



VALDOSTA STATE UNIVERSITY

CENTER *for* BUSINESS & ECONOMIC RESEARCH

Overview

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. The third quarter of 2012 survey comparing relative costs of living for “middle management” households among U.S. metropolitan areas and cities shows that it costs almost 6.6 percent less to live in Georgia communities, on average, than it does to live in the rest of the U.S. Therefore, for each dollar that is required to maintain the average standard of living across the country, Georgia residents are only required to spend about 93.4 cents.

Valdosta’s cost of living is higher than the Georgia state average, with Valdosta residents required to spend about 95.8 cents for each dollar required to maintain the living standards of the average U.S. household. Among Georgia metropolitan areas and cities, Marietta has the highest cost of living, followed by the Valdosta and Fayetteville areas, respectively. The state’s rankings stayed the same from the previous quarter.

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. In Georgia, housing costs are 16.7% lower than the national average.

Overall Economy and Cost of Living Comparisons for the Nation

Due to stronger consumer spending, an improving housing sector and increased federal government spending, U.S. economic growth picked up in the third quarter. According to the estimates released by the Bureau of Economic Analysis (BEA), real gross domestic product (RGDP) increased at an annual rate of 2.0% in the third quarter of 2012, after increasing 1.3% in the second quarter. Even though the national unemployment rate decreased from 8.2% to 8.1%, average monthly job creation was still below analysts' estimates of 100,000-125,000 jobs. It is likely that the unemployment rate will remain around 8% for the remainder of 2012.

Table 1 shows the ten most and least expensive urban areas that participated in the in the third quarter 2012 Cost of Living Index. As shown in Table 1, the after-tax cost for a professional / managerial standard of living ranged from more than twice the national average

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in Manhattan, NY to just over 20 percent below the national average in Harlingen, TX. Not surprisingly, there is very little change in the top ten most expensive urban areas when compared to the previous periods. The list includes the “usual suspects”, such as New York, Honolulu, San Francisco, etc. Since the national average cost of living index equals 100, the cost to live in Manhattan, for example, is 229.5% of the national average.

Also in Table 1, the ten least expensive urban areas participating in the cost of living index survey are listed. As in previous quarters, the least expensive urban area is located in Texas. For the third quarter of 2012, no metropolitan area from Georgia appears on either the ‘Least Expensive’ or ‘Most Expensive’ list. Valdosta ranks as the 134th most expensive metropolitan area (out of 304 areas) with a composite index of 95.8. It should be noted that Valdosta’s ranking in the second quarter of 2012 was 111th (out of 306 areas), with a composite index of 97.4.

**Table1: The Ten Most and Least Expensive Urban Areas
in the Cost of Living Index (COLI)**

Third Quarter 2012

National Average for 304 Urban Areas = 100

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	New York (Manhattan) NY	229.6	1	Harlingen TX	79.5
2	New York (Brooklyn) NY	180.2	2	Norman OK	80.9
3	Honolulu HI	169.7	3	Ardmore OK	84.2
4	San Francisco CA	168.3	4	Pueblo CO	85.1
5	San Jose CA	157.0	5	Memphis TN	85.6
6	New York (Queens) NY	152.4	6	McAllen TX	86.0
7	Washington DC	150.9	7	Muskogee OK	86.2
8	Stamford CT	148.4	8	San Marcos TX	86.3
9	Boston MA	142.8	9	Fayetteville AR	86.3
10	Juneau AK	141.5	10	Idaho Falls ID	86.4

Which Community Has the Least Expensive Groceries?

One of the components in the cost of living 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 food costs as measured by the grocery item index number. The average grocery index for all participating communities is 100. The index number of 154.2 in Honolulu, HI means their grocery index is 54.2 % more than the average of all communities. The five least expensive areas for groceries are located in Texas. Out of 304 urban areas surveyed, Valdosta, GA ranks as the 74th most expensive metropolitan area to buy groceries, with an index of 104.1. Again, Valdosta’s ranking in the second quarter of 2012 was 65th with an index of 105.1.

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**Table2: The Five Most and Least Expensive Places for Grocery Items
in the Cost of Living Index (COLI)**

Third Quarter 2012

National Average for 304 Urban Areas = 100

Ranking	Most Expensive Urban Areas	COL Index	Ranking	Least Expensive Urban Areas	COL Index
1	Honolulu HI	154.2	1	San Antonio TX	82.8
2	New York (Manhattan) NY	152.0	2	Corpus Christi TX	83.6
3	Kodiak AK	146.3	3	Seguin TX	84.4
4	Juneau AK	132.5	4	Bryan-College Station TX	85.1
5	Fairbanks AK	132.0	5	Brazoria County TX	85.3

Optometrist Prices, Can You See the Difference?

Another of the components in the cost of living index is healthcare. C2ER collects data on 5 different items such as prescription medication and physician office visits. In the third quarter analysis, the variation in price to visit an optometrist varied more widely than normal. Below is a list of the five most and least expensive places to visit an optometrists among the 304 urban areas.

Table 3: The Five Most and Least Expensive Places to Visit an Optometrist

Third Quarter 2012

National Average for 304 Urban Areas = \$95.10

Ranking	Most Expensive Urban Areas	Average Price	Ranking	Least Expensive Urban Areas	Average Price
1	Fairbanks AK	\$194.75	1	Paducah KY	\$50.75
2	Juneau AK	171.25	2	Milwaukee-Waukesha WI	50.80
3	Kodiak AK	165.00	3	Richmond IN	54.75
4	Portland ME	162.26	4	Madison WI	56.32
5	Anchorage AK	161.50	5	Shreveport-Bossier City LA	56.60

Results for the Valdosta Metropolitan Statistical Area

Table 4 (below) suggests that Valdosta's cost of living is 4.2% below the national average. Valdosta's cost of living still remains low (relative to the national average), primarily due to the relatively low prices in housing. However, compared to other cities in Georgia, Valdosta's cost of living is slightly above average.

For Valdosta, the housing index of 87.0 suggests that housing costs are 13.0 percent less than the national average house price (\$287,945) for all urban areas in this survey. Valdosta's housing sector ranking is ranked as the third expensive among Georgia's metropolitan areas. Unfortunately, Valdosta ranks highest among Georgia metro areas in health care costs, and is ranked second in utility costs. Finally, for groceries and transportations costs, Valdosta ranks third.

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According to labor force statistics released by the Georgia Department of Labor, the September unemployment rate in the Valdosta MSA is 8.3 % which is 0.5% above the national average unemployment rate of 7.8%. The unemployment rate in the Valdosta MSA declined from June (9.2%), and has steadily improved during July, August, and September. While the local, state, and national economies are improving, it is at a much slower than normal pace when emerging from a recession.

Table 4: Indices for Georgia Metropolitan Statistical Areas

	Composite Index	Grocery	Housing	Utilities	Transportation	Health Care
Marietta	97.9	99.3	87.8	94.3	105.3	95.1
Valdosta	95.8	104.1	87.0	104.2	97.0	103.6
Fayetteville	95.4	93.8	94.3	88.6	90.9	95.7
Atlanta	95.0	105.8	84.4	88.4	100.4	99.6
Savannah	91.2	96.9	76.2	109.8	94.6	87.9
Albany	91.0	105.9	79.2	93.0	93.0	85.6
Augusta	90.9	91.4	82.1	95.0	95.7	95.7
Augusta	90.9	91.4	82.1	95.0	95.7	85.3
Average	93.3	99.2	83.3	96.6	96.2	93.6

Random Comparisons

The cost of living data tells us that the Composite Index for Manhattan is 229.5, while for Valdosta it is 95.80. Using this information, we can answer the following questions:

1. *What is the Valdosta salary that is equivalent to a Manhattan salary of \$50,000?*
2. *What is the Manhattan 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. An individual would only need about \$20,871.45 in Valdosta to maintain the same standard of living as someone making \$50,000 in Manhattan, NY. On the other hand someone having a salary of \$50,000 per year in Valdosta would need \$119,780.79 in Manhattan 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 when considering a move to a different urban area.

Table 5: Cost Comparison for Valdosta, GA and Manhattan, NY

Manhattan, NY to Valdosta, GA		
$\$50,000 \times (95.8/229.5)$	=	\$ 20,871.45
Valdosta, GA to Manhattan Metro, NY		
$\$50,000 \times (229.5/95.8)$	=	\$ 119,780.79

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Table 6 below compares Hattiesburg, MS to Valdosta, areas which are very similar:

Table 6: Cost Comparison for Valdosta and Hattiesburg, MS

Hattiesburg, MS to Valdosta, GA			
	$\$50,000 \times (95.8/94.0)$	=	\$ 50,957.44
Valdosta, GA to Hattiesburg, MS			
	$\$50,000 \times (94.0/95.8)$	=	\$ 49,060.54

According to the information tabulated in table 6, an individual making \$50,000 per year in Hattiesburg, MS would need only \$939.46 more in order to maintain the same standard of living as an individual making 50,000 in Hattiesburg, MS. Conversely, an individual earning \$50,000 in Valdosta could maintain the same standard of living while making \$957.44 less.

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, 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 2012, 304 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 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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