



VALDOSTA STATE UNIVERSITY

CENTER *for* BUSINESS
& ECONOMIC RESEARCH

Overview

In the second quarter of 2011, survey data suggests that the cost of living for “middle management” households in Georgia communities is about 5.5 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 94.5 cents. Valdosta, Georgia’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 96.3 cents for each dollar required to maintain the living standards of the average U.S. household. This is not a major change from the first quarter of 2011 (95 cents).

Among metropolitan areas, the costs to live in Atlanta and in Marietta are the highest in Georgia, but still below the national average. (According to survey results, similarly to earlier quarters, Valdosta is the third most expensive metropolitan area of the surveyed areas within the state of Georgia.)

Despite rising health care costs, the principal reason for the relatively lower living costs in Georgia remains the relatively lower prices in the state’s housing sector. A change from recent quarters is that the cost of utilities almost reached the national average in the second quarter of 2011 while in earlier quarters it was well below that. Five out of the seven surveyed metropolitan areas had a substantial increase in the utilities index, the strongest increase being in Valdosta (from 87.7 in the first quarter to 98 in the second quarter). 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.

Overall economy and cost of living results for the Nation

Improvement in the overall economic environment is disappointingly slow. In the second three-month period of 2011, employers created about 316,000 more jobs than they eliminated, yet the unemployment rate rose above 9% again (it was 9.2% in June, 2011). The Bureau of Economic Analysis (BEA) estimated that real gross domestic product

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(GDP) grew at an annual rate of 1.3% in the second quarter of the year. The bad news during the second quarter was that the BEA also revised first quarter GDP growth to a meager 0.4% (earlier their estimate for the first quarter was 1.7%). Currently, economic activity in the U.S. (measured by real GDP) is still below what it was before the recession. Recovery is also slow in the housing sector. The National Association of Realtors (NAR) reported that after a sharp decline in April, pending home sales (a leading indicator for the housing sector) were on the rise in May and June. Even though affordability conditions are still favorable, robust improvements are hindered by meager job growth and the uncertainty about the overall economy.

Within this economic environment, Table 1 shows the ten most and least expensive urban areas in the second quarter of 2011. Not surprisingly, there is very little change in the top ten most expensive urban areas when comparing to the previous quarter. The list includes the “usual suspects”, such as New York, Honolulu, San Francisco, etc. 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 ten least expensive urban areas participating in the cost of living index survey. Similarly to previous quarters, a number of the least expensive urban areas are located in Texas. For the second quarter of 2011, no metropolitan area from Georgia appears on either the ‘Least Expensive’ or ‘Most Expensive’ list. (Valdosta, GA ranks as the 127th most expensive metropolitan area out of 305 urban areas) with a composite index of 96.3.)

**Table 1: The Ten Most and Least Expensive Urban Areas
 in the ACCRA Cost of Living Index (COLI)
 Second Quarter 2011
 National Average for 305 Urban Areas = 100**

| Most Expensive | | | Least Expensive | | |
|----------------|---------------------------|-----------|-----------------|---------------------|-----------|
| Ranking | Urban Areas | COL Index | Ranking | Urban Areas | COL Index |
| 1 | New York (Manhattan), NY | 220.8 | 1 | Harlingen, TX | 80.6 |
| 2 | New York (Brooklyn), NY | 182.1 | 2 | Sherman-Denison, TX | 84.4 |
| 3 | Honolulu, HI | 166.1 | 3 | McAllen, TX | 84.7 |
| 4 | San Francisco, CA | 166.0 | 4 | Pueblo, CO | 84.9 |
| 5 | New York (Queens), NY | 153.2 | 5 | Richmond, IN | 85.0 |
| 6 | San Jose, CA | 151.2 | 6 | Kalamazoo, MI | 85.4 |
| 7 | Stamford, CT | 147.8 | 7 | Temple, TX | 85.6 |
| 8 | Truckee-Nevada County, CA | 147.0 | 8 | Pryor Creek, OK | 85.8 |
| 9 | Washington, DC | 144.4 | 9 | Memphis, TN | 86.0 |
| 10 | Orange County, CA | 143.9 | 10 | Fayetteville, AR | 86.0 |

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Which community has the least expensive groceries?

Each quarter, The Council for Community and Economic Research (C2ER) collects more than 90,000 prices from communities across the U.S. for the Cost of Living Index. One of the components in the index is groceries. C2ER collects data on 26 separate items ranging from ground beef to canned peach halves to represent the grocery component of the index. Table 2 shows the communities with the most and least expensive groceries as measured by the grocery index number. The average grocery index for all participating communities is 100. The index number of 155.2 in Honolulu, HI means their grocery index is 55.2 % more than the average of all communities. The five least expensive areas for groceries are all in Texas. (Valdosta, GA ranks as the 89th most expensive metropolitan area to buy groceries (out of 305 urban areas) with an index of 103.3.)

Table 2: The Five Most and Least Expensive Places for Groceries by Index Number in the ACCRA Cost of Living Index (COLI)
 Second Quarter 2011
 Average for 305 Urban Areas = 100

| Most Expensive | | | Least Expensive | | |
|-----------------------|---------------------------|--------------|------------------------|--------------------|--------------|
| Ranking | Urban Areas | Price | Ranking | Urban Areas | Price |
| 1 | Honolulu, HI | 155.2 | 1 | Harlingen, TX | 77.7 |
| 2 | Kodiak, AK | 151.5 | 2 | Corpus Christi, TX | 78.5 |
| 3 | New York (Manhattan), NY | 143.2 | 3 | Houston, TX | 79.5 |
| 4 | Anchorage, AK | 136.7 | 4 | McAllen, TX | 79.4 |
| 5 | Truckee-Nevada County, CA | 136.4 | 5 | Richmond, IN | 80.7 |

Within the grocery component of the index, the price of a pound of ground beef shows relatively wide regional variations in the second quarter of 2011. Table 3 presents the five most and least expensive places for a pound of ground beef. The most expensive urban area for a pound of uncut chicken was Palm Springs, CA, with an average price of \$4.41, while the least expensive urban area was Austin, TX, with an average price of \$1.71. The average price of a pound of ground beef for all the 305 surveyed urban areas was \$3.11. (The average price in Valdosta, GA was \$3.60, 49 cents above the national average).

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Table 3: The Five Most and Least Expensive Places for Per Pound Price of Ground Beef
 Second Quarter 2011
 Average for 305 Urban Areas = \$3.11

| Most Expensive | | | Least Expensive | | |
|-----------------------|--------------------|--------------|------------------------|--------------------|--------------|
| Ranking | Urban Areas | Price | Ranking | Urban Areas | Price |
| 1 | Palm Springs, CA | \$4.41 | 1 | Austin, TX | \$1.71 |
| 2 | Wilmington, DE | \$4.22 | 2 | Richmond, IN | \$1.99 |
| 3 | Boston, MA | \$4.15 | 3 | Twin Falls, ID | \$2.06 |
| 4 | Providence, RI | \$4.13 | 4 | Pascagoula, MS | \$2.09 |
| 5 | Dover, DE | \$4.09 | 5 | Louisville, KY | \$2.13 |

Results for the Valdosta Metropolitan Statistical Area

Table 4 suggests that Valdosta has a cost of living that is approximately 3.7 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 remains low principally because of relatively low prices in housing and utilities.

For Valdosta, the housing index of 91.0 suggests that housing costs are 9 percent less than the average house price (\$289,673) for all urban areas in this survey. (A recent CBER report, published in February, discusses the local property markets in great detail. This report is accessible at <http://www.valdosta.edu/lcoba/cber>). Even though current mortgage rates are still at their historically low levels, the real estate market is still slow right now.

Table 4: Indices for Georgia Metropolitan Statistical Areas

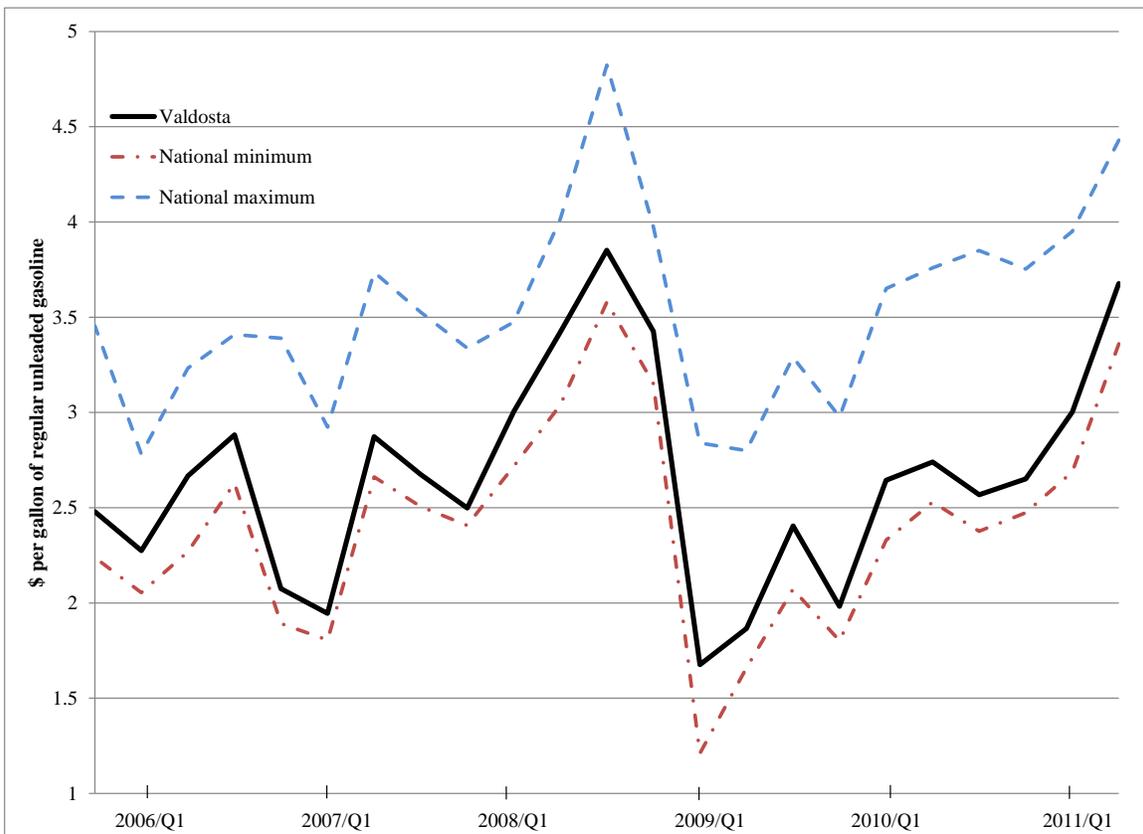
| | Composite Index | Grocery | Housing | Utilities | Transportation | Health Care |
|----------------|------------------------|----------------|----------------|------------------|-----------------------|--------------------|
| Albany | 93.0 | 109.5 | 75.8 | 85.1 | 105.1 | 93.8 |
| Atlanta | 97.5 | 102.3 | 86.4 | 94.2 | 105.1 | 104.6 |
| Marietta | 98.0 | 103.1 | 87.1 | 91.4 | 105.0 | 106.4 |
| Augusta | 95.7 | 107.7 | 80.8 | 97.8 | 97.7 | 94.6 |
| Douglas | 88.8 | 104.6 | 73.8 | 105.6 | 90.3 | 84.9 |
| Savannah | 90.9 | 97.2 | 72.6 | 103.2 | 99.1 | 93.6 |
| Valdosta | 96.3 | 103.3 | 91.0 | 98.0 | 97.1 | 110.2 |
| Average | 94.5 | 103.0 | 82.0 | 98.4 | 99.1 | 99.1 |

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Random Comparisons

Gas prices are obviously a concern for many people. Figure 1 shows the recent movement in the quarterly average price for a gallon of regular unleaded gasoline for Valdosta (the solid black line), comparing it to the national minimum and maximum prices. The wide variation of gasoline prices is also apparent from the graph. After a sharp drop due to the recession, current gas prices are, again, approaching the recent peak reached during the 2008 hurricane season. Valdosta gas prices consistently stay within the minimum-maximum range, quite a bit closer to the minimum average price than the maximum average.

Figure 1: Valdosta Gas prices compared to the National minimum and National Maximum (among surveyed urban areas)



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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 (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 second quarter of 2011, 305 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. (See 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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