

Cost of Living Comparisons: Valdosta, Georgia, and the Nation
2009 Annual Review
February 2, 2010



Overview

In 2009, survey data suggest that the cost of living for “middle management” households in Georgia communities is about 8.9 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 91.1 cents. Valdosta, Georgia’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 92.7 cents for each dollar required to maintain the living standards of the average U.S. household. This is not a major change from last year.

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 continued 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 and utilities sectors. The housing sector combines information on recent sales of new houses, local apartment rents, and local home mortgage rates; the utilities sector combines information on total home energy costs (including natural gas and electricity prices) and telephone services.

The National Association of Realtors (NAR) Chief Economist, Lawrence Yun, said on February 2, 2010 that “As the tax credit urgency reappears in late spring and in June (the new tax credit deadline), there is likely to be a second surge in home sales activity. After that, sales will surely tumble once more in the immediately following months. The key gauge to monitor at that time is whether or not sales remain above levels from last year. If so, we can be assured that the housing market is on a sustainable recovery path even without any additional stimulus.” From one perspective, the December 2009 existing home sales report was disappointing, as one view of the data suggests that existing sales exhibited the largest month-to-month decrease in 40 years. From another perspective, says Yun, “December sales on a seasonally adjusted annualized basis (the accounting method applied for most economic indicators like GDP

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and job gains) were the fourth highest monthly tally in two years; only the three prior months of tax credit-induced sales were larger. Perhaps, the December sales were not that much of a disaster from this perspective. The largest sales decline or the fourth highest sales levels in two years? Which of the two ways do you think the media played the story to attract readership?" You can find Yun's full response at:
http://www.realtor.org/research/economists_outlook/commentaries/forecast0210

Results for the Nation

Table 1 shows the ten most and least expensive urban areas in 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 Nassau County, NY. 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. Locally, Douglas, GA can be found near the top of the list of least expensive areas in the nation, second only to Pryor Creek, OK.

**Table 1. The Ten Most and Least Expensive Urban Areas
in the ACCRA Cost of Living Index (COLI)
Year-End Review of Three Quarters in 2009
National Average for 322 Urban Areas = 100**

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	New York (Manhattan) NY	217.2	1	Pryor Creek OK	83.6
2	New York (Brooklyn) NY	177.8	2	Douglas GA	84.3
3	Honolulu HI	166.3	3	Pueblo CO	84.3
4	San Francisco CA	162.9	4	Martinsville-Henry County VA	84.9
5	New York (Queens) NY	157.2	5	Fort Smith AR	84.9
6	San Jose CA	155.0	6	Broken Arrow OK	85.4
7	Stamford CT	146.8	7	Ashland OH	85.5
8	Truckee-Nevada County CA	146.6	8	Paris TX	86.1
9	Orange County CA	146.0	9	Martinsburg-Berkeley Cty WV	86.2
10	Nassau County NY	144.2	10	Mason City IA	86.3

Dairy Prices

C2ER collects more than 50,000 prices from communities across the US for the COLI. Over the first three quarters of 2009, a half gallon of milk and eggs had the largest price differential. Milk registered a 14 percent difference from the first quarter to the third quarter and eggs a 28 percent change. Table 2 below lists the most and least

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expensive places to buy a half gallon of milk. Table 3 below lists the most and least expensive places to buy a dozen eggs.

Table 2. The Five Most and Least Expensive Places to Buy a Half Gallon of Milk
Averaged over Three Quarters in 2009
Average for 322 Urban Areas in 2009 = \$1.99

Most Expensive			Least Expensive		
Ranking	Urban Areas	Price	Ranking	Urban Areas	Price
1	Honolulu HI	\$3.64	1	Cincinnati OH	\$1.40
2	Orlando FL	\$3.00	2	Prescott-Prescott Valley AZ	\$1.45
3	Wilmington NC	\$2.96	3	Dayton OH	\$1.45
4	Kodiak AK	\$2.92	4	Louisville KY	\$1.46
5	Anchorage AK	\$2.64	5	Twin Falls ID	\$1.46

Table 3. The Five Most and Least Expensive Places to Buy a Dozen Eggs
Averaged over Three Quarters in 2009
Average for 322 Urban Areas in 2009 = \$1.53

Most Expensive			Least Expensive		
Ranking	Urban Areas	Price	Ranking	Urban Areas	Price
1	Truckee-Nevada County CA	\$3.26	1	Augusta-Aiken GA-SC	\$0.93
2	Kodiak AK	\$2.93	2	Rochester NY	\$1.08
3	Honolulu HI	\$2.83	3	Covington KY	\$1.10
4	Fresno CA	\$2.76	4	Jackson-Madison Cty TN	\$1.10
5	San Jose CA	\$2.76	5	Columbus OH	\$1.11

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 5.8 percent less costly than the average urban area that participated in 2009. 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

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As Table 4 indicates, Valdosta’s cost of living is approximately 7.3 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 major business recruitment tool, remains relatively low principally because of relatively low prices in housing and utilities.

For Valdosta, the housing index of 85.1 suggests that housing costs are 14.9 percent less than the average house price for all urban areas in this survey (\$300,352). 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 at least the end of the first quarter of 2010 according to most housing experts. But, with historically low mortgage interest rates (some as low as 4.35% as of this writing), now is an attractive time to purchase or refinance a home.

Notice, too, that the NAR reports the U.S. median sales price of existing single-family homes in December 2009 to be \$178,300, which is 1.5 percent higher than one year ago. What accounts for this increase is an increased number of mid- and higher-priced homes in the sales mix. 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 Index	Grocery	Housing	Utilities	Transportation	Health Care
Albany	90.4	109.5	72.1	79.5	95.5	90.6
Americus	88.8	102.0	73.3	89.6	100.3	105.9
Atlanta	94.2	100.6	88.6	82.5	97.7	103.7
Marietta	93.6	95.0	84.6	87.8	95.5	104.3
Augusta	92.2	110.7	80.8	87.9	95.0	98.9
Douglas	84.3	98.8	63.0	101.4	89.6	86.4
Savannah	92.8	92.7	85.9	89.3	95.0	96.2
Valdosta	92.7	103.7	85.1	87.7	96.5	99.4
Average	91.1	101.6	79.2	88.2	95.6	98.2

Useful City Comparisons

The cost of living data tell us that the Composite Index for Houston, TX is 89.3; for Valdosta, GA it is 92.7. Using this information, we can answer these questions:

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

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city. If you earn \$50,000 per year in Houston, the salary in Valdosta required to maintain your Houston standard of living would be \$51,903. However, if you earn \$50,000 per year in Valdosta, you would need to earn \$48,166 in Houston 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 Houston, TX

Houston, TX to Valdosta, GA			
	$(92.7 * \$50,000)/89.3$	=	\$ 51,903.70
Valdosta, GA to Houston, TX			
	$(89.3 * \$50,000)/ 92.7$	=	\$ 48,166.13

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 2009, 322 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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