



VALDOSTA STATE UNIVERSITY

CENTER *for* BUSINESS & ECONOMIC RESEARCH

Overview

In the first quarter of 2011, survey data suggests that the cost of living for “middle management” households in Georgia communities is about 6.2 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 93.8 cents. Valdosta, Georgia’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 95 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 (94.1 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, 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 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.

Overall economy and cost of living results for the Nation

The overall economic environment is slowly improving. In the first three months of 2011, employers created about 500,000 more jobs than they eliminated, causing the unemployment rate to dip below 9% in February and March. The Bureau of Economic Analysis estimated that real gross domestic product (GDP) grew at an annual rate of 1.8% in the first quarter of the year. This growth is somewhat lower than expected, and as a result the Federal Open Market Committee (a key decision maker over monetary policy in the U.S.) revised their GDP forecast downward for the year. In the housing sector, the National Association of Realtors (NAR) reported that after a decline in January, pending

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home sales (a leading indicator for the housing sector) were on the rise in February and March. NAR Chief Economist Lawrence Yun said that with excellent affordability conditions and the ongoing job creation, home sales should be on the rise, especially in the lower price ranges.

Table 1 shows the ten most and least expensive urban areas in the first 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 first quarter of 2011, no metropolitan area from Georgia appears on either the ‘Least Expensive’ or ‘Most Expensive’ list. (Valdosta, GA ranks as the 150th most expensive metropolitan area out of 312 urban areas) with a composite index of 95.)

**Table 1: The Ten Most and Least Expensive Urban Areas
 in the ACCRA Cost of Living Index (COLI)
 First Quarter 2011
 National Average for 312 Urban Areas = 100**

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	New York (Manhattan), NY	218.4	1	Harlingen, TX	80.5
2	New York (Brooklyn), NY	185.6	2	Fort Smith, AR	83.7
3	Honolulu, HI	170.6	3	Pueblo, CO	84.2
4	San Francisco, CA	163.6	4	Cookeville, TN	84.5
5	New York (Queens), NY	156.9	5	Temple, TX	84.8
6	San Jose, CA	150.0	6	Muskogee, OK	85.5
7	Stamford, CT	147.4	7	Martinsville-Henry County, VA	85.5
8	Truckee-Nevada County, CA	145.2	8	Round Rock, TX	85.8
9	Orange County, CA	143.3	9	Sherman-Denison, TX	86.0
10	Washington, DC	141.0	10	Brownsville, TX	86.0

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

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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 155.3 in Honolulu, HI means their grocery index is 55.3 % more than the average of all communities. The five least expensive areas for groceries are all in Texas. (Valdosta, GA ranks as the 50th most expensive metropolitan area to buy groceries (out of 312 urban areas) with an index of 108.4.)

Table 2: The Five Most and Least Expensive Places for Groceries by Index Number in the ACCRA Cost of Living Index (COLI)

First Quarter 2011

Average for 312 Urban Areas = 100

Most Expensive			Least Expensive		
Ranking	Urban Areas	Price	Ranking	Urban Areas	Price
1	Honolulu, HI	155.3	1	Round Rock, TX	78.4
2	New York (Manhattan), NY	154.8	2	Corpus Christi, TX	80.0
3	Kodiak, AK	145.6	3	Harlingen, TX	81.1
4	Anchorage, AK	142.3	4	McAllen, TX	81.1
5	Fairbanks, AK	133.7	5	Waco, TX	82.5

Within the grocery component of the index, the price of chicken (frying chicken per pound) shows relatively wide regional variations in the first quarter of 2011. Table 3 presents the five most and least expensive places whole chicken per pound. The most expensive urban area for a pound of uncut chicken was St. Paul, MN, with an average price of \$2.29, while the least expensive urban area was Blacksburg, VA, with an average price of \$0.84. The average price of a pound of uncut chicken for all the 312 surveyed urban areas was \$1.19. (The average price in Valdosta, GA was \$1.44, 25 cents over the national average).

Table 3: The Five Most and Least Expensive Places for Per Pound Price of a Whole Chicken

First Quarter 2011

Average for 312 Urban Areas = \$1.19

Most Expensive			Least Expensive		
Ranking	Urban Areas	Price	Ranking	Urban Areas	Price
1	St. Paul, MN	\$2.29	1	Blacksburg, VA	\$0.84
2	Minneapolis, MN	\$2.12	2	Lufkin, TX	\$0.85
3	New York (Manhattan), NY	\$2.07	3	Round Rock, TX	\$0.85
4	Honolulu, HI	\$1.89	4	Sherman-Denison, TX	\$0.85
5	Nassau County, NY	\$1.87	5	Twin Falls, ID	\$0.86

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Results for the Valdosta Metropolitan Statistical Area

Table 4 suggests that Valdosta has a cost of living that is approximately 5 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 low principally because of relatively low prices in housing and utilities.

For Valdosta, the housing index of 88.0 suggests that housing costs are 12 percent less than the average house price (\$285,919) 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>). Right now the real estate market is slow. However, if mortgage rates stay at their current historically low levels, we expect an increase in activity in the local real estate market (as in the rest of the nation) once labor market conditions improve.

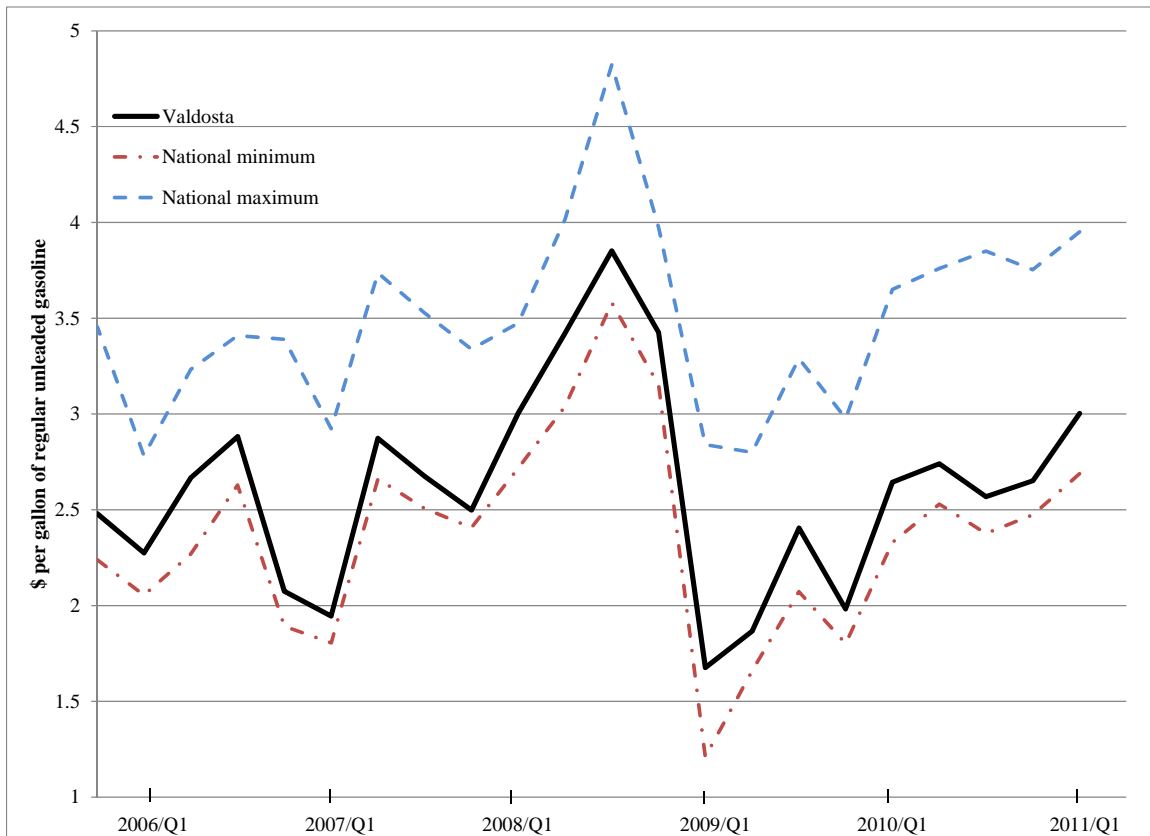
Table 4: Indices for Georgia Metropolitan Statistical Areas

	Composite Index	Grocery	Housing	Utilities	Transportation	Health Care
Albany	92.4	108.9	78.1	84.2	102.2	90.1
Atlanta	95.2	96.4	91.0	89.4	98.2	98.9
Marietta	96.3	101.9	89.8	84.8	98.2	105.0
Augusta	93.8	104.8	78.8	95.4	94.8	96.0
Douglas	90.8	105.4	73.5	108.4	88.6	87.1
Savannah	91.7	96.0	78.4	95.7	96.2	95.0
Valdosta	95.0	108.4	88.0	87.7	99.3	102.5
Average	93.8	102.2	83.3	93.6	95.9	97.4

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. The peak, during the 2008 hurricane season, was followed by a sharp drop due to the recession. 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)



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 first quarter of 2011, 312 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.)

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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.

Author:

Attila Cseh, Ph.D.

For additional information, please contact:

Scott Manley, Director

Center for Business and Economic Research

Langdale College of Business Administration

Valdosta State University

Phone: 229-333-7878

E-mail: scmanley@valdosta.edu