

QUARTER 4: Canada Guaranty Housing Market Review

OCTOBER - DECEMBER 2010

The Canadian economy posted positive indicators of growth in early 2010; however, the optimistic sentiment deteriorated in the latter part of the year when growth slowed; causing previously optimistic economic predictions to be slightly downgraded.

Factors to consider for early 2011 will continue to be the Bank of Canada's monetary policy in the form of low rates, business recovery and the associated increase in employment and consumer sentiment which will drive domestic recovery in the form of spending and investment.

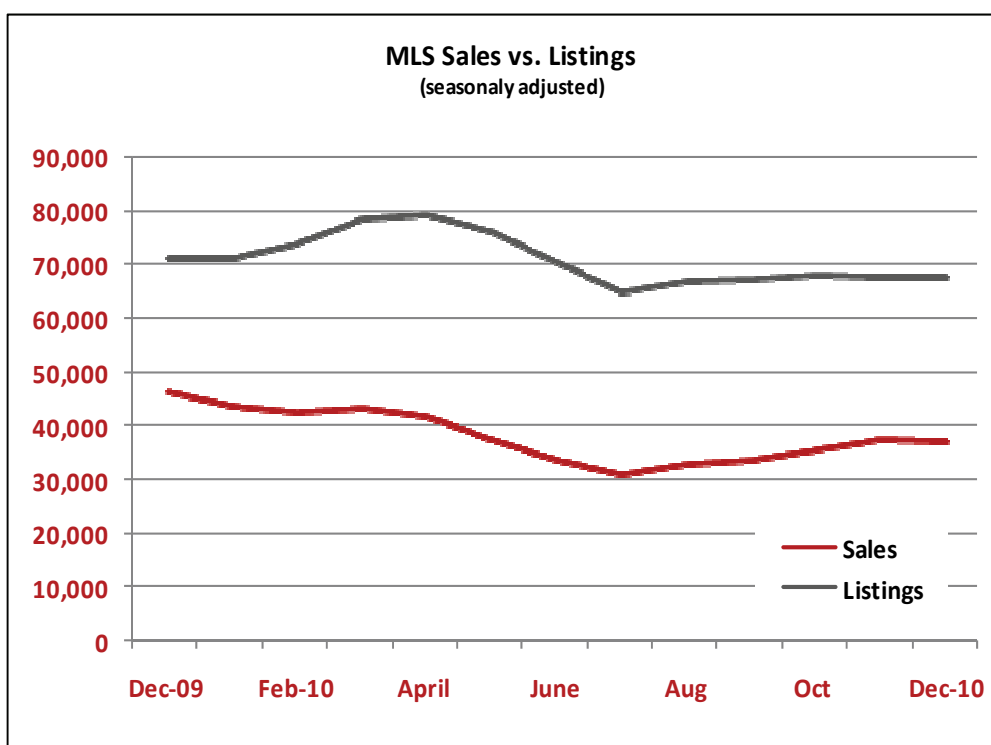
Economic recovery of the United States in the form of job creation and reinvestment of business continues to be a dominating factor while the stress of the European financial markets will continue to play a role in worldwide recovery.

The real estate market remained moderate in the month of December with a total of 37,452 sales (seasonally adjusted). This represents a 0.55% decrease versus the previous month, however was slightly higher than the 10 year average for sales in December.

Listings remained at a relatively flat level for the final month with only a 0.60% gain to end December with 67,849 listings.

With the end of 2010 came positive news as real estate statistics indicated

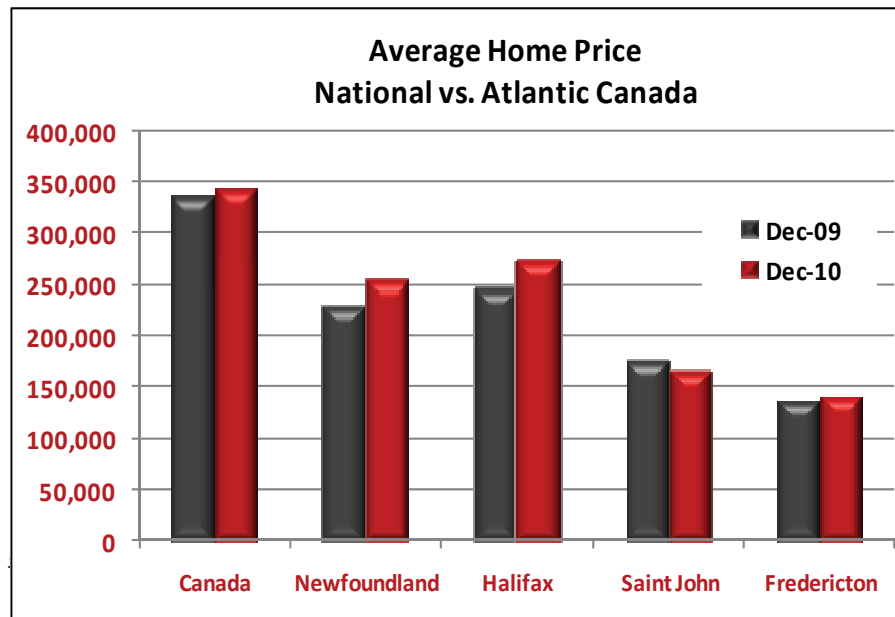
a balanced market. At 52.4%, the percentage of sales-to-listings remained steady in December, 5.9 months supply of inventory remained on the market and prices showed a slight increase as consumers continue to demonstrate demand.



The Canadian residential home price increased 2.1% over December 2009 to finish the year at \$344,551.

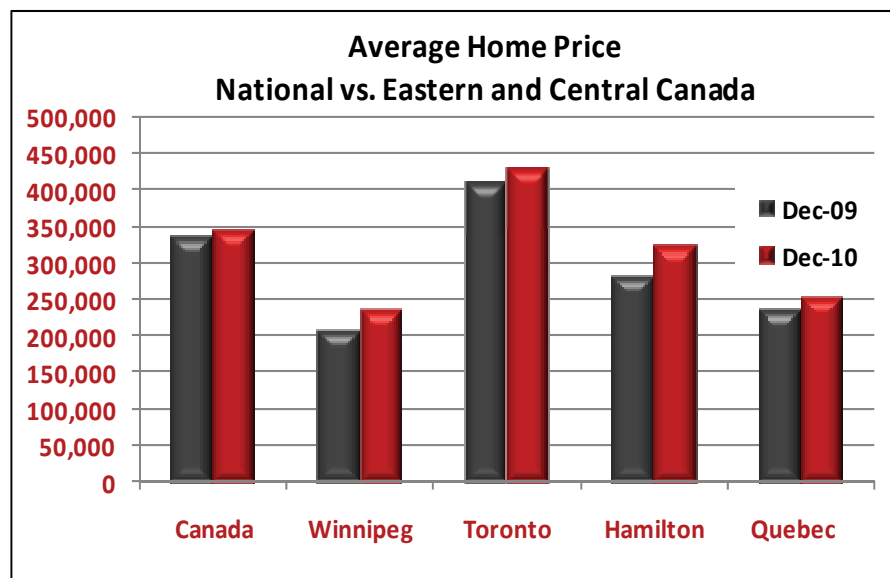
The leader in Atlantic Canada continues to be Newfoundland, which posted a 14.0% increase in home prices (vs. December 2009) and concluded 2010 with an average price of \$255,517.

Neighbours in the Atlantic region had varying results in the final month of 2010 (vs. December 2009) as the province of Nova Scotia posted a 5.9% (\$211,971) increase in sales price and New Brunswick a decrease of 3.9% (\$142,813 December 2010).



Although sales results were slightly depressed in December in the influential markets of Toronto and Vancouver, price appreciation was present in most major eastern markets.

Toronto ended 2010 with an average price of \$433,887 a 5.3% increase over December 2009. In addition, sales as a percentage of listings was weighted towards sellers at 57.2%; 4.8% above the national average.



Source: CREA

Provincial price increases versus 2009 varied in the Eastern and Central regions, from 10.3% (Manitoba, \$222,132) to 7.5% (Ontario, \$342,245).

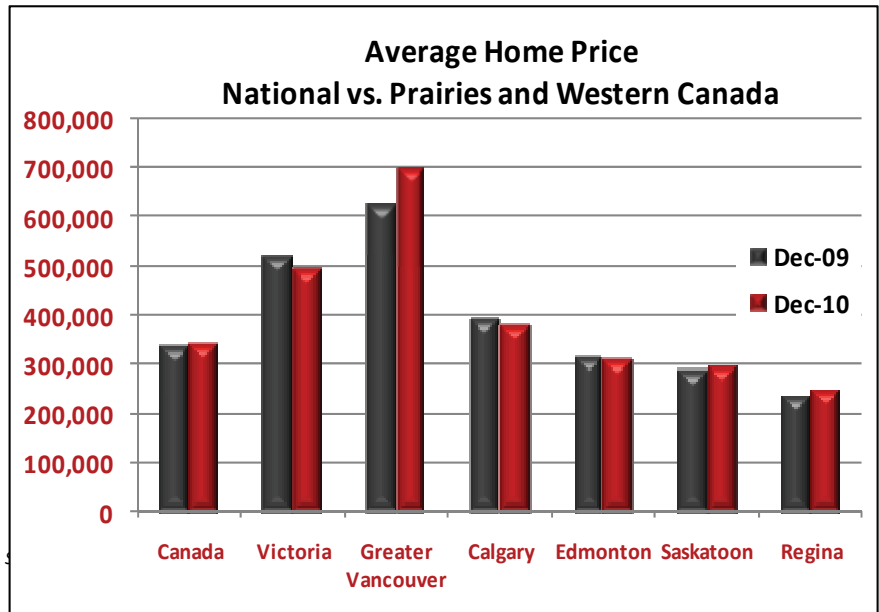


In British Columbia and Saskatchewan, 2010 ended with price appreciation rates of 5.7% (\$523,990) and 1.3% (\$241,971) respectively. This created renewed pressure on affordability within both provinces as the population continues to manage increasing prices and modest job recovery.

Real estate markets in Alberta continued to struggle with recovery as the average provincial price decreased in 2010 by 2.8% to a value of \$341,999.

The Prairie and Western markets continue to have resale inventory

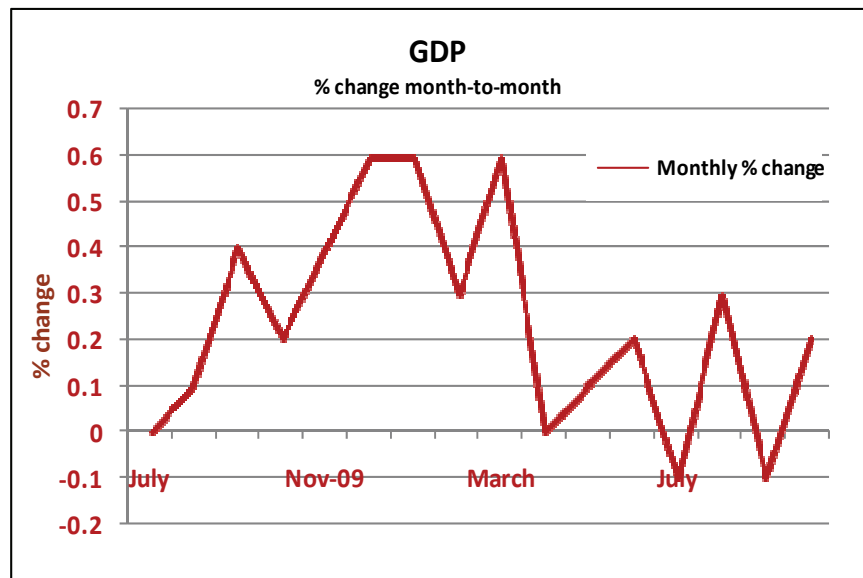
above the national averages; ranging from 8.0 months (British Columbia) to 6.1 (Saskatchewan). This influence, combined with slow employment recovery in Alberta, have resulted in affordability concerns continuing to modestly dampen demand and price recovery.



GDP posted a modest 0.2% increase in October 2010 compensating for the previous month's losses.

The increase was led by natural resource extraction, which posted a 2.4% gain during the month. This sector also witnessed an impressive 9.9% increase in support activities, which assists with production and output of extracted resources.

The home resale sector entered positive territory in many national markets, increasing the output measurement of real estate agents by 5.1%. The fate of new home builders was unfortunately opposite with residential building posting a 1.7% decline.

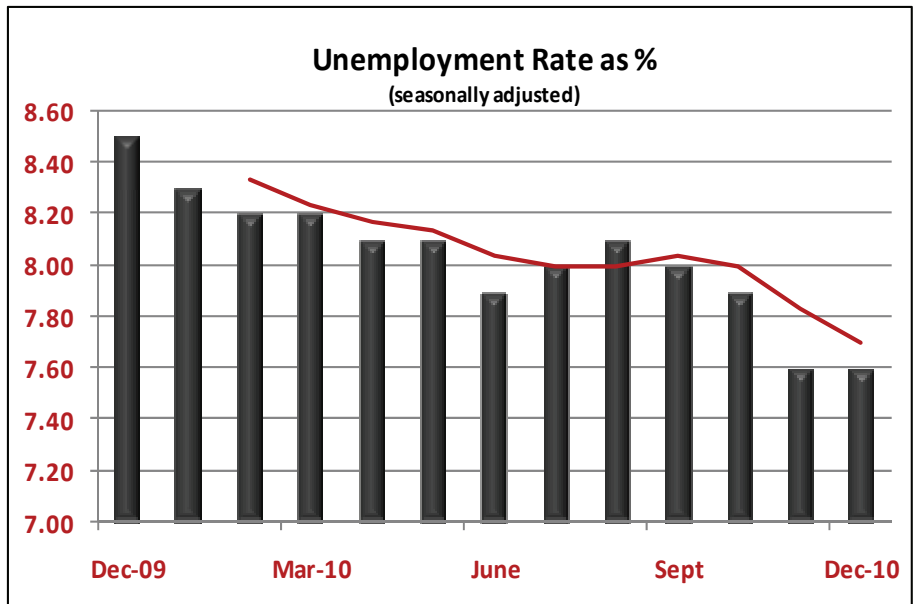


Source: Statistics Canada



At 7.6%, the employment rate ended the year on a positive note as the economy added an additional 22,000 jobs in December. This is a 2.2% increase over December 2009 and signifies a gain of 369,000 positions during the year.

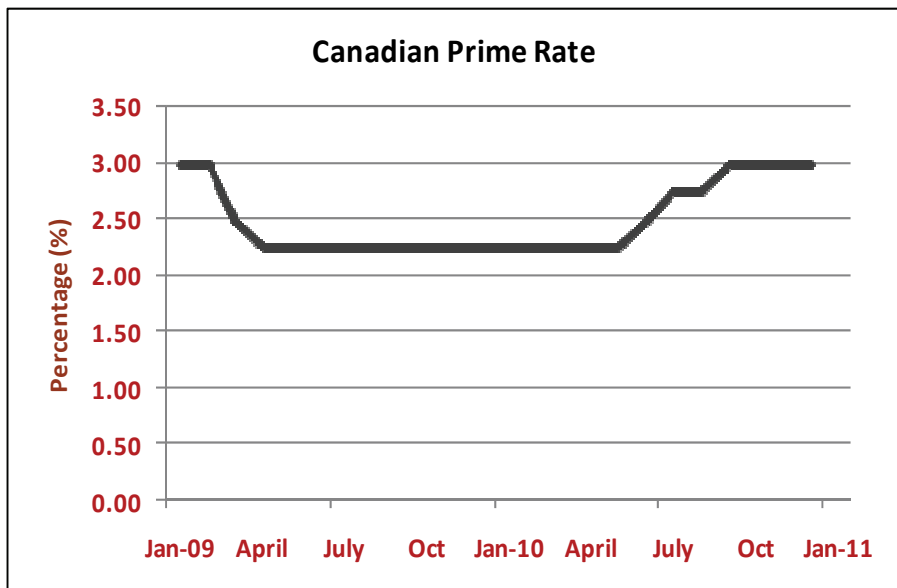
The self-employed sector continues to decrease while the private sector gains momentum. On an annual basis, the private sector grew by 3.1%, public sector 4.2% and the self-employed sector lost 3.9%.



Source: Statistics Canada

The notable gains in manufacturing and transportation employment assisted Ontario and Quebec in employment gains and economic recovery with their provincial unemployment rates falling to 8.1% and 7.6% respectively. The national employment leader continues to be the province of Newfoundland, which added an additional 2,500 positions in December to end the year with a 4.6% growth rate (vs. December 2009).

With inflation staying within acceptable parameters and moderated economic growth, the Bank of Canada has maintained an overnight rate of 1.0%, translating into a “bank” or prime rate of 3.0%.



Source: Bank of Canada

Considerations for the Bank of Canada in 2011 will continue to be the strength of the Canadian dollar, pace of export recovery, rate of growth within the U.S., and global economic conditions.



APPENDIX

Canadian Home Prices		
Market	Average Price December 2010* (\$)	Y-Y % change
Newfoundland	255,517	10.6
Prince Edward Island	144,327	10.0
Nova Scotia	211,971	5.9
New Brunswick	142,813	-3.9
Quebec	256,106	7.4
Ontario	343,257	3.6
Manitoba	232,648	15.3
Saskatchewan	241,971	1.3
Alberta	341,999	-2.8
British Columbia	523,990	5.7

*not seasonally adjusted

Source: CREA

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