

Cost of Living Comparisons: Valdosta, Georgia, and the Nation

First Quarter 2010

May 5, 2010



Overview

In the first quarter of 2010, survey data suggest that the cost of living for “middle management” households in Georgia communities is about 7.6 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 92.4 cents. Valdosta, Georgia’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 93.1 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 it is still below the national average. In 2009, we saw that Atlanta was the most expensive city in the state in which to live. This pattern continues into 2010 as the data suggest that Atlanta and Marietta continue to be the most expensive Georgia cities to participate in the cost of living survey.

Despite rising health care costs, 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 April 22, 2010 that “Sales have been above year-ago levels for nine straight months, and inventory has trended down from year-ago levels for 20 months running. The home buyer tax credit has been a resounding success as these underlying trends point to a broad stabilization in home prices. This is preserving perhaps \$1 trillion in largely middle class housing wealth that may have been wiped out without the housing stimulus measure.” You can find Yun’s full response at:

http://www.realtor.org/press_room/news_releases/2010/04/ehs_favorable.

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Results for the Nation

Table 1 shows the ten most and least expensive urban areas in the first quarter of 2010. 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 Fairbanks, AK. 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 as the fifth least expensive area in the nation.

**Table 1. The Ten Most and Least Expensive Urban Areas
 in the ACCRA Cost of Living Index (COLI)**
 First Quarter 2010
 National Average for 308 Urban Areas = 100

Most Expensive		COL Index	Least Expensive		COL Index
Ranking	Urban Areas		Ranking	Urban Areas	
1	New York (Manhattan) NY	218.0	1	Pryor Creek OK	84.3
2	New York (Brooklyn) NY	182.8	2	Cookeville TN	84.8
3	Honolulu HI	163.0	3	Fort Smith AR	85.2
4	San Francisco CA	162.1	4	Pueblo CO	85.9
5	New York (Queens) NY	159.5	5	Douglas GA	86.0
6	Truckee-Nevada County CA	148.6	6	Harlingen TX	86.1
7	Nassau County NY	147.2	7	Muskogee OK	86.4
8	Orange County CA	146.5	8	McAllen TX	86.5
9	Stamford CT	145.9	9	Johnson City TN	86.6
10	Fairbanks AK	139.9	10	Conway AR	86.8

Sugar Prices

Each quarter, C2ER collects more than 90,000 prices from communities across the U.S. for the Cost of Living Index. According to media sources, the price of sugar is at its highest price since the end of World War II. Production facilities abroad have driven prices up. Consequently, C2ER is featuring communities with the most and least expensive 5 pound packages of sugar. Across the country, prices for sugar have risen dramatically. Table 2 below lists the most and least expensive places to buy sugar.

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**Table 2. The Five Most and Least Expensive Places to
 Buy a Five-Pound Bag of Sugar**
 First Quarter 2010
 Average for 308 Urban Areas = \$2.20

Most Expensive			Least Expensive		
Ranking	Urban Areas	Price	Ranking	Urban Areas	Price
1	Kodiak AK	\$3.52	1	Seguin TX	\$1.45
2	New York (Manhattan) NY	\$3.35	2	Fort Worth TX	\$1.67
3	New York (Brooklyn) NY	\$3.28	3	Richmond VA	\$1.74
4	Honolulu HI	\$3.05	4	Richmond IN	\$1.77
5	Fairbanks AK	\$2.97	5	Dallas TX	\$1.77

Results for the Valdosta Metropolitan Statistical Area

Table 3 suggests that Valdosta has a cost of living that is approximately 6.9 percent below the national average. Compared to other cities in Georgia, Valdosta's cost of living 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 83.3 suggests that housing costs are 16.7 percent less than the average house price for all urban areas in this survey (\$295,651). The housing index is low for Valdosta partly due to the slowdown in demand for newly constructed homes in Lowndes County. Local building permit data suggest that homeowners take out more residential remodeling and repair permits than new construction permits. (A new CBER report, due out at the end of May, discusses the local property markets in great detail.) Commercial real estate sales, however, are expected to stay soft until at least the end of the third quarter of 2010 according to most housing experts. But, with historically low mortgage interest rates (some as low as 4.875% as of this writing), now is an attractive time to purchase or refinance a home.

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Table 3. Indices for Georgia Metropolitan Statistical Areas

	Composite Index	Grocery	Housing	Utilities	Transportation	Health Care
Albany	91.4	108.3	74.3	82.4	98.3	89.1
Americus	89.8	109.7	70.2	93.1	103.5	109.8
Atlanta	96.2	98.4	91.0	88.9	96.6	100.9
Marietta	93.6	91.8	84.0	89.5	98.8	103.4
Augusta	94.7	110.8	79.7	90.4	97.1	102.5
Douglas	86.0	102.2	64.1	97.8	91.8	90.0
Savannah	94.5	92.6	86.6	94.9	100.0	98.5
Valdosta	93.1	106.9	83.3	91.7	96.9	100.9
Average	92.4	102.6	79.2	91.1	97.9	99.4

Useful City Comparisons

The cost of living data tell us that the Composite Index for Manchester, NH is 117.1; for Valdosta, GA it is 93.1. Using this information, we can answer these questions:

1. What is the Valdosta salary that is equivalent to a Manchester salary of \$50,000?
2. What is the Manchester 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 Manchester, the salary in Valdosta required to maintain your Manchester standard of living would be \$39,752. However, if you earn \$50,000 per year in Valdosta, you would need to earn \$62,889 in Manchester to maintain the same standard of living. Table 4 below shows how to calculate the equivalent salaries in these two cities. Note that the formula in Table 4 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 4. Cost Comparison for Valdosta, GA and Manchester, NH

Manchester, NH to Valdosta, GA		
$(93.1 * \$50,000)/117.1$	=	\$ 39,752.35
Valdosta, GA to Manchester, NH		
$(117.1 * \$50,000)/ 93.1$	=	\$ 62,889.37

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 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 first quarter of 2010, 308 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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