RMR REAL ESTATE FUND
Form N-CSR
February 22, 2008

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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: 811-21241

RMR REAL ESTATE FUND

(Exact name of registrant as specified in charter)

400 CENTRE STREET
NEWTON, MASSACHUSETTS 02458
(Address of principal executive offices) (Zip code)

(Name and Address of Agent for Service of Process)	Copy to:
Adam D. Portnoy, President RMR Real Estate Fund 400 Centre Street Newton, Massachusetts 02458	**Robert N. Hickey, Esq.** Sullivan & Worcester LLP 1666 K Street, NW Washington, DC 20006
	Elizabeth A. Watson, Esq. State Street Bank and Trust Company 2 Avenue de Lafayette Boston, Massachusetts 02111

Registrant's telephone number, including area code: **(617) 332-9530**
Date of fiscal year end: December 31
Date of reporting period: December 31, 2007

Item 1. Reports to Shareholders.

ANNUAL REPORTS
DECEMBER 31, 2007

RMR Real Estate Fund

RMR Hospitality and Real Estate Fund

RMR F.I.R.E. Fund

RMR Preferred Dividend Fund

RMR Asia Pacific Real Estate Fund

RMR Asia Real Estate Fund

RMR Dividend Capture Fund

ABOUT INFORMATION CONTAINED IN THIS REPORT:

PERFORMANCE DATA IS HISTORICAL AND REFLECTS HISTORICAL EXPENSES AND HISTORICAL CHANGES IN NET ASSET VALUE. HISTORICAL RESULTS ARE NOT INDICATIVE OF FUTURE RESULTS.

IF RMR ADVISORS HAD NOT WAIVED FEES OR PAID ALL OF EACH FUND'S ORGANIZATIONAL COSTS AND A PORTION OF EACH FUND'S OFFERING COSTS, EACH FUND'S RETURNS WOULD HAVE BEEN REDUCED.

PLEASE CONSIDER THE INVESTMENT OBJECTIVES, STRATEGIES, RISKS, CHARGES AND EXPENSES BEFORE INVESTING IN ANY OF THE FUNDS. AN INVESTMENT IN EACH FUND'S SHARES IS SUBJECT TO MATERIAL RISKS, INCLUDING BUT NOT LIMITED TO THOSE DESCRIBED IN EACH FUND'S PROSPECTUS, THE REGISTRATION STATEMENTS AND OTHER DOCUMENTS FILED WITH THE SEC. EACH FUND'S DECLARATION OF TRUST CONTAINS PROVISIONS WHICH LIMIT OWNERSHIP OF FUND SHARES BY ANY PERSON OR GROUP OF PERSONS ACTING TOGETHER AND LIMIT ANY PERSONS ABILITY TO CONTROL A FUND OR TO CONVERT A FUND TO AN OPEN END FUND. FOR MORE INFORMATION ABOUT ANY OF OUR FUNDS PLEASE VISIT *WWW.RMRFUNDS.COM* OR CALL OUR INVESTOR RELATIONS GROUP AT (866)-790-3165.

NOTICE CONCERNING LIMITED LIABILITY

THE AGREEMENTS AND DECLARATIONS OF TRUST OF RMR REAL ESTATE FUND, RMR HOSPITALITY AND REAL ESTATE FUND, RMR F.I.R.E. FUND, RMR PREFERRED DIVIDEND FUND, RMR ASIA PACIFIC REAL ESTATE FUND, RMR ASIA REAL ESTATE FUND AND RMR DIVIDEND CAPTURE FUND, COPIES OF WHICH, TOGETHER WITH ALL AMENDMENTS AND SUPPLEMENTS THERETO, ARE DULY FILED IN THE OFFICE OF THE SECRETARY, CORPORATIONS DIVISION, OF THE COMMONWEALTH OF MASSACHUSETTS, PROVIDE THAT THE NAMES "RMR REAL ESTATE FUND", "RMR HOSPITALITY AND REAL ESTATE FUND", "RMR F.I.R.E. FUND", "RMR PREFERRED DIVIDEND FUND", "RMR ASIA PACIFIC REAL ESTATE FUND", "RMR ASIA REAL ESTATE FUND" AND "RMR DIVIDEND CAPTURE FUND" REFER TO THE TRUSTEES UNDER THE AGREEMENTS AND DECLARATIONS COLLECTIVELY AS TRUSTEES, BUT NOT INDIVIDUALLY OR PERSONALLY, AND THAT NO TRUSTEE, OFFICER, SHAREHOLDER, EMPLOYEE OR AGENT OF ANY OF THE FUNDS SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, ANY OF THESE FUNDS. ALL PERSONS DEALING WITH ANY OF THE FUNDS IN ANY WAY, SHALL LOOK ONLY TO THE ASSETS OF THAT FUND WITH WHICH HE OR SHE MAY DEAL FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.

RMR Funds
December 31, 2007

February 20, 2008

To our shareholders,

We are pleased to present you with our 2007 annual report for our seven closed end funds:

We invite you to read through the information contained in this report and to view our website at *www.rmrfunds.com.*

Sincerely,

Adam D. Portnoy
President

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RMR Real Estate Fund
December 31, 2007

To our shareholders,

In the pages that follow, you will find data summarizing our financial results for the year ended December 31, 2007, and our financial position as of December 31, 2007.

Relevant Market Conditions

Real Estate Industry Fundamentals. During 2007, commercial real estate vacancy rates generally remained stable and rents increased Nevertheless, earnings growth from commercial real estate companies began to slow in 2007 compared to prior years because of a general slowdown in the economy. The combination of an economic slowdown, investors concerns relating to weakness in the housing market and credit tightening by lenders led to a sharp decline in valuations for all publicly traded commercial real estate companies in the second half of 2007. Almost all real estate investment trusts, or REITs, experienced a sharp drop in value in the second half of 2007 because of investors concerns regarding any company involved in the real estate business. Furthermore, some REITs that had exposure to subprime mortgages filed for bankruptcy and the value of their securities became essentially worthless after they stopped paying dividends.

In 2008, we expect commercial real estate fundamentals to weaken because of slower economic growth and lower consumer and business confidence. However, higher construction costs and tighter credit markets may limit new supply of commercial real estate and help offset some of the anticipated slowdown in commercial real estate fundamentals. Before the end of 2008, we expect that valuations of REITs that invest directly in commercial real estate may improve in reaction to the sharp decline in their stock prices at the end of 2007 and in early 2008.

Real Estate Industry Technicals. After seven years of positive returns, REITs, as measured by the MSCI U.S. REIT Total Return Index (RMS) finished 2007 down 16.7%, marking one of the sector's worst performances ever. Last year was also one of the most volatile years for REITs. During the year, the RMS posted eight of the biggest one day moves since its inception in 1995. Between March and the end of 2007, investors withdrew more than $9 billion from dedicated REIT funds.

Fund Strategies, Techniques and Performance

Our primary investment objective is to earn and pay a high level of current income to our common shareholders by investing in real estate companies, including REITs. Our secondary investment objective is capital appreciation. There can be no assurances that we will meet our investment objectives.

During the year ended 2007, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 26.28%. During that same period, the total return for the MSCI U.S. REIT Total Return Index (an unmanaged index of REIT common stocks) was negative 16.7% and the total return for the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was negative 13.0%. We believe these two indices are relevant to us because our investments, excluding short term investments, as of December 31, 2007, included 64% REIT common stocks and 20% REIT preferred stocks. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the year ended December 31, 2007 was 5.5%.

Our investment allocation to hotel and diversified REITs contributed positively to the Fund's performance in 2007. We benefited from our holdings in hotel REITs because of the high level of M&A activity that took place within this sector during the first half of 2007. The gains from M&A activity during the first half of the year also helped to offset losses experienced by the Fund when the general REIT market declined sharply in the second half of the year. Although we reduced our exposure to mortgage REITs during the year, our holdings in these companies also hurt our performance in 2007. At year end, mortgage REITs accounted for 0.1% of total assets.

Recent Developments. As I am writing this letter, continued turmoil in the credit markets is becoming a concern for our Fund. In particular, the market for auction rate securities seems to be experiencing a liquidity crisis. Although we believe our Fund's $50 million of auction rate preferred securities are well protected by asset coverage, the spill over effect from other auction rate securities may make it more difficult for our Fund to remarket these securities. If this occurs, the dividend rates we pay on our preferred securities may increase or we may be forced to substitute our outstanding preferred shares with less attractive forms of leverage. Any increase in the cost of leverage or decrease in the amount of leverage could adversely impact our performance and ability to maintain the current dividend rate paid to common shareholders in the future.

Thank you for your continued support. For more information, please view our website at *www.rmrfunds.com.*

Sincerely,

Adam D. Portnoy
President

February 20, 2008

Portfolio holdings by sub-sector as a percentage of investments (as of December 31, 2007)*

REITs	
Health care	18%
Hospitality	17%
Diversified	15%
Others, less than 10% each	34%
Total REITs	84%
Other	15%
Short term investments	1%
Total investments	100%

* These percentages represent the Fund's portfolio holdings by sub-sector as a percentage of total portfolio holdings and do not match with the percentages included in the Portfolio of Investments schedule which represent the Fund's portfolio holdings by sub-sector as a percentage of the Fund's net assets.

RMR Real Estate Fund
Portfolio of Investments December 31, 2007

Company	Shares		Value
Common Stocks 110.6%			
Real Estate Investment Trusts 101.6%			
Apartments 11.5%			
Apartment Investment & Management Co.	14,000	$	486,220
Associated Estates Realty Corp.	105,400		994,976
AvalonBay Communities, Inc.	14,000		1,317,960
BRE Properties, Inc.	10,000		405,300
Equity Residential	49,000		1,787,030
Essex Property Trust, Inc.	6,000		584,940
Home Properties, Inc.	88,800		3,982,680
Mid-America Apartment Communities, Inc.	5,000		213,750
Post Properties, Inc.	5,000		175,600
			9,948,456
Diversified 22.0%			
CapLease, Inc.	56,000		471,520
Colonial Properties Trust	10,000		226,300
Duke Realty Corp.	70,000		1,825,600
DuPont Fabros Technology, Inc.	7,500		147,000
Franklin Street Properties Corp.	3,000		44,400
Lexington Corporate Properties Trust	383,800		5,580,452
Liberty Property Trust	29,000		835,490
Mission West Properties, Inc.	5,000		47,550
National Retail Properties, Inc.	352,700		8,246,126
Vornado Realty Trust	19,000		1,671,050
Washington Real Estate Investment Trust	300		9,423
			19,104,911
Health Care 23.5%			
Cogdell Spencer, Inc.	16,500		262,845
HCP, Inc.	39,080		1,359,202
Health Care REIT, Inc.	162,600		7,266,594
LTC Properties, Inc.	20,000		501,000
Medical Properties Trust, Inc.	94,520		963,159
Nationwide Health Properties, Inc.	257,600		8,080,912
OMEGA Healthcare Investors, Inc.	96,000		1,540,800
Universal Health Realty Income Trust	13,000		460,720
			20,435,232
Hospitality 6.7%			
Ashford Hospitality Trust, Inc.	185,500		1,333,745
Entertainment Properties Trust	22,000		1,034,000
FelCor Lodging Trust, Inc.	17,000		265,030
Hersha Hospitality Trust	129,300		1,228,350
LaSalle Hotel Properties	17,200		548,680
Sunstone Hotel Investors, Inc.	25,000		457,250
Supertel Hospitality, Inc.	161,000		988,540
			5,855,595

See notes to financial statements and notes to portfolio of investments.

Industrial 11.6%			
AMB Property Corp.	4,000	$	230,240
DCT Industrial Trust, Inc.	64,500		600,495
EastGroup Properties, Inc.	14,000		585,900
First Industrial Realty Trust, Inc.	211,240		7,308,904
ProLogis	21,000		1,330,980
			10,056,519
Manufactured Homes 1.8%			
Sun Communities, Inc.	75,900		1,599,213
Mortgage 0.1%			
Alesco Financial, Inc.	19,000		62,320
Anthracite Capital, Inc.	2,000		14,480
			76,800
Office 12.7%			
American Financial Realty Trust	309,100		2,478,982
Brandywine Realty Trust	102,400		1,836,032
Corporate Office Properties Trust	15,500		488,250
Douglas Emmett, Inc.	12,500		282,625
Highwoods Properties, Inc.	55,000		1,615,900
Mack-Cali Realty Corp.	26,500		901,000
Maguire Properties, Inc.	48,000		1,414,560
Parkway Properties, Inc.	55,000		2,033,900
			11,051,249
Retail 7.4%			
Cedar Shopping Centers, Inc.	75,000		767,250
Equity One, Inc.	10,000		230,300
Feldman Mall Properties, Inc.	3,000		11,070
Glimcher Realty Trust	109,400		1,563,326
Kimco Realty Corp.	5,000		182,000
Pennsylvania Real Estate Investment Trust	12,000		356,160
Ramco-Gershenson Properties Trust	9,000		192,330
Realty Income Corp.	54,600		1,475,292
Simon Property Group, Inc.	15,000		1,302,900
Tanger Factory Outlet Centers, Inc.	5,000		188,550
Urstadt Biddle Properties, Inc.	8,900		137,950
			6,407,128
Specialty 1.0%			
Getty Realty Corp.	32,600		869,768

See notes to financial statements and notes to portfolio of investments.

Storage 3.3%		
Public Storage, Inc.	3,000	$ 220,230
Sovran Self Storage, Inc.	50,000	2,005,000
U-Store-It Trust	65,000	595,400
		2,820,630
Total Real Estate Investment Trusts (Cost $92,150,007)		88,225,501
Other 9.0%		
Abingdon Investment, Ltd. (a) (b)	550,000	4,378,000
American Capital Strategies, Ltd.	23,500	774,560
Brookfield Properties Corp.	10,000	192,500
Iowa Telecommunication Services, Inc.	50,500	821,130
MCG Capital Corp.	41,000	475,190
Seaspan Corp.	48,200	1,180,418
Total Other (Cost $9,017,018)		7,821,798
Total Common Stocks (Cost $101,167,025)		96,047,299
Preferred Stocks 40.2%		
Real Estate Investment Trusts 33.0%		
Apartments 0.9%		
Apartment Investment & Management Co., Series G	32,800	800,320
Diversified 1.6%		
Colonial Properties Trust, Series D	60,000	1,436,400
Health Care 5.3%		
Health Care REIT, Inc., Series G	20,000	640,600
OMEGA Healthcare Investors Inc., Series D	160,000	3,963,200
		4,603,800
Hospitality 20.5%		
Ashford Hospitality Trust, Series A	107,900	2,023,125
Ashford Hospitality Trust, Series D	100,000	1,900,000
Eagle Hospitality Properties Trust, Inc., Series A (b)	28,000	350,000
Entertainment Properties Trust, Series D	111,800	2,090,660
FelCor Lodging Trust, Inc., Series A (c)	83,000	1,711,460
FelCor Lodging Trust, Inc., Series C	39,600	734,580
Hersha Hospitality Trust, Series A	92,000	1,968,800
LaSalle Hotel Properties, Series D	100,000	1,830,000
Strategic Hotels & Resorts, Inc., Series A	75,000	1,408,500
Strategic Hotels & Resorts, Inc., Series B	64,500	1,241,625
Sunstone Hotel Investors, Inc., Series A	129,100	2,521,323
		17,780,073

See notes to financial statements and notes to portfolio of investments.

Industrial 0.5%			
First Industrial Realty Trust, Series J	20,000	$	405,000
Office 1.3%			
Corporate Office Properties Trust, Series H	2,000		41,000
Corporate Office Properties Trust, Series J	22,000		449,900
Kilroy Realty Corp., Series E	500		11,250
Kilroy Realty Corp., Series F	30,000		660,000
			1,162,150
Retail 2.9%			
Cedar Shopping Centers, Inc., Series A	88,600		2,082,100
Glimcher Realty Trust, Series F	20,000		411,000
			2,493,100
Total Real Estate Investment Trusts (Cost $33,520,602)			28,680,843
Other 7.2%			
Hilltop Holdings, Inc., Series A	280,000		6,209,000
Total Other (Cost $6,016,675)			6,209,000
Total Preferred Stocks (Cost $39,537,277)			34,889,843
Other Investment Companies 9.0%			
Alpine Total Dynamic Dividend Fund	126,200		2,139,090
Cohen & Steers Premium Income Realty Fund, Inc.	31,950		469,984
Cohen & Steers REIT and Preferred Income Fund, Inc.	38,426		726,252
Cornerstone Strategic Value Fund, Inc.	2,500		12,600
Eaton Vance Enhanced Equity Income Fund II	30,100		534,275
LMP Real Estate Income Fund, Inc.	80,160		1,163,923
Neuberger Berman Real Estate Securities Income Fund, Inc.	72,250		831,597
Neuberger Berman Realty Income Fund, Inc.	55,700		881,174
The Zweig Total Return Fund, Inc.	220,568		999,173
Total Other Investment Companies (Cost $9,631,583)			7,758,068
Short-Term Investments 1.1%			
Other Investment Companies 1.1%			
Dreyfus Cash Management, Institutional Shares, 4.85% (d) (Cost $997,913)	997,913		997,913
Total Investments 160.9% (Cost $151,333,798)			139,693,123
Other assets less liabilities (3.3)%			(2,853,790)
Preferred Shares, at liquidation preference (57.6)%			(50,000,000)
Net Assets applicable to common shareholders 100%		$	86,839,333

See notes to financial statements and notes to portfolio of investments.

Notes to Portfolio of Investments

(a) 144A securities. Securities restricted for resale to Qualified Institutional Buyers (5.0% of net assets). These securities are considered to be liquid.

(b) As of December 31, 2007, the Fund held securities fair valued in accordance with policies adopted by the Board of Trustees, aggregating $4,728,000 and 3.38% of market value.

(c) Convertible into common stock.

(d) Rate reflects 7 day yield as of December 31, 2007.

See notes to financial statements.

RMR Real Estate Fund
Financial Statements

Statement of Assets and Liabilities

December 31, 2007

Assets		
Investments in securities, at value (cost $151,333,798)	$	139,693,123
Cash		524
Dividends and interest receivable		2,311,017
Total assets		142,004,664
Liabilities		
Distributions payable common shares		4,776,800
Distributions payable preferred shares		105,000
Advisory fee payable		73,776
Accrued expenses and other liabilities		209,755
Total liabilities		5,165,331
Preferred shares, at liquidation preference		
Auction preferred shares, Series T; $.001 par value per share; 2,000 shares issued and outstanding at $25,000 per share liquidation preference		50,000,000
Net assets attributable to common shares	$	86,839,333
Composition of net assets		
Common shares, $.001 par value per share; unlimited number of shares authorized, 6,824,000 shares issued and outstanding	$	6,824
Additional paid-in capital		96,475,287
Distributions in excess of net investment income		(9,373)
Accumulated net realized gain on investment transactions		2,007,270
Net unrealized depreciation on investments		(11,640,675)
Net assets attributable to common shares	$	86,839,333
Net asset value per share attributable to common shares (based on 6,824,000 common shares outstanding)	$	12.73

See notes to financial statements.

RMR Real Estate Fund

Financial Statements continued

Statement of Operations

For the Year Ended December 31, 2007

Investment Income	
Dividends (Cash distributions, net of capital gain ($4,010,171) and return of capital ($1,467,181) distributions, received or due, net of foreign taxes withheld of $420)	$ 8,954,018
Interest	307,972
Total investment income	9,261,990
Expenses	
Advisory	1,457,623
Audit and legal	186,544
Preferred share remarketing	127,964
Administrative	109,271
Custodian	87,376
Shareholder reporting	67,396
Excise Tax	35,510
Compliance and internal audit	29,725
Trustees' fees and expenses	21,606
Other	86,550
Total expenses	2,209,565
Less: expense waived by the Advisor	(428,713)
Net expenses	1,780,852
Net investment income	7,481,138
Realized and unrealized gain(loss) on investments	
Net realized gain on investments	3,140,623
Net increase from payments by affiliates	2,070
Net change in unrealized appreciation/(depreciation) on investments	(41,493,993)
Net realized and unrealized loss on investments	(38,351,300)
Distributions to preferred shareholders from net investment income	(1,161,670)
Distributions to preferred shareholders from net realized gain on investments	(1,482,830)
Net decrease in net assets attributable to common shares resulting from operations	$ (33,514,662)

See notes to financial statements.

RMR Real Estate Fund
Financial Statements continued

Statements of Changes in Net Assets

	Year Ended December 31, 2007	Year Ended December 31, 2006
Increase (decrease) in net assets resulting from operations		
Net investment income	$ 7,481,138	$ 6,724,184
Net increase from payments by affiliates	2,070	
Net realized gain on investments	3,140,623	11,075,804
Net change in unrealized appreciation/(depreciation) on investments	(41,493,993)	20,905,533
Distributions to preferred shareholders from:		
Net investment income	(1,161,670)	(1,552,028)
Net realized gain on investments	(1,482,830)	(813,812)
Net increase (decrease) in net assets attributable to common shares resulting from operations	(33,514,662)	36,339,681
Distributions to common shareholders from:		
Net investment income	(6,354,978)	(5,371,982)
Net realized gains on investments	(8,111,902)	(2,816,818)
Total increase (decrease) in net assets attributable to common shares	(47,981,542)	28,150,881
Net assets attributable to common shares		
Beginning of year	134,820,875	106,669,994
End of year (includes distributions in excess of net investment income of ($9,373) and $0 respectively)	$ 86,839,333	$ 134,820,875
Common shares issued and repurchased		
Shares outstanding, beginning of year	6,824,000	6,824,000
Shares issued		
Shares outstanding, end of year	6,824,000	6,824,000

See notes to financial statements.

RMR Real Estate Fund
Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004	For the Period December 18, 2003(a) to December 31, 2003
Per Common Share Operating Performance (b)					
Net asset value, beginning of period	$ 19.76	$ 15.63	$ 16.61	$ 14.35	$ 14.33(c)
Income from Investment Operations					
Net investment income (d)(e)	1.10	.99	.64	.47	.10
Net realized and unrealized appreciation/(depreciation) on investments (e)	(5.62)	4.69	(.08)	3.11	(.05)
Distributions to preferred shareholders (common stock equivalent basis) from:					
Net investment income (e)	(.17)	(.23)	(.10)	(.05)	
Net realized gain on investments (e)	(.22)	(.12)	(.14)	(.05)	
Net increase (decrease) in net asset value from operations	(4.91)	5.33	.32	3.48	.05
Less: Distributions to common shareholders from:					
Net investment income (e)	(.93)	(.79)	(.54)	(.53)	
Net realized gain on investments (e)	(1.19)	(.41)	(.76)	(.57)	
Common share offering costs charged to capital					(.03)
Preferred share offering costs charged to capital				(.12)	
Net asset value, end of period	$ 12.73	$ 19.76	$ 15.63	$ 16.61	$ 14.35
Market price, beginning of period	$ 17.48	$ 13.15	$ 14.74	$ 15.00	$ 15.00
Market price, end of period	$ 11.03	$ 17.48	$ 13.15	$ 14.74	$ 15.00
Total Return (f)(g)					
Total investment return based on:					
Market price (h)	(26.19)%	43.77%	(1.96)%	6.42%	0.00%
Net asset value (h)	(26.28)%	35.27%	2.10%	24.73%	0.14%
Ratios/Supplemental Data:					
Ratio to average net assets attributable to common shares of:					
Net investment income, before total preferred share distributions (d)(e)	6.16%	5.60%	4.02%	3.22%	27.45%(i)
Total preferred share distributions	2.18%	1.97%	1.47%	0.67%	0.00%(i)
Net investment income, net of preferred share distributions (d)(e)	3.98%	3.63%	2.55%	2.55%	27.45%(i)
Expenses, net of fee waivers	1.47%	1.50%	1.50%	1.69%	2.40%(i)
Expenses, before fee waivers	1.82%	1.86%	1.87%	2.05%	2.65%(i)
Portfolio Turnover Rate	51.01%	36.20%	22.15%	35.52%	17.49%

Net assets attributable to common shares, end of period (000s)	$	86,839	$	134,821	$	106,670	$	113,357	$	95,776
Preferred shares, liquidation preference ($25,000 per share) (000s)	$	50,000	$	50,000	$	50,000	$	50,000	$	
Asset coverage per preferred share (j)	$	68,420	$	92,411	$	78,335	$	81,679	$	

(a) Commencement of operations.

(b) Based on average shares outstanding.

(c) Net asset value at December 18, 2003, reflects the deduction of the average sales load and offering costs of $0.67 per share paid by the holders of common shares from the $15.00 offering price. We paid a sales load of $0.68 per share on 6,660,000 common shares sold to the public and no sales load or offering costs on 7,000 common shares sold to affiliates of the RMR Advisors for $15.00 per share.

(d) Amounts are net of expenses waived by RMR Advisors.

(e) As discussed in Note A (6) to the financial statements, a portion of the distributions we received on our investments are not included in investment income for financial reporting purposes.

(f) The impact of net increase from payments by affiliates is less than $0.005/share.

(g) Total returns for periods of less than one year are not annualized.

(h) Total return based on per share market price assumes the purchase of common shares at the market price on the first day and sales of common shares at the market price on the last day of the period indicated; dividends and distributions, if any, are assumed to be reinvested at market prices on the ex-dividend date. The total return based net asset value, or NAV, assumes the purchase of common shares at NAV on the first day and sales of common shares at NAV on the last day of the period indicated; distributions are assumed to be reinvested at NAV on the ex-dividend date. Results represent past performance and do not guarantee future results. Total return would have been lower if RMR Advisors had not contractually waived a portion of its investment advisory fee.

(i) Annualized.

(j) Asset coverage per share equals net assets attributable to common shares plus the liquidation preference of the preferred shares divided by the total number of preferred shares outstanding at the end of the period.

See notes to financial statements.

RMR Real Estate Fund
Notes to Financial Statements

December 31, 2007

Note A

(1) Organization

RMR Real Estate Fund, or the Fund, was organized as a Massachusetts business trust on July 2, 2002, and is registered under the Investment Company Act of 1940, as amended, or the 1940 Act, as a diversified closed-end management investment company. The Fund had no operations prior to December 18, 2003, other than matters relating to the Fund's establishment and registration of the Fund's common shares under the Securities Act of 1933.

(2) Use of Estimates

Preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the Fund's management to make estimates and assumptions that may affect the amounts reported in the financial statements and related notes. The actual results could differ from these estimates.

(3) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price whenever that price is readily available on that day; securities for which no sales were reported on that day, unless otherwise noted, are valued at the last available bid price on that day. Securities traded primarily on the NASDAQ Stock Market, or NASDAQ, are normally valued by the Fund at the NASDAQ Official Closing Price, or NOCP, provided by NASDAQ each business day. The NOCP is the most recently reported price as of 4:00:02 p.m., eastern time, unless that price is outside the range of the "inside" bid and asked prices (i.e., the bid and asked prices that dealers quote to each other when trading for their own accounts); in that case, NASDAQ will adjust the price to equal the inside bid or asked price, whichever is closer. Some fixed income securities may be valued using pricing provided by a pricing service. Any of the Fund's securities which are not readily marketable, which are not traded or which have other characteristics of illiquidity are valued by the Fund at fair value as determined in good faith under the supervision of the Fund's board of trustees. Numerous factors may be considered when determining fair value of a security, including cost at date of purchase, type of security, the nature and duration of restrictions on disposition of the security and whether the issuer of the security being fair valued has other securities of the same type outstanding. Short term debt securities with less than 60 days until maturity may be valued at cost, which when combined with interest accrued, approximates market value.

(4) Securities Transactions and Investment Income

Securities transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income, including accretion of original issue discount, where applicable, and accretion of discount on short term investments, is recorded on the accrual basis. Realized gains and losses from securities transactions are recorded on an identified cost basis.

(5) Taxes

The Fund has qualified and intends to qualify in the future as a "regulated investment company" and to comply with the applicable provisions of subchapter M of the Internal Revenue Code of 1986, as amended, so that it will generally not be subject to federal income tax. However, the Fund may be subject to a 4% excise tax to the extent the Fund does not distribute substantially all taxable earnings.

Some foreign governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the year ended December 31, 2007, $420 of foreign taxes have been withheld from distributions to the Fund and recorded as a reduction of dividend income.

(6) Distributable Earnings

The Fund earns income, net of expenses, daily on its investments. It is the policy of the Fund to pay a stable distribution amount to common shareholders on a monthly basis and distributions to Fund shareholders are declared pursuant to this policy. On December 12, 2007, the Fund declared distributions of $0.10 per common share payable in January, February and March 2008 and a special distribution of $0.60 per common share payable in January 2008. The Fund paid the January regular distribution and special distribution on January 31, 2008. Distributions to shareholders are recorded on the ex-dividend date. The Fund's distributions may consist of ordinary income (net investment income and short term capital gains), long term capital gains and return of capital. To the extent the Fund's net realized capital gains, if any, can be offset by capital loss carry-forwards, it is the policy of the Fund not to distribute such gains. Distributions to preferred shareholders are determined as described in Note D.

The Fund has substantial investments in real estate investment trusts, or REITs, which are generally not subject to federal income taxes. Distributions that the Fund receives from REITs can be classified as ordinary income, capital gain income or return of capital by the REITs that make these distributions to the Fund. The Fund has excluded from its investment income the portions of the distributions received from REITs classified by those REITs as capital gain income and return of capital. The Fund has included in its "net realized gain on investments" that portion of the distributions received from REITs that is classified by those REITs as capital gain income. Similarly, the Fund has credited its "net change in unrealized appreciation on investments" with that portion of the distributions received from REITs that is classified by those REITs as return of capital. The classification of distributions received from the Fund's investments were as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
Ordinary income	$ 8,954,018	$ 8,163,300
Capital gain income	4,010,171	1,891,893
Return of capital	1,467,181	2,131,782
Total distributions received	$ 14,431,370	$ 12,186,975

The Fund distinguishes between distributions to shareholders on a tax basis and a financial reporting basis. Only distributions in excess of accumulated tax basis earnings and profits are reported in the financial statements as a tax return of capital. Differences in the recognition or classification of income between the financial statements and tax earnings and profits which result in temporary over distributions for financial statement purposes are classified as distributions in excess of net investment income or accumulated net realized gains in the components of net assets on the Statement of Assets and Liabilities.

The tax character of distributions made by the Fund during the years ended December 31, 2007 and December 31, 2006, were as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
Ordinary income	$ 7,531,305	$ 7,985,219
Net long term capital gains	9,580,075	2,569,421
	$ 17,111,380	$ 10,554,640

As of December 31, 2007, the components of distributable earnings on a federal income tax basis were as follows:

Undistributed ordinary income	$
Undistributed net long-term capital gains	2,031,733
Net unrealized appreciation/(depreciation)	(11,676,581)

The differences between the financial reporting basis and tax basis of undistributed net long term capital gains and net unrealized appreciation/depreciation are due to wash sales of portfolio investments.

The cost, gross unrealized appreciation and unrealized depreciation of the Fund's investments for federal income tax purposes as of December 31, 2007, are as follows:

Cost	$ 151,369,704
Gross unrealized appreciation	$ 9,166,984
Gross unrealized depreciation	(20,843,565)
Net unrealized appreciation/(depreciation)	$ (11,676,581)

(7) Concentration of Risk

Under normal market conditions, the Fund's investments will be concentrated in income producing common shares, preferred shares and debt securities, including convertible preferred and debt securities, issued by real estate companies and REITS. The value of Fund shares may fluctuate more than the shares of a fund not concentrated in the real estate industry due to economic, legal, regulatory, technological or other developments affecting the United States real estate industry.

(8) Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109", or FIN 48. FIN 48 was effective for the fiscal years beginning after December 15, 2006. The Securities and Exchange Commission delayed the application of FIN 48 to open and closed end funds to not later than June 29, 2007. FIN 48 prescribes how the Fund should recognize, measure and present in the Fund's financial statements uncertain tax provisions that have been taken or expected to be taken in a tax return. Pursuant to FIN 48 the Fund can recognize a tax benefit only if it is "more likely than not" that a particular tax position will be sustained upon examination or audit. To the extent the "more likely than not" standard has been satisfied the benefits associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement. As required, the Fund has adopted FIN 48 effective June 29, 2007, and concluded that the effect is not material to its financial statements. As of and during the year ended December 31, 2007, the Fund did not have a liability for any unrecognized tax benefits. Each of the tax years in the three year period ended December 31, 2007, remains subject to examination by the Internal Revenue Service.

In September 2006, FASB issued Statement of Accounting Standards No. 157, "Fair Value Measurements", or SFAS 157, which is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands required disclosures about fair value measurements. Management has evaluated the application of the Statement to the Fund, and believes the impact will be limited to expanded financial statement disclosures.

Note B

Advisory and Administration Agreements and Other Transactions with Affiliates

The Fund has an advisory agreement with RMR Advisors, Inc., or RMR Advisors, to provide the Fund with a continuous investment program, to make day-to-day investment decisions and to generally manage the business affairs of the Fund in accordance with its investment objectives and policies. Pursuant to the agreement, RMR Advisors is compensated at an annual rate of 0.85% of the Fund's average daily managed assets. Managed assets means the total assets of the Fund less liabilities other than any indebtedness entered into for purposes of leverage. For purposes of calculating managed assets, the liquidation preference of preferred shares is not considered a liability.

RMR Advisors has contractually agreed to waive a portion of its annual fee equal to 0.25% of the Fund's average daily managed assets from December 18, 2003 until December 18, 2008. The Fund incurred net advisory fees of $1,028,910 during the year ended December 31, 2007. The amount of fees waived by the Advisor was $428,713 for the year ended December 31, 2007.

RMR Advisors, and not the Fund, has contractually agreed to pay the lead underwriter of the Fund's initial public offering, an annual fee equal to 0.15% of the Fund's managed assets. This fee is paid quarterly in arrears during the term of RMR Advisors' advisory agreement and is paid by RMR Advisors, not the Fund. The aggregate fees paid pursuant to the contract plus reimbursement of legal expenses of the underwriters in that offering will not exceed 4.5% of the total price of the common shares in the initial public offering.

RMR Advisors also performs administrative functions for the Fund pursuant to an administration agreement with the Fund. RMR Advisors has entered into a subadministration agreement with State Street Bank and Trust Company, or State Street, to perform substantially all Fund accounting and other administrative services. Under the administration agreement, RMR Advisors is entitled to reimbursement of the cost of providing administrative services. The Fund reimbursed RMR Advisors for $109,271 of subadministrative fees charged by State Street for the year ended December 31, 2007.

Each trustee who is not a director, officer or employee of RMR Advisors and who is not an "interested person" of the Fund as defined under the 1940 Act is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus fees for board and committee meetings. The Fund incurred $21,606 of trustee fees and expenses during the year ended December 31, 2007.

The Fund's board of trustees and separately the disinterested trustees authorized the Fund to make reimbursement payments to RMR Advisors for costs related to the Fund's compliance and internal audit programs. The Fund incurred $29,725 of compliance and internal audit expense during the year ended December 31, 2007. The Fund also participates in pooled insurance programs with RMR Advisors and other funds managed by RMR Advisors and makes payments of allocated portions of related premiums. The Fund incurred $17,892 of insurance expense during the year ended December 31, 2007.

During the year ended December 31, 2007, RMR Advisors reimbursed the Fund in the amount of $2,070 for trading losses incurred by the Fund due to a trading error.

Note C

Securities Transactions

During the year ended December 31, 2007, there were purchases and sales transactions (excluding short term securities) of $88,159,820 and $84,315,531 respectively. Brokerage commissions on securities transactions amounted to $117,849 during the year ended December 31, 2007.

Note D

Preferred Shares

The Fund's 2,000 outstanding Series T auction preferred shares have a liquidation preference of $25,000 per share plus an amount equal to accumulated but unpaid distributions. The preferred shares are senior to the Fund's common shares and rank on parity with any other class or series of preferred shares of the Fund as to the payment of periodic distributions, including distribution of assets upon liquidation. If the Fund does not timely cure a failure to (1) maintain asset coverage for the preferred shares as required by rating agencies, or (2) maintain asset coverage, as defined in the 1940 Act, of at least 200%, the preferred shares will be subject to redemption in an amount equal to their liquidation preference plus accumulated but unpaid distributions. The holders of the preferred shares have voting rights equal to the holders of the Fund's common shares and generally vote together with the holders of the common shares as a single class. Holders of the preferred shares, voting as a separate class, also are entitled to elect two of the Fund's trustees. The Fund pays distributions on the preferred shares at a rate set at auctions held generally every seven days. Distributions are generally payable every seven days, on the first business day following the end of a distribution period. The preferred share distribution rate was 5.40% per annum as of December 31, 2007.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and
Shareholders of RMR Real Estate Fund:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of RMR Real Estate Fund (the "Fund") as of December 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of RMR Real Estate Fund at December 31, 2007, 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 indicated therein, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
February 21, 2008

RMR Hospitality and Real Estate Fund
December 31, 2007

To our shareholders,

In the pages that follow, you will find data summarizing our financial results for the year ended December 31, 2007, and our financial position as of December 31, 2007.

Relevant Market Conditions

Hospitality Industry Fundamentals. In the first half of 2007, the hotel sector witnessed an unprecedented level of M&A activity. Five public hotel real estate investment trusts, or REITs, and one major hotel operating company, Hilton Hotels and Resorts, were taken private. This M&A activity stopped in the second half of 2007 because of credit tightening by lenders.

Operating fundamentals for hotels were solid in 2007. Industry-wide revenue per available room, or RevPar, growth was healthy at 5.7% with hotel occupancies were unchanged compared to 2006 at about 65% according to Smith Travel Research. Luxury hotels in urban markets outperformed all other segments because of an undersupply of hotels in a few major markets and strong demand from foreign travelers in major cities.

In 2008, RevPar growth expectations for the industry are in the range of 5 - 7%. However, at least one hotel company recently lowered its 2008 projections because of the slowdown in the economy in the second half of 2007. We expect other hotel companies may also lower expectations, but to assert that positive RevPar growth may be achievable in 2008. For example, at the beginning of 2008, hotel companies generally indicated that advance bookings were solid for the coming year and there has been no notable reduction in room rates. In addition, there is currently limited new hotel supply because of high construction costs, with supply growth forecasted at only 2% for the next few years.

Real Estate Industry Fundamentals. During 2007, commercial real estate vacancy rates generally remained stable and rents increased modestly. Nevertheless, earnings growth from commercial real estate companies began to slow in 2007 compared to prior years because of a general slowdown in the economy. The combination of an economic slowdown, investors concerns relating to weakness in the housing market and credit tightening by lenders led to a sharp decline in valuations for all publicly traded commercial real estate companies in the second half of 2007. Almost all REITs experienced a sharp drop in value in the second half of 2007 because of investors concerns regarding any company involved in the real estate business. Furthermore, some REITs that had exposure to subprime mortgages filed for bankruptcy and the value of their securities became essentially worthless after they stopped paying dividends.

In 2008, we expect commercial real estate fundamentals may weaken because of slower economic growth and lower consumer and business confidence. However, higher construction costs and tighter credit markets may limit new supply of commercial real estate and help offset some of the anticipated slowdown in commercial real estate fundamentals. Before the end of 2008, we expect that valuations of REITs that invest directly in commercial real estate may improve in reaction to the sharp decline in their stock prices at the end of 2007 and in early 2008.

Real Estate Industry Technicals. After seven years of positive returns, REITs, as measured by the MSCI U.S. REIT Index (RMS) finished 2007 down 16.7%, marking one of the sector's worst performances ever. Last year was also one of the most volatile years for REITs. During the year, the RMS posted eight of the biggest one day moves since its inception in 1995. Between March and the end of 2007, investors withdrew more than $9 billion from dedicated REIT funds.

Fund Strategies, Techniques and Performance

Our primary objective is to earn and pay to our common shareholders a high level of current income by investing in hospitality and real estate companies. Our secondary objective is capital appreciation. There can be no assurance that we will achieve our investment objectives.

During 2007, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 28.15%. During that same period, the total return for the MSCI U.S. REIT Total Return Index (an unmanaged index of REIT common stocks) was negative 16.7% and the total return for the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was negative 13.0%. We believe these two indices are relevant to us because our investments, excluding short term investments, as of December 31, 2007, included 54% REIT common stocks and 29% REIT preferred stocks. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the year ended December 31, 2007 was 5.5%.

Our investment allocation to hotel and diversified REITs contributed positively to the Fund's performance in 2007. We benefited from our holdings in hotel REITs because of the high level of M&A activity that took place within this sector during the first half of 2007. The gains from M&A activity during the first half of the year also helped to offset losses experienced by the Fund when the general REIT market declined sharply in the second half of the year. Although we reduced our exposure to mortgage REITs during the year, our holdings in these companies also hurt our performance in 2007. At year end, mortgage REITs accounted for 0.2% of total assets. The Fund's performance during the year was also impacted by the cost of its ongoing litigation, which is expected to continue in 2008.

Recent Developments. As I am writing this letter, continued turmoil in the credit markets is becoming a concern for our Fund. In particular, the market for auction rate securities seems to be experiencing a liquidity crisis. Although we believe our Fund's $28 million of auction rate preferred securities are well protected by asset coverage, the spill over effect from other auction rate securities may make it more difficult for our Fund to remarket these securities. If this occurs, the dividend rates we pay on our preferred securities may increase or we may be forced to substitute our outstanding preferred shares with less attractive forms of leverage. Any increase in the cost of leverage or decrease in the amount of leverage could adversely impact our performance and ability to maintain the current dividend rate paid to common shareholders in the future.

Thank you for your continued support. For more information, please view our website at *www.rmrfunds.com*.

Sincerely,

Adam D. Portnoy
President

February 20, 2008

RMR Hospitality and Real Estate Fund
December 31, 2007

Portfolio holdings by sub-sector as a percentage of investments
(as of December 31, 2007)*

Hospitality real estate	33%
Health care real estate	15%
Office real estate	12%
Diversified real estate	11%
Others, less than 10% each	28%
Short term investments	1%
Total investments	100%

REITs	89%
Other	10%
Short term investments	1%
Total investments	100%

* These percentages represent the Fund's portfolio holdings by sub-sector as a percentage of total portfolio holdings and do not match with the percentages included in the Portfolio of Investments schedule which represent the Fund's portfolio holdings by sub-sector as a percentage of the Fund's net assets.

RMR Hospitality and Real Estate Fund
Portfolio of Investments December 31, 2007

Company	Shares	Value
Common Stocks 97.5%		
Real Estate Investment Trusts 89.4%		
Apartments 3.9%		
Apartment Investment & Management Co.	10,000	$ 347,300
Associated Estates Realty Corp.	5,600	52,864
BRE Properties, Inc.	6,000	243,180
Equity Residential	8,000	291,760
Essex Property Trust, Inc.	2,000	194,980
Home Properties, Inc.	10,500	470,925
		1,601,009
Diversified 17.1%		
CapLease, Inc.	41,404	348,622
Colonial Properties Trust	55,900	1,265,017
Cousins Properties, Inc.	10,000	221,000
Franklin Street Properties Corp.	3,000	44,400
iStar Financial, Inc.	6,000	156,300
Lexington Corporate Properties Trust	128,800	1,872,752
Liberty Property Trust	20,000	576,200
Mission West Properties, Inc.	3,000	28,530
National Retail Properties, Inc.	105,850	2,474,773
Washington Real Estate Investment Trust	300	9,423
		6,997,017
Health Care 18.7%		
HCP, Inc.	16,770	583,261
Health Care REIT, Inc.	75,740	3,384,820
LTC Properties, Inc.	10,000	250,500
Medical Properties Trust, Inc.	36,020	367,044
Nationwide Health Properties, Inc.	86,000	2,697,820
OMEGA Healthcare Investors, Inc.	7,700	123,585
Universal Health Realty Income Trust	7,600	269,344
		7,676,374
Hospitality 14.5%		
Ashford Hospitality Trust, Inc.	140,000	1,006,600
Entertainment Properties Trust	18,800	883,600
FelCor Lodging Trust, Inc.	20,000	311,800
Hersha Hospitality Trust	38,100	361,950
Host Hotels & Resorts, Inc.	44,000	749,760
LaSalle Hotel Properties	11,200	357,280
Strategic Hotels & Resorts, Inc.	12,000	200,760
Sunstone Hotel Investors, Inc.	23,000	420,670
Supertel Hospitality, Inc.	267,130	1,640,178
		5,932,598

See notes to financial statements and notes to portfolio of investments.

Industrial 11.6%			
AMB Property Corp.	1,000	$	57,560
DCT Industrial Trust, Inc.	16,600		154,546
EastGroup Properties, Inc.	6,000		251,100
First Industrial Realty Trust, Inc.	104,160		3,603,936
ProLogis	11,000		697,180
			4,764,322
Manufactured Homes 0.4%			
Sun Communities, Inc.	7,100		149,597
Mortgage 0.3%			
JER Investors Trust, Inc.	10,000		107,700
Office 11.8%			
American Financial Realty Trust	121,500		974,430
Brandywine Realty Trust	49,400		885,742
Corporate Office Properties Trust	11,500		362,250
Douglas Emmett, Inc.	8,300		187,663
Highwoods Properties, Inc.	45,000		1,322,100
Mack-Cali Realty Corp.	8,000		272,000
Parkway Properties, Inc.	22,200		820,956
			4,825,141
Retail 6.9%			
Cedar Shopping Centers, Inc.	22,000		225,060
Developers Diversified Realty Corp.	2,000		76,580
Equity One, Inc.	3,000		69,090
Glimcher Realty Trust			