



VALDOSTA STATE UNIVERSITY

CENTER *for* BUSINESS & ECONOMIC RESEARCH

Overview

The third quarter of 2011 survey comparing relative costs of living for “middle management” households among U.S. metropolitan areas and cities shows that it costs 6% less to live in Georgia communities, on average, than it does to live in the rest of the U.S. So, for each dollar that is required to maintain the average standard of living across the country, Georgia residents are only required to spend about 94 cents. Valdosta’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 95.2 cents for each dollar required to maintain the living standards of the average U.S. household. This is lower than in the second quarter of 2011, when Valdosta’s index value was 96.3.

Among Georgia metropolitan areas and cities, Atlanta and Marietta have the highest cost of living; however, both are below the national average. Valdosta is the third most expensive area within the surveyed areas of Georgia.

The principal reason for the relatively lower living costs in Georgia remains lower prices in the state’s housing sector. The housing sector combines information on recent sales of new houses, local apartment rents, and local home mortgage rates. The housing sector in Georgia is 18.3 percentage points below the national average of 100. Among the five main indices used (grocery, housing, utilities, transportation and health care) in the survey, the utilities index is the only segment to show an increase. The utilities sector combines information on total home energy costs including natural gas, electricity prices and telephone services. It should be noted that the 1% increase in the utilities index for Georgia in the third quarter is significantly smaller than the 5.1% second quarter 2011 increase.

Overall Economy and Cost of Living Comparisons for the Nation

Overall, the U.S. economy has been improving at a very slow pace, which is somewhat disappointing but still positive. According to the estimates released by the Bureau of Economic Analysis (BEA), real gross domestic product (GDP) increased 2.5% in the third quarter of 2011 after increasing 1.3% in the second quarter of the same year. Currently, economic activity in the U.S. (measured by real GDP) is still below what it

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was before the 2007-09 recession. Recovery is also slow in the housing sector. The National Association of Realtors (NAR) reported that existing-home sales (a leading indicator for the housing sector) decreased in September of this year after a strong gain in August. However, existing-home sales are still well above a year ago. Even though affordability conditions have improved to historic highs, robust improvements are hindered by meager job growth and the uncertainty about the overall economy. Based on statistics by the U.S. Bureau of Labor Statistics, the unemployment rate remained at 9.1% throughout the third quarter.

Within this economic environment, Table 1 shows the ten most and least expensive urban areas in the third quarter of 2011. Not surprisingly, there is very little change in the top ten most expensive urban areas when compared to the previous quarter. The list includes the “usual suspects”, such as New York, Honolulu, San Francisco, etc. 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 third quarter of 2011, no metropolitan area from Georgia appears on either the ‘Least Expensive’ or ‘Most Expensive’ list. Valdosta, GA ranks as the 146th most expensive metropolitan area out of 309 urban areas with a composite index of 95.2.

**Table1: The Ten Most and Least Expensive Urban Areas
in the ACCRA Cost of Living Index (COLI)
Third Quarter 2011
National Average for 309 Urban Areas = 100**

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	New York (Manhattan) NY	223.9	1	Harlingen TX	81.7
2	New York (Brooklyn) NY	185.5	2	Memphis TN	84.0
3	Honolulu HI	167.1	3	Ardmore OK	84.1
4	San Francisco CA	161.3	4	McAllen TX	84.5
5	New York (Queens) NY	154.4	5	Waco TX	84.7
6	San Jose CA	152.4	6	Pryor Creek OK	84.9
7	Stamford CT	148.4	7	Richmond IN	85.8
8	Washington DC	147.5	8	Fayetteville AR	86.1
9	Truckee-Nevada County CA	145.3	9	Cookeville TN	86.1
10	Orange County CA	143.5	10	Temple TX	86.1

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Which Community Has the Least Expensive Groceries?

Each quarter, the Council for Community and Economic Research (C2ER, formerly known as ACCRA) collects more than 90,000 prices from communities across the U.S. for its 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 calculation. The average grocery index for all participating communities is 100. The index number of 152.9 in Honolulu, HI means their grocery index is 52.9 % more than the average of all communities. Among the five least expensive areas for groceries, four of them are in Texas. Out of 309 urban areas surveyed, Valdosta, GA ranks as the 93rd most expensive metropolitan area to buy groceries, with an index of 103.4.

Table 2: The Five Most and Least Expensive Places for Grocery Items by Index Number in the ACCRA Cost of Living Index (COLI)
Third Quarter 2011

Average for 309 Urban Areas = 100					
Ranking	Urban Areas	Index	Ranking	Urban Areas	Index
1	Honolulu HI	152.9	1	Richmond IN	78.7
2	Kodiak AK	149.5	2	McAllen TX	78.9
3	New York (Manhattan) NY	148.9	3	Houston TX	79.5
4	Truckee-Nevada County CA	136.9	4	Harlingen TX	80.3
5	Anchorage AK	133.5	5	Corpus Christi TX	80.3

Within the grocery component of the index, the price of coffee shows relatively wide regional variations in the third quarter of 2011. Table 3 presents the five most and least expensive places in the U.S. to buy coffee. The most expensive urban place to purchase coffee is Juneau, AK, with an average price of \$7.29, while the least expensive urban area is Waco, TX, with an average price of \$2.79. The national average price of an 11 to 11.5 ounce can of coffee is \$4.82, while Valdosta's average price of \$4.79 is 3 cents below the national average.

Table3: The Five Most and Least Expensive Places for an 11 to 11.5 ounce can of Coffee
Third Quarter 2011

National Average for 309 Urban Areas = 4.82					
Ranking	Urban Areas	Avg. Price	Ranking	Urban Areas	Avg. Price
1	Juneau AK	7.29	1	Waco TX	2.79
2	Honolulu HI	7.22	2	McAllen TX	3.44
3	Kodiak AK	7.14	3	Richmond IN	3.50
4	Fairbanks AK	6.73	4	Martinsburg WV	3.50
5	Anchorage AK	6.66	5	Salina KS	3.59

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Results for the Valdosta Metropolitan Statistical Area

Table 4 suggests that Valdosta has a cost of living that is approximately 4.8% 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.

For Valdosta, the housing index of 87.6 suggests that housing costs are 12.4 percent less than the national average house price (\$284,543) for all urban areas in this survey. A contributing factor to the low housing index in Valdosta is the sluggish demand for newly constructed homes, due to the high unemployment rate in Valdosta MSA area. According to September labor force statistics from the Georgia Department of Labor, unemployment in the Valdosta region is 9.3%, 0.2% higher than the national rate of 9.1%. With current mortgage rates still at historically low levels, the real estate market has still plenty of room for improvement.

Table 4: Indices for Georgia Metropolitan Statistical Areas

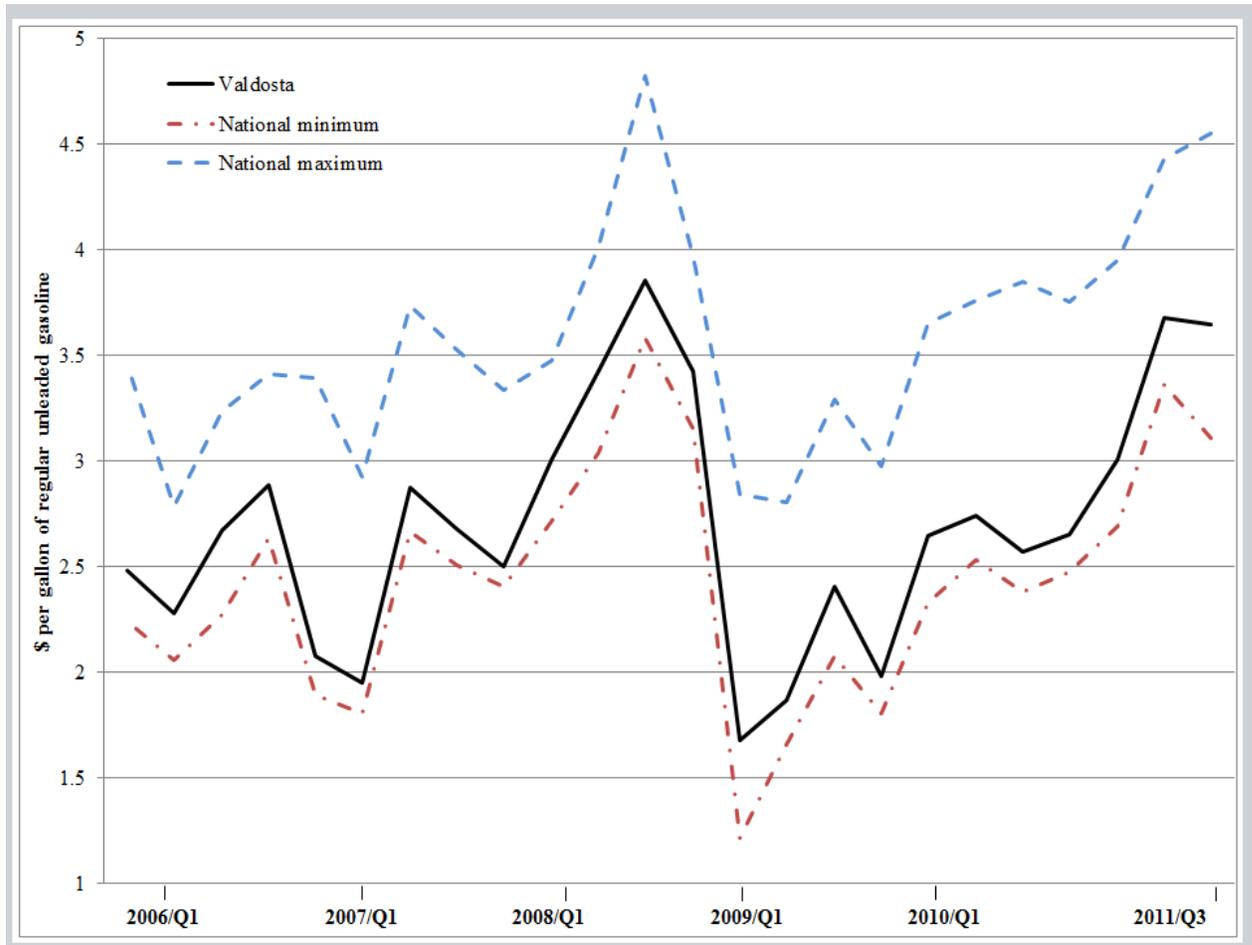
	Composite Index	Grocery	Housing	Utilities	Transportation	Health Care
Albany	91.6	109.5	78.1	84.4	98.4	96.9
Atlanta	98.8	106.1	89.2	96.4	102.5	101.1
Marietta	96.0	103.6	82.5	95.9	97.5	107.9
Augusta	92.5	101.2	80.6	96.6	88.1	88.0
Douglas	89.8	104.0	71.0	104.8	91.0	90.0
Savannah	91.8	97.9	79.4	102.7	97.6	92.4
Valdosta	95.2	103.4	87.6	100.2	99.2	102.2
Average	94.0	102.7	81.7	99.4	96.0	96.9

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 lower demand as a result of weak economic conditions in the U.S. and abroad, current gas prices are again approaching the recent peak reached during the 2008 hurricane season. Valdosta average gas prices, \$3.645 per gallon, consistently stay within the minimum-maximum range (\$3.107-\$4.550 per gallon), and are quite a bit closer to the minimum than the maximum average price.

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



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 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 third quarter of 2011, 309 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

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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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