



Update from Kathy Korte, President & CEO

Greetings as we enter into a new decade together at Sotheby's International Realty! Before I begin to talk about our consolidated results and trends, I would like to recognize those who contributed most significantly to our success in 2009. Please join me in thanking and congratulating these agents, who have shown our clients and competitors that in any marketplace there is no substitute for service, expertise and a commitment to succeed.

Top 25 U.S. Agents in Sales Volume 2009 (listed alphabetically)

Joe Barbieri, Greenwich

BK Bates, Greenwich

Louise Beit, East Side Manhattan

Mara Flash Blum, Downtown Manhattan

Serena Boardman, East Side Manhattan

Mary Lou Castellanos, San Francisco

Roger Erickson, East Side Manhattan

Nikki Field, East Side Manhattan

Harald Grant, Southampton

Karen Heyman, Downtown Manhattan

Juliette Janssens, East Side Manhattan

Allison Koffman, East Side Manhattan

Brett Lawyer, Sunset Strip

Leslie McElwreath, Greenwich

John McHugh, Southampton

Beate Moore, Bridgehampton

Sheri Morgensen, San Francisco

Suzanne Perkins, Montecito

Ed Petrie, East Hampton

Robert Radcliffe, Pacific Palisades

Janet Feinberg Schindler, San Francisco

Meredyth Smith, East Side Manhattan

Gloria Smith, San Francisco

Faye Weisberg, Bridgehampton

Jessica Wynne, San Francisco

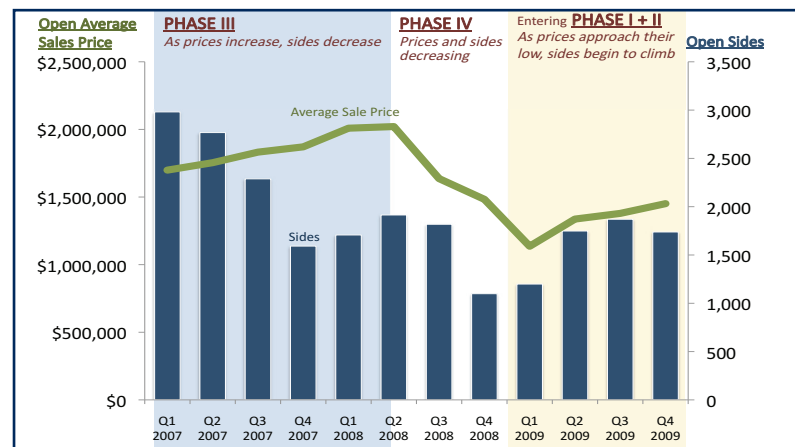
Top London Agent

Peter Bevan

As for our company's 4th Quarter results, I am pleased to announce that the positive trends we reported on in my 3rd Quarter 2009 Newsletter continued through the end of the year -- and into January of 2010 as well. Our 2009 year-end results show that our company opened more sides last year than in 2008, and while the increase was only a modest 0.3% year-over-year, it is important to note that this uptick was a result of a slow and steady improvement in open sides from January to August, with August being the first month of 2009 wherein we opened more sides than the prior year. In fact, from June to December of 2009, our company's (total) open sides were 24% above the prior year, and in the 4th Quarter of 2009, our open sides showed a full 58% improvement year-over-year. These statistics indicate that many of our markets may have experienced their lowest points, and consumer confidence together with perceived value in purchase prices are driving more buyers into the luxury marketplace for the first time since 2007.

These charts outline the traditional phases of a real estate market from a national perspective, and how they correlate with what we've experienced over the last three years:

PHASE I			
Unit Sales Rising	↑	Prices Flat	↔
PHASE II			
Unit Sales Rising	↑	Prices Rising	↑
PHASE III			
Unit Sales Falling	↓	Prices Rising	↑
PHASE IV			
Unit Sales Falling	↓	Prices Falling	↓



Our results from the 4th Quarter of 2009, together with our company's open side activity in January 2010, indicate that many of our markets have not only moved from Phase IV to Phase I, but may be slowly but steadily entering Phase II. Many markets are also reporting a dearth of good inventory to offer their prospective buyer pools, which often results in bidding wars and selling prices in excess of their listing prices. It is important to note, however, that these multiple bids are most likely to occur when properties are priced appropriately when first listed in the marketplace.

Another trend we have seen through the course of 2009 is the gradual return of the ultra-high end buyer. While nearly invisible in the first quarter, sales in the \$10 million+ range increased more than five-fold by the 4th Quarter. It is obviously way too early in the year to predict a recovery in the luxury property market, and we will certainly be closely tracking results over the next two quarters to determine with better certainty which phase of the traditional real estate cycle each of our markets is experiencing. Judging by the non-stop showing activity, as well as the excitement and enthusiasm being expressed by most of you in the field, we have reason to remain hopeful for a continuation of momentum and positive sales trends as we move forward into 2010.



News from the Network

In the last quarter of 2009, the Sotheby's International Realty® network expanded in the U.S. and in Europe. Renwick & Winterling Realty, a longstanding firm located in Bedford, New York, joined the network in November as Renwick Sotheby's International Realty. The firm will service New York's Bedford, Pound Ridge, Lewisboro and North Salem communities.

In December, Peters & Peters Sotheby's International Realty joined the network. While planning to expand in 2010, the firm currently serves Frankfurt, Wiesbaden and the surrounding Rhine-Main region of Germany from an office in Wiesbaden. The Hamburg, Essen and Dusseldorf markets remain covered by preexisting affiliate firms.

Today, the Sotheby's International Realty network encompasses 10,700 sales associates located in approximately 500 offices in 40 countries and territories worldwide.

The upcoming Sotheby's International Realty® Global Networking Event is a great opportunity for you to meet some of the brokers and agents that join you in representing the brand around the world. The conference is being held on April 12-15 at the Manchester Grand Hyatt on San Diego Bay. Networking and learning opportunities will be offered from the welcome reception on Monday evening through the closing dinner on Wednesday. Presentations and break-out sessions will cover a range of business topics, with insights and ideas offered by network colleagues and experts from both in and outside the industry.

The keynote speaker this year will be Benjamin Zander, former conductor of the Boston Philharmonic Orchestra and co-author of the bestseller, *The Art of Possibility*. Zander's many speaking engagements around the world include four turns as a keynote speaker at the World Economic Forum in Davos.

Don't wait! Discounted "early-bird" registration ends on March 1. Visit our intranet for links to register and obtain detailed information about the event.



Conservation International Update

Even as the market struggled, our Conservation International (CI) donation program flourished last year. Much has been written about the wisdom of companies who maintained their commitments to corporate social responsibility and eco-friendliness last year, and thanks to your participation, we can be proud to stand among them. In the 4th Quarter, we continued the trend of steady increases in both donation totals and the number of agents participating, and added three agents to CI's Emerald Circle. In the end, we protected the equivalent of 2,236 acres, a new quarterly record.

As we finished 2009, the first full-year of the initiative, our company and agents together protected 13,493 acres, an area nearly the size of Manhattan! Since the program's inception, 20% of our agents have provided closing donations, and we have given out hundreds of acreage gift cards and holiday cards to our clients. We look forward to continuing our commitment to this program in 2010, and to expanding the ways in which we can leverage it to connect with buyers and sellers.

With that, I'd like to congratulate our top five donating agents and offices for the 4th Quarter 2009, and our new Emerald Circle members!



TOP 5 DONATING AGENTS:

1. Maureen McDermut, *Montecito, Coast Village Road*
2. Suzanne Perkins, *Montecito, Coast Village Road*
3. Cynthia Vanneck, *Greenwich*
4. Sheri Morgensen, *San Francisco*
5. Jessica Wynne, *San Francisco*

TOP 5 OFFICES BY % AGENTS DONATING:

- | | |
|---------------------------------|-----|
| 1. Montecito, Coast Village Rd. | 58% |
| 2. Santa Barbara, State St. | 43% |
| 3. Driggs, ID | 30% |
| 4. Los Olivos | 29% |
| 5. Montecito, Upper Village | 23% |
| 6. Malibu | 23% |

NEW EMERALD CIRCLE MEMBERS Q4:

1. Maureen McDermut, *Montecito, Coast Village Road*
2. Cynthia Vanneck, *Greenwich*
3. Sheri Morgensen, *San Francisco*