



## VALDOSTA STATE UNIVERSITY

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# CENTER *for* BUSINESS & ECONOMIC RESEARCH

### **Overview**

The fourth quarter of 2011 survey comparing relative costs of living for “middle management” households among U.S. metropolitan areas and cities shows that it costs 6.1 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 93.9 cents. Valdosta’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 95.7 cents for each dollar required to maintain the living standards of the average U.S. household. Unfortunately, Valdosta’s cost of living increased almost 1.8 percent from the same period in 2010.

Among Georgia metropolitan areas and cities, Atlanta and Marietta have the highest cost of living; however, both are below the national average of 100. Valdosta is the third most expensive area within the surveyed areas of Georgia. This is consistent with last year’s cost of living calculation for the state.

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, at 82.4, is 17.6 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 shows the highest increase from the same period in 2010. The utilities sector combines information on total home energy costs including natural gas, electricity prices and telephone services. It should be noted that the utilities index for Georgia has increased 6.4 percent compared to last year.

### **Overall Economy and Cost of Living Comparisons for the Nation**

Overall, the U.S. economy has been slowly gaining strength with a declining unemployment rate. However, the economic recovery, while positive, is still somewhat disappointing. According to the estimates released by the Bureau of Economic Analysis (BEA), real gross domestic product (GDP) increased 2.8% in the fourth quarter of

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2011(that is, from the third quarter to the fourth quarter). Recovery is also positive in the housing sector. According to the National Association of Realtors, existing-home sales (a leading indicator for the housing sector) continued on an upward trend, rising for three consecutive months and remaining well above a year ago. Based on statistics by the U.S. Bureau of Labor Statistics, the unemployment rate was at 8.5 percent throughout the last quarter of 2011. However, the same report stated that the share of working-age people in the labor force has declined to the lowest level in 29 years.

Within this economic environment, Table 1 shows the ten most and least expensive urban areas in 2011 based on data over the first three quarters. Not surprisingly, there is very little change in the top ten most expensive urban areas when compared to the previous quarters. 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. Consistent with the previous quarters of 2011, no metropolitan area from Georgia appears on either the “least expensive” or “most expensive” list. However, eight out of the ten least expensive areas on the list are from Southern states.

**Table 1: The Ten Most and Least Expensive Urban Areas  
 in the ACCRA Cost of Living Index (COLI)  
 Year-End Review of Three Quarters in 2011  
 National Average for 314 Urban Areas = 100**

<b>Most Expensive</b>			<b>Least Expensive</b>		
<b>Ranking</b>	<b>Urban Areas</b>	<b>COL Index</b>	<b>Ranking</b>	<b>Urban Areas</b>	<b>COL Index</b>
1	New York (Manhattan) NY	218.8	1	Harlingen TX	81.0
2	New York (Brooklyn) NY	182.7	2	Pueblo CO	85.4
3	Honolulu HI	167.8	3	McAllen TX	85.4
4	San Francisco CA	162.7	4	Temple TX	85.6
5	New York (Queens) NY	153.9	5	Memphis TN	85.9
6	San Jose CA	150.3	6	Cookeville TN	86.0
7	Stamford CT	147.4	7	Richmond IN	86.3
8	Truckee-Nevada County CA	145.5	8	Ardmore OK	86.3
9	Washington DC	143.3	9	Waco TX	86.3
10	Orange County CA	142.7	10	Fayetteville AR	86.4

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**Which grocery items prices had the highest average percentage change from quarter one 2011 through quarter three 2011?**

Each quarter, the Council for Community and Economic Research (C2ER, formerly known as ACCRA) collects more than 50,000 prices from communities across the U.S. for its Cost of Living Index. Over the first three quarters of 2011, a pound of coffee and a five-pound bag of potatoes had the largest price differentials. Coffee registered a 9.7 percent difference from the first quarter to the third quarter and potatoes a 10.7 percent change. Below is a listing of the most, and least, expensive places to buy those items.

**Table 2: The Five Most and Least Expensive Places to Buy a Pound of Coffee**  
Averaged over Three Quarters in 2011  
Average for 314 Urban Areas in 2011 = \$4.41

Most Expensive			Least Expensive		
Ranking	Urban Areas	Price	Ranking	Urban Areas	Price
1	Honolulu HI	\$ 6.83	1	Waco TX	\$ 2.94
2	Juneau AK	\$ 6.29	2	Richmond IN	\$ 3.17
3	Fairbanks AK	\$ 6.02	3	McAllen TX	\$ 3.22
4	Truckee-Nevada County CA	\$ 6.02	4	Round Rock TX	\$ 3.27
5	Anchorage AK	\$ 6.00	5	Corpus Christi TX	\$ 3.30

**Table 3: The Five Most and Least Expensive Places to Buy Potatoes**  
Averaged over Three Quarters in 2011  
Average for 314 Urban Areas in 2011 = \$3.04

Most Expensive			Least Expensive		
Ranking	Urban Areas	Price	Ranking	Urban Areas	Price
1	Honolulu HI	\$ 5.42	1	Harlingen TX	\$ 1.51
2	Jacksonville NC	\$ 4.70	2	McAllen TX	\$ 1.74
3	Bradenton FL	\$ 4.60	3	Klamath Falls OR	\$ 1.75
4	Quincy IL	\$ 4.24	4	Waco TX	\$ 1.81
5	Jackson-Madison County TN	\$ 4.20	5	Salt Lake City UT	\$ 1.83

**Results for the Valdosta Metropolitan Statistical Area**

Table 4 suggests that Valdosta has a cost of living that is approximately 4.3 percent below the national average. Compared to other cities in Georgia, Valdosta's cost of living is 1.8% higher than the average of all Georgia cities included in the survey. Valdosta's cost of living remains relatively low, principally because of the low housing

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prices. (It also must be noted that the housing index carries the largest weight in the composite index because of its relative importance in the average consumer's budget.)

For Valdosta, the housing index of 88.9 suggests that housing costs are 11.1 percent less than the national average house price (\$286,731) 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, possibly due to the high unemployment rate in Valdosta MSA area. According to labor force statistics released by the Bureau of Labor Statistics (BLS), the unemployment rate in the Valdosta area is 8.6 %, which is 0.1% higher than the national rate of unemployment in December 2011. Even though current mortgage rates are still at their historically low levels (some as low as 4.13% for a 30-year, conventional, fixed-rate mortgage), the real estate market has still plenty of room for the improvement.

**Table 4: Indices for Georgia Metropolitan Statistical Areas**

	<b>Composite Index</b>	<b>Grocery</b>	<b>Housing</b>	<b>Utilities</b>	<b>Transportation</b>	<b>Health Care</b>
Albany	92.5	109.4	77.3	84.7	102.0	93.7
Atlanta	97.3	101.6	89.2	93.4	102.1	101.2
Marietta	96.7	102.8	86.6	90.6	100.2	106.3
Augusta	94.1	104.6	80.2	96.8	93.5	93.0
Douglas	89.7	104.6	72.7	106.4	90.0	87.2
Savannah	91.6	97.0	76.9	100.6	97.7	93.5
Valdosta	95.7	105.1	88.9	95.2	98.6	104.9
<b>Average</b>	<b>93.9</b>	<b>103.6</b>	<b>81.7</b>	<b>95.4</b>	<b>97.7</b>	<b>97.1</b>

**Table 5: Where does Valdosta rank within the nation?**

pos.	Grocery items	Index	pos.	Utilities	index	pos.	Health Care	Index
				Fairbanks,				
1	Honolulu, HI	155.6	1	AK	211.5	1	Juneau, AK	149.8
2	Kodiak, AK	149.1	2	Juneau, AK	163.7	2	Fairbanks, AK	142.5
3	New York (Manhattan)	148.7	3	Honolulu, HI	161.8	3	Anchorage, AK	139.4
4	Anchorage, AK	137.4	4	Kodiak, AK	152.2	4	Kodiak, AK	133
...			...			...		
<b>74</b>	<b>Valdosta, GA</b>	<b>105.1</b>	<b>183</b>	<b>Valdosta, GA</b>	<b>95.2</b>	<b>77</b>	<b>Valdosta, GA</b>	<b>104.9</b>
...			...			...		
311	Houston	80.7	315	Salt Lake, UT	77.3	315	Youngstown-Warren, OH	82.8
312	McAllen, TX	79.5	316	Minot, ND	76.2	316	Dothan, AL	82.4
313	Harlingen, TX	79.4	317	Ardmore, OK	75.6	317	Dyersburg, TN	82
314	Corpus, TX	79.3	318	Lubbock, TX	75.5	318	Birmingham, AL	81.8

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## Random Comparisons

Above, table 5 shows Valdosta's position among three subcategories included in the composite index. For grocery items, in 2011 Valdosta ranked as the 74<sup>th</sup> most expensive area of the 314 surveyed metropolitan areas in the U.S. Valdosta ranked 183<sup>rd</sup> for utilities, and 77<sup>th</sup> for Health Care expenses.

## 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 faculty. The survey is administered by The Council for Community and Economic Research (C2ER), a nonprofit professional organization located in Arlington, VA. C2ER has been publishing quarterly measures of living cost differentials since 1968.

For the three quarters measured in 2011, 314 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](http://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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