041,760
NET ASSET VALUE PER COMMON SHARE:		
($1,545,041,760 ÷ 48,251,666 shares outstanding)	$	32.02
MARKET PRICE PER COMMON SHARE	$	31.00
MARKET PRICE DISCOUNT TO NET ASSET VALUE PER COMMON SHARE		(3.19)%

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2006

Investment Income:	
Dividend income (net of $13,508 of foreign withholding tax)	$ 70,553,166
Interest income	35,222,424
Total Income	105,775,590
Expenses:	
Investment management fees	14,313,346
Preferred remarketing fee	1,813,724
Administration fees	1,239,225
Custodian fees and expenses	299,751
Reports to shareholders	277,535
Professional fees	191,649
Directors' fees and expenses	50,215
Transfer agent fees and expenses	24,396
Miscellaneous	183,104
Total Expenses	18,392,945
Net Investment Income	87,382,645
Net Realized and Unrealized Gain on Investments:	
Net realized gain on:	
Investments	98,825,468
Interest rate swap transactions	5,807,820
Foreign currency transactions	26,541
Net realized gain	104,659,829
Net change in unrealized appreciation on:	
Investments	221,327,732
Interest rate swap transactions	(1,891,219)
Foreign currency translations	140
Net change in unrealized appreciation	219,436,653
Net realized and unrealized gain on investments	324,096,482
Net Increase Resulting from Operations	411,479,127
Less Dividends and Distributions to Preferred Shareholders	(35,775,398)
Net Increase in Net Assets from Operations Applicable to Common Shares	$ 375,703,729

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON SHARES

	For the Year Ended December 31, 2006	For the Year Ended December 31, 2005
Change in Net Assets Applicable to Common Shares:		
From Operations:		
Net investment income	$ 87,382,645	$ 85,016,364
Net realized gain	104,659,829	74,126,410
Net unrealized appreciation (depreciation)	219,436,653	(59,610,859)
Net increase resulting from operations	411,479,127	99,531,915
Less Dividends and Distributions to Preferred Shareholders from:		
Net investment income	(16,967,993)	(12,961,224)
Net realized gain on investments	(18,807,405)	(11,419,711)
Total dividends and distributions to preferred shareholders	(35,775,398)	(24,380,935)
Net increase in net assets from operations applicable to common shares	375,703,729	75,150,980
Less Dividends and Distributions to Common Shareholders from:		
Net investment income	(77,103,466)	(71,291,589)
Net realized gain on investments	(80,178,937)	(64,711,694)
Tax return of capital	(36,689,306)	(28,824,413)
Total dividends and distributions to common shareholders	(193,971,709)	(164,827,696)
Total increase (decrease) in net assets applicable to common shares	181,732,020	(89,676,716)
Net Assets Applicable to Common Shares:		
Beginning of year	1,363,309,740	1,452,986,456
End of year[a]	$ 1,545,041,760	$ 1,363,309,740

[a] Includes dividends in excess of net investment income of $3,043,620 and $1,696,538, respectively.

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

FINANCIAL HIGHLIGHTS

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.

	For the Year Ended December 31,			For the Period June 27, 2003[a] through
Per Share Operating Performance:	2006	2005	2004	December 31, 2003
Net asset value per common share, beginning of period	$ 28.25	$ 30.11	$ 26.68	$ 23.88
Income from investment operations:				
Net investment income	1.92	1.76[b]	1.87	0.74[b]
Net realized and unrealized gain on investments	6.61	0.31	3.97	3.23
Total income from investment operations	8.53	2.07	5.84	3.97
Less dividends and distributions to preferred shareholders from:				
Net investment income	(0.35)	(0.27)	(0.17)	(0.06)
Net realized gain on investments	(0.39)	(0.24)	(0.05)	(0.01)
Total dividends and distributions to preferred shareholders	(0.74)	(0.51)	(0.22)	(0.07)
Total from investment operations applicable to common shares	7.79	1.56	5.62	3.90
Less: Offering and organization costs charged to paid-in capital common shares				(0.06)
Offering and organization costs charged to paid-in capital preferred shares			(0.02)	(0.18)
Preferred offering cost adjustment			0.01	
Dilutive effect of common share offering				(0.01)
Total offering and organization costs			(0.01)	(0.25)
Less dividends and distributions to common shareholders from:				
Net investment income	(1.60)	(1.48)	(1.43)	(0.55)
Net realized gain on investments	(1.66)	(1.34)	(0.46)	(0.06)
Tax return of capital	(0.76)	(0.60)	(0.29)	(0.24)
Total dividends and distributions to common shareholders	(4.02)	(3.42)	(2.18)	(0.85)
Net increase (decrease) in net asset value	3.77	(1.86)	3.43	2.80
Net asset value, per common share, end of period	$ 32.02	$ 28.25	$ 30.11	$ 26.68
Market value, per common share, end of period	$ 31.00	$ 25.85	$ 27.18	$ 25.90
Net asset value total return[c]	29.40%	6.52%	22.94%	15.56%[d]
Market value return[c]	36.91%	7.98%	14.32%	7.16%[d]

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

FINANCIAL HIGHLIGHTS (Continued)

Ratios/Supplemental Data:	For the Year Ended December 31, 2006	2005	2004	For the Period June 27, 2003[a] through December 31, 2003
Net assets applicable to common shares, end of period (in millions)	$ 1,545.0	$ 1,363.3	$ 1,453.0	$ 1,287.2
Ratio of expenses to average daily net assets applicable to common shares[e]	1.25%	1.27%	1.29%	1.17%[f]
Ratio of net investment income to average daily net assets applicable to common shares[e]	5.92%	6.03%	6.62%	5.51%[f]
Ratio of expenses to average daily managed assets[e]	0.84%	0.84%	0.85%	0.84%[f]
Portfolio turnover rate	34%	20%	9%	8%[d]
Preferred Shares:				
Liquidation value, end of period (in 000's)	$ 726,000	$ 726,000	$ 726,000	$ 671,000
Total shares outstanding (in 000's)	29	29	29	27
Asset coverage ratio	313%	288%	300%	292%
Asset coverage per share	$ 78,204	$ 71,946	$ 75,034	$ 72,958
Liquidation preference per share	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Average market value per share[g]	$ 25,000	$ 25,000	$ 25,000	$ 25,000

a Commencement of operations.

b Calculation based on average shares outstanding.

c 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.

d Not annualized.

e Ratios do not reflect dividend payments to preferred shareholders.

f Annualized

g Based on weekly prices.

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Cohen & Steers REIT and Preferred Income Fund, Inc. (the fund) was incorporated under the laws of the State of Maryland on March 25, 2003 and is registered under the Investment Company Act of 1940, as amended, as a nondiversified, closed-end management investment company. The fund's investment objective is high current income.

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 (GAAP). The preparation of the financial statements in accordance with GAAP 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 or, if no asked price is available, at the bid price.

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. (the investment manager) 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 Quotation Bureau, or such other comparable sources as the Board of Directors deem appropriate to reflect their fair market value. 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, or if no asked price is available, at the bid price. However, certain fixed-income securities may be valued on the basis of prices provided by a pricing service when such prices are believed by the Board of Directors to reflect the fair market value of such securities. 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 most closely reflect the value of such securities.

Securities for which market prices are unavailable, or securities for which the investment manager determines that bid and/or asked price does not reflect market value, will be valued at fair value pursuant to procedures approved by the fund's Board of Directors. Circumstances in which market prices may be unavailable include, but are not limited to, when trading in a security is suspended, the exchange on which the security is traded is subject to an unscheduled close or disruption or material events occur after the close of the exchange on which the security

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

is principally traded. In these circumstances, the fund determines fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors it deems appropriate. These may include recent transactions in comparable securities, information relating to the specific security and developments in the markets.

The fund's use of fair value pricing may cause the net asset value of fund shares to differ from the net asset value that would be calculated using market quotations. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security may be materially different than the value that could be realized upon the sale of that security.

Short-term debt securities, which have a maturity date 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. Discounts are accreted and premiums are amortized over the life of the respective securities. Dividend income is recorded on the ex-dividend date except for certain dividends on foreign securities, which are recorded as soon as the fund is informed after 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 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) and realized gain/(loss) on investments as necessary once the issuers provide information about the actual composition of the distributions.

Foreign Currency Translation and Forward Foreign Currency Contracts: The books and records of the fund are maintained in U.S. dollars as follows: (1) the foreign currency market value of investment securities, other assets and liabilities and forward foreign currency contracts (forward contracts) are translated at the exchange rates prevailing at the end of the period; and (2) purchases, sales, income and expenses are translated at the exchange rates prevailing on the respective dates of such transactions. The resultant exchange gains and losses are recorded as realized and unrealized gain/loss on foreign exchange transactions. Pursuant to U.S. federal income tax regulations, certain foreign exchange gains/losses included in realized and unrealized gain/loss are included in or are a reduction of ordinary income for federal income tax purposes. The fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the changes in the market prices of the securities. Forward contracts are valued daily at the appropriate exchange rates. The resultant unrealized exchange gains and losses are recorded as unrealized foreign currency gain or loss. The fund records realized gains or losses on delivery of the currency or at the time the forward contract is extinguished (compensated) by entering into a closing transaction prior to delivery.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

Foreign Securities: The fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible revaluation of currencies, the ability to repatriate funds, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers.

Interest Rate Swaps: The fund uses interest rate swaps in connection with the sale of preferred shares. The interest rate swaps are intended to reduce the risk that an increase in short-term interest rates could have on the performance of the fund's common shares as a result of the floating rate structure of the preferred shares. In these interest rate swaps, the fund agrees to pay the other party to the interest rate swap (which is known as the counterparty) a fixed rate payment in exchange for the counterparty agreeing to pay the fund a variable rate payment that is intended to approximate the fund's variable rate payment obligation on the preferred shares. The payment obligation is based on the notional amount of the swap. Depending on the state of interest rates in general, the use of interest rate swaps could enhance or harm the overall performance of the common shares. The market value of interest rate swaps is based on pricing models that consider the time value of money, volatility, the current market and contractual prices of the underlying financial instrument. Unrealized gains are reported as an asset and unrealized losses are reported as a liability on the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be paid or received on swaps, is reported as unrealized gains or losses in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of swap agreements. Swap agreements involve, to varying degrees, elements of market and counterparty risk, and exposure to loss in excess of the related amounts reflected in the Statement of Assets and Liabilities.

Dividends and Distributions to Shareholders: Dividends from net investment income and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which may differ from GAAP. Dividends from net investment income are declared and paid monthly. Net realized capital gains, unless offset by any available capital loss carryforward, are distributed to shareholders annually. Dividends and distributions to shareholders are recorded on the ex-dividend date and are automatically reinvested on the ex-dividend date unless the shareholder has elected to have them paid in cash.

Distributions paid by the fund are subject to recharacterization for tax purposes. Based upon the results of operations for the year ended December 31, 2006, a portion of the dividends paid have been reclassified to return of capital and distributions of net realized capital gains.

Series M7, Series T7, Series W7, Series TH7 and Series F7 preferred shares pay dividends based on a variable interest rate set at auctions, normally held every seven days. The dividends are declared and recorded for the subsequent seven day period on the auction date. In most instances, dividends are payable every seven days, on the first business day following the end of the dividend period.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

Series T28, Series TH28, Series W28A, Series W28B and Series W28C preferred shares pay dividends based on a variable interest rate set at auctions, normally held every 28 days. The dividends are declared and recorded for the subsequent 28 day period on the auction date. In most instances, dividends are payable every 28 days, on the first business day following the end of the dividend period.

Federal Income Taxes: It is the policy of the fund to continue 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.

Note 2. Investment Management Fees, Administration Fees and Other Transactions with Affiliates

Investment Management Fees: The investment manager serves as the fund's investment manager pursuant to an investment management agreement (the management agreement). Under the terms of the management agreement, the investment manager provides the fund with day-to-day investment decisions and generally manages the fund's investments in accordance with the stated polices of the fund, subject to the supervision of the Board of Directors.

For the services under the management agreement, the fund pays the investment manager a management fee, accrued daily and paid monthly, at an annual rate of 0.65% of the fund's average daily managed asset value. Managed asset value is the net asset value of the common shares plus the liquidation preference of the preferred shares.

Administration Fees: The fund has entered into an administration agreement with the investment manager under which the investment manager performs certain administrative functions for the fund and receives a fee, accrued daily and paid monthly, at the annual rate of 0.06% of the fund's average daily managed assets up to $1 billion, 0.04% of the fund's average daily managed assets in excess of $1 billion up to $1.5 billion and 0.02% of the fund's average daily managed assets in excess of $1.5 billion. For the year ended December 31, 2006, the fund incurred $940,411 in administration fees. Additionally, the fund has retained State Street Bank and Trust Company as sub-administrator under a fund accounting and administration agreement.

Directors' and Officers' Fees: Certain directors and officers of the fund are also directors, officers, and/or employees of the investment manager. The fund does not pay compensation to any affiliated directors and officers except for the Chief Compliance Officer, who received $13,533 from the fund for the year ended December 31, 2006.

Note 3. Purchases and Sales of Securities

Purchases and sales of securities, excluding short-term investments, for the year ended December 31, 2006, totaled $732,892,351 and $836,692,297, respectively.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 4. Income Tax Information

The tax character of dividends and distributions paid was as follows:

	For the Year Ended December 31,	
	2006	2005
Ordinary income	$ 94,071,459	$ 84,471,323
Long-term capital gains	98,986,342	75,912,895
Tax return of capital	36,689,306	28,824,413
Total dividends and distributions	$ 229,747,107	$ 189,208,631

As of December 31, 2006, the tax-basis components of accumulated earnings and the federal tax cost were as follows:

Gross unrealized appreciation	$ 492,056,879
Gross unrealized depreciation	(3,786,435)
Net unrealized appreciation	$ 488,270,444
Cost for federal income tax purposes	$ 1,777,589,397

As of December 31, 2006, the fund had temporary book/tax differences primarily attributable to timing differences on dividends paid by the fund and permanent book/tax differences primarily attributable to differing treatment on interest rate swaps. To reflect reclassifications arising from the permanent differences, paid-in capital was credited $363,624, accumulated net realized loss was charged $5,705,356 and dividends in excess of net investment income was credited $5,341,732.

Note 5. Capital Stock

The fund is authorized to issue 100 million shares of common stock at a par value of $0.001 per share.

During the years ended December 31, 2006 and December 31, 2005, the fund issued no shares of common stock for the reinvestment of dividends.

Preferred shares are senior to the fund's common shares and will rank on a parity with shares of any other series of preferred shares, and with shares of any other series of preferred stock of the fund, as to the payment of dividends and the distribution of assets upon liquidation If the fund does not timely cure a failure to (1) maintain a discounted value of its portfolio equal to the preferred shares basic maintenance amount, (2) maintain the 1940 Act preferred shares asset coverage, or (3) file a required certificate related to asset coverage on time, the preferred shares will be subject to a mandatory redemption at the redemption price of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon to the date fixed for redemption. To the extent permitted under the 1940 Act and Maryland Law, the fund at its option may without consent of the holders of preferred shares,

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

redeem preferred shares having a dividend period of one year or less, in whole, or in part, on the business day after the last day of such dividend period upon not less than 15 calendar days and not more than 40 calendar days prior to notice The optional redemption price is $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon to the date fixed for redemption.

The fund's common shares and preferred shares have equal voting rights of one vote per share and vote together as a single class, except in certain circumstances regarding the election of directors. In addition, the affirmative vote of the holders of a majority, as defined in the 1940 Act, of the outstanding preferred shares shall be required to (1) approve any plan of reorganization that would adversely affect the preferred shares and (2) approve any matter that materially and adversely affects the rights, preferences, or powers of that series.

Note 6. Investments in Interest Rate Swaps

Interest rate swaps outstanding at December 31, 2006 are as follows:

Counterparty	Notional Amount	Fixed Rate Payable	Floating Rate[a] (reset monthly) Receivable	Termination Date	Unrealized Appreciation
Merrill Lynch Derivative Products AG	$ 43,625,000	3.320%	5.350%	October 22, 2007	$ 694,275
Merrill Lynch Derivative Products AG	$ 58,500,000	3.208%	5.350%	October 2, 2008	1,923,770
Merrill Lynch Derivative Products AG	$ 20,000,000	3.410%	5.350%	January 13, 2009	651,988
Royal Bank of Canada	$ 58,125,000	3.398%	5.350%	August 25, 2007	719,862
Royal Bank of Canada	$ 43,250,000	3.452%	5.350%	September 16, 2008	1,178,220
UBS AG	$ 58,125,000	3.990%	5.350%	August 25, 2009	1,459,769
UBS AG	$ 58,125,000	4.398%	5.350%	August 25, 2010	1,111,187
UBS AG	$ 58,125,000	4.595%	5.350%	August 25, 2011	903,010
					$ 8,642,081

[a] Based on LIBOR (London Interbank Offered Rate). Represents rates in effect at December 31, 2006.

Note 7. Other

In the normal course of business, the fund enters into contracts that provide general indemnifications. The fund's maximum exposure under these arrangements is dependent on claims that may be made against the fund in the future and, therefore, cannot be estimated; however, based on experience, the risk of material loss from such claims is considered remote.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109 (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position must meet before being recognized in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The fund will adopt FIN 48 no later than June 29, 2007 and the impact to the fund's financial statements, if any, is currently being assessed.

In September 2006, Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management is currently evaluating the impact the adoption of SFAS 157 will have on the Fund's financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Cohen & Steers REIT and Preferred Income Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Cohen & Steers REIT and Preferred Income Fund, Inc. (the "Fund") at December 31, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2006 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York
February 16, 2007

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

AVERAGE ANNUAL TOTAL RETURNS

(periods ended December 31, 2006) (Unaudited)

Based on Net Asset Value		Based on Market Value	
One Year	Since Inception (06/27/03)	One Year	Since Inception (06/27/03)
29.40%	21.09%	36.91%	18.41%

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

TAX INFORMATION 2006 (Unaudited)

Pursuant to the Jobs and Growth Relief Reconciliation Act of 2003, the fund designates qualified dividend income of $12,038,655. Additionally, 11.17% of the ordinary dividends qualified for the dividends received deduction available to corporations. Also, the fund designates a long-term capital gain distribution of $98,464,235 at the 15% rate and $522,107 at the 25% rate or maximum allowable.

REINVESTMENT PLAN

The fund has a dividend reinvestment plan (the "Plan") commonly referred to as an "opt-out" plan. Each common shareholder who participates in the Plan will have all distributions of dividends and capital gains automatically reinvested in additional common shares by The Bank of New York as agent (the "Plan Agent"). Shareholders who elect not to participate in the plan will receive all distributions in cash paid by check mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent, as dividend disbursing agent. Shareholders whose common shares are held in the name of a broker or nominee should contact the broker or nominee to determine whether and how they may participate in the Plan.

The Plan Agent serves as agent for the shareholders in administering the plan. After the fund declares a dividend or makes a capital gain distribution, the plan agent will, as agent for the shareholders, either (i) receive the cash payment and use it to buy common shares in the open market, on the NYSE or elsewhere, for the participants' accounts or (ii) distribute newly issued common shares of the Fund on behalf of the participants. The Plan Agent will receive cash from the fund with which to buy common shares in the open market if, on the distribution payment date, the net asset value per share exceeds the market price per share plus estimated brokerage commissions on that date. The Plan Agent will receive the dividend or distribution in newly issued common shares of the fund if, on the payment date, the market price per share plus estimated brokerage commissions equals or exceeds the net asset value per share of the fund on that date. The number of shares to be issued will be computed at a per share rate equal to the greater of (i) the net asset value or (ii) 95% of the closing market price per share on the payment date.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

Participants in the Plan may withdraw from the plan upon notice to the Plan Agent. Such withdrawal will be effective immediately if received not less than ten days prior to a distribution record date; otherwise, it will be effective for all subsequent distributions. When a participant withdraws from the Plan or upon termination of the Plan as provided below, certificates for whole common shares credited to his or her account under the Plan will be issued and a cash payment will be made for any fraction of a common share credited to such account. If any participant elects to have the Plan Agent sell all or part of his or her shares and remit the proceeds, the Plan Agent is authorized to deduct a $15.00 fee plus $0.10 per share brokerage commissions.

The Plan Agent's fees for the handling of reinvestment of distributions will be paid by the fund. However, each particip