



## 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 including 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 second quarter of 2014 survey comparing relative costs of living for “middle management” households among U.S. metropolitan areas and cities shows that it costs 7.1 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 92.9 cents.

Valdosta’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 95.5 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, the Marietta area ranked second and Valdosta landed in the third place in this second quarter 2014 Cost of Living Index. It should be noted that Valdosta’s cost of living increased almost 2.8 percent from the same period in 2013.

### **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 second quarter of 2014 Cost of Living Index. As shown in Table 1, the after-tax cost for a professional / managerial standard of living ranged from more than twice the national average in Manhattan, NY to more than 20 percent below the national average in Harlingen, 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

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average cost of living index equals 100, the cost to live in Manhattan, for example, is 217% of the national average.

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 area is located in Texas and no metropolitan area from Georgia appears on either the ‘Least Expensive’ or ‘Most Expensive’ list. Valdosta ranks as the 130<sup>th</sup> most expensive metropolitan area (out of 279 areas) with a composite index of 95.9. It should be noted that Valdosta’s ranking in the second quarter of 2013 composite index was 174<sup>th</sup> (out of 300 areas), with a composite index of 97.4.

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

Second Quarter in 2014

National Average for 279 Urban Areas = 100

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	New York (Manhattan) NY	217.0	1	Harlingen TX	79.8
2	Honolulu HI	167.5	2	Norman OK	84.2
3	New York (Brooklyn) NY	167.2	3	Pueblo CO	84.3
4	San Francisco CA	161.6	4	Idaho Falls ID	84.6
5	Hilo HI	150.2	5	Memphis TN	84.8
6	San Jose CA	152.8	6	Temple TX	84.9
7	Truckee-Nevada County CA	147.0	7	McAllen TX	85.1
8	Stamford CT	141.6	8	Cookeville TN	85.2
9	Framingham-Natick MA	138.7	9	Tupelo MS	85.4
10	Washington DC	138.2	10	Ashland OH	85.7

**What Do Groceries Cost?**

Because food prices comprise a large portion of consumers’ budgets, below is a listing of communities with the most and least expensive food costs as measured by the grocery index. C2ER collects data on twenty-six items from a variety of categories to represent the grocery 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)**

Second Quarter 2014

Average for 279 Urban Areas = 100

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	Hilo HI	159.0	1	Waco TX	77.0
2	Honolulu HI	155.7	2	Harlingen TX	77.8
3	Kodiak AK	146.3	3	Temple TX	79.1
4	New York (Manhattan) NY	143.0	4	McAllen TX	79.4
5	New York (Brooklyn) NY	128.7	5	Corpus Christi TX	80.4

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**Most Expensive and Least Expensive Cities to Have a Headache**

Table 3 presents the five most and least expensive places to buy a 100 count bottle of 200 mg Advil® tablets among the 279 urban areas. The most expensive urban place to purchase a bottle of 200mg Ibuprofen is Honolulu, HI, with an average price of \$14.83. The least expensive urban area is San Angelo TX, with an average price of \$6.25. The average price of this product for all the 279 surveyed urban areas is \$9.43, and the average price in Valdosta, GA is \$9.05, 38 cents below the national average.

**Table3: The Five Most and Least Expensive Places for a 100 Count Bottle of 200mg Ibuprofen Tables**

Second Quarter 2014

National Average for 279 Urban Areas = \$9.43

Most Expensive			Least Expensive		
Ranking	Urban Areas	Price	Ranking	Urban Areas	Price
1	Honolulu HI	14.83	1	San Angelo TX	6.25
2	San Diego CA	12.99	2	Jackson/Madison TN	6.75
3	Hilo HI	12.84	3	Birmingham AL	6.84
4	Sacramento CA	12.32	4	Atlanta GA	7.10
5	Los Angeles-Long Beach CA	12.16	5	Augusta-Aiken GA-SC	7.28

**Results for the Valdosta Metropolitan Statistical Area**

Table 4 suggests that Valdosta has a cost of living that is approximately 4.5 percent below the national average. Valdosta’s cost of living remains relatively low, principally because of the 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 87.8 suggesting that housing costs are 12.2 percent less than the national average house price (\$305,323) for all urban areas in this survey.

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

	Composite Index	Grocery	Housing	Utilities	Transportation	Health Care
Albany	93.4	111.6	77.0	90.9	98.1	98.8
Atlanta	100.2	104.3	96.6	89.5	102.0	103.2
Augusta	87.9	95.7	67.8	91.2	98.6	93.1
Dalton	90.2	101.0	76.3	98.5	94.1	93.5
Dublin	88.9	95.0	75.9	94.7	94.9	84.4
Fayetteville	93.5	99.8	87.0	88.2	94.5	107.6
Marietta	96.3	100.5	91.7	90.0	96.5	99.0
Savannah	90.7	95.6	67.4	103.6	96.5	99.2
Statesboro	92.1	101.7	75.1	90.6	100.9	82.9
<i>Valdosta</i>	<i>95.5</i>	<i>103.8</i>	<i>87.8</i>	<i>99.8</i>	<i>100.6</i>	<i>96.2</i>
Average	<b>92.9</b>	<b>100.9</b>	<b>80.3</b>	<b>93.7</b>	<b>97.7</b>	<b>95.8</b>

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**Useful Random City Comparisons**

The cost of living data tell us that the Composite Index for San Francisco, CA is 161.6; for Valdosta, GA it is 95.5. Using this information, we can answer these questions:

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

If you earn \$50,000 per year in San Francisco, CA, the salary in Valdosta required to maintain your San Francisco, CA standard of living would be \$29,548. However, if you earn \$50,000 per year in Valdosta, you would need to earn \$84,607 in San Francisco, CA to maintain the same standard of living. 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. Table 5 below shows how to calculate the equivalent salaries in these two cities.<sup>1</sup>

**Table 5: Cost of Living Comparisons for Valdosta, GA and San Francisco, CA**

<b>San Francisco, CA to Valdosta, GA</b>			
$(95.5 * \$50,000) / 161.6$	=		\$ 29,548.27
<b>Valdosta, GA to San Francisco, CA</b>			
$(161.6 * \$50,000) / 95.5$	=		\$ 84,607.33

**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 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 second quarter of 2014, 279 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

<sup>1</sup> Also note that the formula in Table 3 can be used to compare any of the indices presented here (i.e. health care, transportation, utilities, housing, and groceries) between cities of interest.

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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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