



## VALDOSTA STATE UNIVERSITY

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# CENTER *for* BUSINESS & ECONOMIC RESEARCH

### **Overview**

Each quarter, the Council for Community and Economic Research (C2ER, formerly known as ACCRA) collects more than 90,000 prices for 60 different items ranging from housing, utilities, grocery items transportation, health care and miscellaneous goods and services from communities across the U.S. for its Cost of Living Index. The third quarter of 2017 survey, comparing relative costs of living for “middle management” households among U.S. metropolitan areas and cities, shows that it costs almost 8.9 percent less to live in Georgia communities, on average, than it does to live in the rest of the U.S. Therefore, for each dollar that is required to maintain the average standard of living across the country, Georgia residents are only required to spend about 91.1 cents.

Valdosta’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 92.8 cents for each dollar required to maintain the living standards of the average U.S. household. Among Georgia metropolitan areas and cities surveyed, Atlanta has the highest cost of living, Marietta ranked second, and the Valdosta area landed in third place in this third quarter 2017 Cost of Living Index. It is worth mentioning that Valdosta’s cost of living didn’t show any noticeable percentage change from the same period in 2016.

### **Cost of Living Comparisons for the Nation**

The Cost of Living Index measures regional differences in consumer goods and services, excluding taxes and non-consumer expenditures, for professional and managerial households in the top income quintile. Table 1 shows the ten most, and least expensive, urban areas that participated in the third quarter of 2017 Cost of Living Index. As shown in Table 1, among the 267 urban areas that participated in the third quarter 2017 Cost of Living Index, the after-tax cost for a professional/managerial standard of living ranged from more than twice the national average in New York (Manhattan) NY, to more than 20 percent below the national average in McAllen, TX. Not surprisingly, there is very little change in the top ten most expensive urban areas when compared to the previous periods. The list includes the “usual suspects”, such as New York, Honolulu, San Francisco, etc. Since the national average cost of living index equals 100, the cost to live in Manhattan, for example, is 242.9% of the national average.

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Also in Table 1, the ten least expensive urban areas participating in the cost of living index survey are listed. Similarly, to previous quarters, the least expensive urban areas are located in the southern part of the U.S. Valdosta ranks as the 157<sup>th</sup> most expensive metropolitan area (out of 267 areas) with a composite index of 92.8. It should be noted that in the third quarter of 2016, Valdosta's ranking was 161<sup>st</sup> (out of 261 areas), with a composite index of 92.4.

**Table 1: The Ten Most and Least Expensive Urban Areas in the Cost of Living Index (COLI)**

Third Quarter in 2017 National Average for 267 Urban Areas = 100				
Ranking	Most Expensive	COL	Least Expensive	COL
	Urban Areas	Index	Urban Areas	Index
1	New York (Manhattan) NY	242.9	McAllen TX	76.7
2	San Francisco CA	191.8	Conway AR	77.4
3	Honolulu HI	188.4	Harlingen TX	78.4
4	New York (Brooklyn) NY	181.0	Kalamazoo MI	79.7
5	Washington DC	157.4	Tupelo MS	80.0
6	Seattle WA	152.8	Wichita Falls TX	80.3
7	Orange County CA	150.0	Ashland OH	81.3
8	Oakland CA	147.7	Hattiesburg MS	81.4
9	Los Angeles-Long Beach CA	147.0	Memphis TN	81.8
10	New York (Queens) NY	146.4	Knoxville TN	82.5

**What Do Groceries Cost?**

Each quarter, C2ER collects more than 90,000 prices from communities across the US for the Cost of Living Index. With food prices a big part of the national media attention, below is a listing of communities with the most, and least expensive, food costs as measured by the grocery item index number. C2ER collects data on twenty-six items from a variety of surrogate categories to represent the grocery item component of the index.

**Table 2: The Five Most and Least Expensive Places for Grocery Items by Index Number in the Cost of Living Index (COLI)**

Third Quarter 2017 Average for 267 Urban Areas = 100				
Ranking	Most Expensive	COL	Least Expensive	COL
	Urban Areas	Index	Urban Areas	Index
1	Honolulu HI	165.5	Jackson-Madison County TN	77.3
2	Juneau AK	151.6	County TN	80.1
3	Kodiak AK	146.1	Temple TX	80.2
4	New York (Manhattan) NY	141.4	Wichita Falls TX	80.4
5	Oakland CA	126.7	Harlingen TX	83.9

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**The Most Expensive and Least Expensive Cities to Buy Ground Beef**

Over the past two years the cost of ground beef has fluctuated, causing some consumers to shift to poultry as a substitute. Given Quarter 3 prices were collected in the season of summer cookouts, we decided to look at the five most and least expensive places to buy a grilling staple, ground beef.

**Table 3: The Five Most and Least Expensive Places to Buy Ground Beef**

Third Quarter 2017				
National Average for 267 Urban Areas = \$3.91				
Ranking	Most Expensive		Least Expensive	
	Urban Areas	Avg. Price	Urban Areas	Avg. Price
1	Cleveland OH	5.37	McAllen TX	2.31
2	St. Louis MO-IL	5.22	Rochester NY	2.53
3	Los Angeles-Long Beach CA	5.16	Phoenix AZ	2.58
4	San Diego CA	5.16	Kalamazoo MI	2.64
5	Clarksville TN	5.07	Lake Havasu City AZ	2.66

**Results for the Valdosta Metropolitan Statistical Area**

Table 4 suggests that Valdosta has a cost of living that is approximately 7.2 percent below the national average. Valdosta’s cost of living remains relatively low, principally because of low housing prices. It also must be noted that the housing index carries the largest weight in the composite index because of its relative importance in the average consumer’s budget. According to Table 4, the housing index for Valdosta is 80.6 suggesting that housing costs are 19.4 percent less than the national average house price (\$341,653) for all urban areas in this survey. However, compared to other cities in Georgia, Valdosta’s cost of living is around 1.70 % higher than the average of all Georgia cities included in the survey.

**Table 4: Indices for Georgia Metropolitan Statistical Areas  
(Listed alphabetically by city name)**

	<i>Composite Index</i>	<i>Grocery</i>	<i>Housing</i>	<i>Utilities</i>	<i>Transportation</i>	<i>Health Care</i>
Albany	90.6	102.9	73.2	91.5	101.8	100.9
Atlanta	99.3	103.6	94.3	84.6	103	107.9
Augusta	91.8	105	77.2	83	78.3	95.8
Dalton	89.8	94.3	71.7	106	87.3	91.6
Dublin-Laurens County	82.8	95.4	62.9	109.9	89.3	95.1
LaGrange-Troup County	89.9	94.4	69.7	90	117.3	99
Marietta	99.2	105.9	90.2	105.1	96.1	96.5
Savannah	90.6	94.9	65.7	111	96.8	96.6
Statesboro-Bulloch County	84.4	89.7	68.7	98	84	80.9
<i>Valdosta</i>	<i>92.8</i>	<i>102.7</i>	<i>80.6</i>	<i>100.3</i>	<i>93.8</i>	<i>99.6</i>
<b>Average</b>	<b>91.1</b>	<b>98.8</b>	<b>75.4</b>	<b>97.9</b>	<b>94.7</b>	<b>96.4</b>

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**Random Comparisons**

The cost of living data tells us that the Composite Index for Manhattan, NY is 242.9; for Valdosta, GA it is 92.8. Using this information, we can answer the following questions:

1. What is the Valdosta salary that is equivalent to a Manhattan salary of \$50,000?
2. What is the Manhattan salary that is equivalent to a Valdosta salary of \$50,000?

Two jobs with identical salaries may not have identical purchasing power if one is located in a relatively high-cost city while the other is located in a relatively low-cost city. An individual would only need about \$19,102.51 in Valdosta to maintain the same standard of living as someone making \$50,000 in Manhattan, NY. On the other hand someone having a salary of \$50,000 per year in Valdosta would need \$130,872.84 in Manhattan to maintain the same standard of living. Table 5 below shows how to calculate the equivalent salaries in these two cities. Note that the formula in Table 5 can be used to compare any of the indices presented here (i.e. health care, transportation, utilities, housing, and groceries) between cities of interest. This kind of information is very useful to households considering a move to a different urban area.

**Table 5: Cost Comparison for Valdosta, GA and Manhattan, NY**

<b>Manhattan, NY to Valdosta, GA</b>			
$\$50,000 \times (92.4/242.9)$	=		\$ 19,102.51
<b>Valdosta, GA to Manhattan Metro, NY</b>			
$\$50,000 \times (242.9/92.8)$	=		\$ 130,872.84

Table 6 compares Hattiesburg, MS, to the Valdosta Metro area, areas which are located in the southern part of the U.S.

**Table 6: Cost Comparison for Valdosta, GA and Hattiesburg, MS**

<b>Hattiesburg, MS to Valdosta, GA</b>			
$\$50,000 \times (92.8/81.4)$	=		\$ 57,002.45
<b>Valdosta, GA to , Hattiesburg, MS</b>			
$\$50,000 \times (81.4/92.8)$	=		\$ 43,857.75

According to the information tabulated in table 6, an individual making \$50,000 per year in Hattiesburg, MS would need \$7,002.45 more in order to maintain the same standard of living as an individual making \$50,000 in Valdosta, GA. However, an individual earning \$50,000 in Valdosta area could earn \$6,142.24 less in Hattiesburg, MS. and maintain the same standard of living as in Valdosta.

**Methodology and Data Limitations**

The findings presented come from an analysis of national survey data performed by the Center for Business and Economic Research (CBER) at Valdosta State University. CBER conducts applied research for the business community and provides a conduit between the community and the expertise of the Langdale College of Business

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Administration faculty. The survey itself is conducted by The Council for Community and Economic Research, a nonprofit professional organization located in Arlington, VA. C2ER has been publishing quarterly measures of living cost differentials since 1968.

For the third quarter of 2017, 267 communities in the United States collected price data. The average index number for all participating communities is 100; each individual community's index should be read as a percentage of the average for all communities. This cost of living index measures *relative* prices for consumer goods and services only in the communities that participate in the process. No information on inflation (the general increase in prices over time) can be determined from these price indices. See [www.coli.org](http://www.coli.org) for more information about the methodology behind the index.

Cost of living data are useful as indicators of local economic conditions, but should be interpreted with caution. A relatively low cost of living is not necessarily a positive attribute for a community; and a relatively high cost of living is not necessarily negative. For example, relatively low prices may encourage job and population migration into the area; or relative low prices may mean that the area is depressed, and jobs and individuals are moving out of the area.

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