

Cost of Living Comparisons: Valdosta, Georgia, and the Nation
Third Quarter 2009
October 23, 2009



Overview

In the third quarter of 2009, survey data suggest that the cost of living for “middle management” households in Georgia communities is about 8.3 percent less, on average, than in the rest of the U.S. So, for each dollar that is required to maintain the average standard of living in other areas of the country, Georgia residents are only required to spend about 91.7 cents. Valdosta, Georgia’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 94.6 cents for each dollar required to maintain the living standards of the average U.S. household. This is not a major change from last quarter.

Among metropolitan areas, the cost to live in Atlanta is the highest in Georgia, but is still below the national average. In 2008, we saw that Atlanta was the most expensive city in the state in which to live. This pattern continues into 2009, as the data suggest that Atlanta and Marietta continue to be the most expensive Georgia cities to participate in the cost of living survey.

The principal reason for the relatively lower living cost in Georgia remains the relatively lower prices in the state’s housing sector, which combines information on recent sales of new houses, local apartment rents, and local home mortgage rates. Recent news headlines by the National Association of Realtors (NAR) on October 23, 2009 proclaim that existing home sales increased 9.4 percent in September 2009 compared to August 2009. This indicates that home sales are at the highest level since July 2007, in part due to the homebuyers’ tax credit. Interestingly, first-time homebuyers accounted for about 45 percent of the home sales during the past year. It will be interesting to see how the data are impacted if the tax credit program is extended for a longer period of time or if it is expanded to include more categories of potential homebuyers.

Results for the Nation

Table 1 shows the ten most and least expensive urban areas in the third quarter of 2009. Not surprisingly, we see that the “usual suspects” are among the top ten most expensive urban areas, including New York, Honolulu, San Francisco, and down to

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Stamford, CT. Also recall that the national average cost of living index equals 100. This suggests that the cost to live in New York (Manhattan), for example, is more than twice the national average.

Also in Table 1 we see the top ten least expensive urban areas that participated in the cost of living index survey. Douglas, GA, which topped the list last quarter as the least expensive area in the nation, has moved down to the number two position behind Pueblo, CO.

**Table 1. The Ten Most and Least Expensive Urban Areas
in the ACCRA Cost of Living Index (COLI)
Third Quarter 2009**

National Average for 315 Urban Areas = 100

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	New York (Manhattan) NY	214.7	1	Pueblo CO	84.3
2	New York (Brooklyn) NY	177.2	2	Douglas GA	84.4
3	Honolulu HI	166.5	3	Pryor Creek OK	84.4
4	San Francisco CA	162.9	4	Cookeville TN	84.5
5	New York (Queens) NY	156.3	5	Harlingen TX	84.5
6	San Jose CA	153.1	6	Broken Arrow OK	84.7
7	Orange County CA	146.7	7	Fort Smith AR	85.2
8	Nassau County NY	144.9	8	Martinsville-Henry County VA	85.2
9	Truckee-Nevada County CA	144.4	9	Lawton OK	85.9
10	Stamford CT	143.1	10	Martinsburg-Berkeley County WV	85.9

Dairy Fluctuations

Each quarter, C2ER collects more than 90,000 prices from communities across the US for the Cost of Living Index. This quarter C2ER noticed dramatic changes in dairy prices. Consequently, C2ER is featuring communities with the most and least expensive dairy items, specifically milk and eggs. Across the country, prices for both have taken a tumble. Reports suggest that the recent economic downturn has created problems in the dairy industry. Table 2 shows the most and least expensive places for a half-gallon of milk; you will notice that Valdosta, GA is the area with the fifth highest average milk price.

**Table 2. The Five Most and Least Expensive Places
 for a Half-Gallon of Milk by Average Price
 Third Quarter 2009**

Average Price for 315 Urban Areas = \$1.87

Most Expensive Milk			Least Expensive Milk		
Ranking	Urban Areas	Avg. Price	Ranking	Urban Areas	Avg. Price
1	Honolulu HI	3.81	1	Prescott-Prescott Valley AZ	1.05
2	Wilmington NC	3.24	2	Lexington KY	1.21
3	Carlsbad NM	2.84	3	Flagstaff AZ	1.24
4	Orlando FL	2.81	4	Iowa City IA	1.28
5	Valdosta GA	2.59	5	Tucson AZ	1.31

Egg production has caught up with demand, which results in lower prices. Table 3 lists the five most expensive and five least expensive places to buy eggs among the 315 third quarter participants.

**Table 3. The Five Most and Least Expensive Places for Eggs by Average Price
 Third Quarter 2009**

Average Price for 315 Urban Areas = \$1.25

Most Expensive			Least Expensive		
Ranking	Urban Areas	Avg. Price	Ranking	Urban Areas	Avg. Price
1	Truckee-Nevada County CA	2.96	1	Sheboygan WI	0.73
2	San Francisco CA	2.63	2	Asheville NC	0.74
3	Oakland CA	2.51	3	McAllen TX	0.76
4	San Jose CA	2.50	4	Appleton WI	0.79
5	Kodiak AK	2.49	5	Elkhart-Goshen IN	0.82

Results for the Atlanta Metropolitan Statistical Area

How does Atlanta compare to the U.S. average? Table 4 shows that the Atlanta Metropolitan area is about 4.6 percent less costly than the average urban area that participated in the third quarter 2009 survey. Comparing Georgia urban areas with the most expensive urban areas listed in Table 1, we see that the Georgia composite indexes are much lower than the most expensive urban areas. This suggests that Atlanta and the rest of Georgia remain well positioned to accommodate new migrants to the area if the correct mix of jobs is present there.

Results for the Valdosta Metropolitan Statistical Area

As Table 4 indicates, Valdosta's cost of living is approximately 5.4 percent below the national average. But, how does Valdosta's cost of living compare with other Georgia cities? Table 4 suggests that Valdosta has a cost of living that is slightly higher than the average of all Georgia cities included in the survey. Valdosta's cost of living, a

Cost of Living Comparisons: Valdosta, Georgia, and the Nation
 Third Quarter 2009
 October 23, 2009

major business recruitment tool, remains relatively low principally because of relatively low prices in housing and utilities.

For Valdosta, the housing index of 84.7 suggests that housing costs are 15.3 percent less than the average house price for all urban areas in this survey (\$299,023). The housing index is low for Valdosta partly due to the slowdown in demand for newly constructed homes in Lowndes County. National and local building permit data suggest that increased demand for residential home construction may be right around the corner. Commercial real estate sales, however, are expected to stay soft until the first quarter 2010 according to most housing experts.

Notice, too, that the NAR reports the U.S. median sales price of existing single-family homes in September 2009 to be \$174,900, which is 8.1 percent lower than one year ago. What accounts for this decrease is “distressed sales”, which, according to the NAR, are pulling down the median price by about 20 percent. The difference in sales prices can be attributed to the difference in methodologies used by C2ER and the NAR. C2ER bases home prices on a standardized newly constructed home with 2,400 square feet (and other features) whereas the NAR uses the sales of all existing homes, no matter what the size or location. So, two different methodologies do result in two different estimates of home sales prices.

Table 4. Indices for Georgia Metropolitan Statistical Areas

	Composite					Health
	Index	Grocery	Housing	Utilities	Transportation	Care
Albany	90.7	109.3	73.4	81.0	94.7	90.5
Americus	88.6	103.1	76.0	90.4	99.2	107.1
Atlanta	95.4	99.8	90.8	84.3	94.9	105.6
Marietta	92.5	94.0	83.3	85.6	99.8	104.9
Augusta	92.9	110.8	80.7	88.5	101.3	102.3
Douglas	84.4	96.5	63.1	101.4	89.9	85.7
Savannah	94.6	93.5	87.8	90.2	95.3	97.5
Valdosta	94.6	108.1	84.7	86.0	98.7	98.2
Average	91.7	101.9	80.0	88.4	96.7	99.0

Useful City Comparisons

The cost of living data tell us that the Composite Index for Baltimore, MD is 120.9; for Valdosta, GA it is 94.6. Using this information, we can answer these questions:

1. What is the Valdosta salary that is equivalent to a Baltimore salary of \$50,000?
2. What is the Baltimore 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. If you earn \$50,000 per year in Baltimore, the salary in Valdosta required to maintain your Baltimore standard of living would be \$39,123. However, if you earn \$50,000 per year in Valdosta, you would need to earn \$63,900 in Baltimore to maintain the same standard of living. Table 5 below shows how to calculate the equivalent salaries

Cost of Living Comparisons: Valdosta, Georgia, and the Nation
 Third Quarter 2009
 October 23, 2009

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 part of the country.

Table 5. Cost Comparison for Valdosta, GA and Baltimore, MD

Austin, TX to Valdosta, GA			
	(94.6 * \$50,000)/120.9	=	\$ 39,123.24
Valdosta, GA to Austin, TX			
	(120.9 * \$50,000)/ 94.6	=	\$ 63,900.63

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 C2ER (formerly known as ACCRA), 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 2009, 315 communities in the United States collected price data. The average index 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.

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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