



VALDOSTA STATE UNIVERSITY

CENTER *for* BUSINESS & ECONOMIC RESEARCH

Overview

The first quarter of 2012 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. 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 93.9 cents. Valdosta’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 95.9 cents for each dollar required to maintain the living standards of the average U.S. household. Compared to the first quarter of 2011 average cost of living index for Georgia (93.8) and Valdosta (95.8), the percent change is very negligible.

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 19.2 percentage points below the national average of 100. Among the five main indices used (grocery, housing, utilities, transportation and health care) in the survey, both the utilities and transportation indices show very significant increase from the first quarter of 2011. The utilities sector combines information on total home energy costs including natural gas, electricity prices and telephone services. The transportation sector includes auto maintenance and gasoline prices at the self-service pump. The utilities and transportation indices for Georgia have experienced almost 5.3% increase during this period.

Overall Economy and Cost of Living Comparisons for the Nation

Overall U.S. economy has been improving at a very slow pace, somewhat disappointing but positive. According to the estimates released by the Bureau of Economic Analysis (BEA), real gross domestic product (RGDP) increased 1.9% in the first quarter of 2012. In the fourth quarter of 2011 RGDP increased 3.0%. Currently,

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economic activity in the U.S. (measured by RGDP) is still below what it 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 March 2012 by 2.6%, however this figure (4.48 million homes) is 5.2% above the year-over-year March 2011 total of 4.26 million homes. Even though affordability conditions have improved to historic highs, robust improvements are hindered by meager job growth (based on statistics by the U.S. Bureau of Labor Statistics, the national unemployment rate was at 8.3 percent in January 2012 and dropped to 8.2 % in March 2012) and the uncertainty about the overall economy nationally, as well as, internationally.

Table 1 shows the ten most and least expensive 306 urban areas participated in the in the first quarter 2012 Cost of Living Index. As shown in the table1, the after-tax cost for a professional/managerial standard of living ranged from more than twice the national average in New York (Manhattan) NY to just over 17 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 year. 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, the least expensive urban area is located in Texas. For the first quarter of 2012, no metropolitan area from Georgia appears on either the ‘Least Expensive’ or ‘Most Expensive’ list. Valdosta, GA ranks as the 174th most expensive metropolitan area out of 306 urban areas with a composite index of 95.9.

**Table1: The Ten Most and Least Expensive Urban Areas
in the ACCRA Cost of Living Index (COLI)
First Quarter 2012
National Average for 306 Urban Areas = 100**

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	New York (Manhattan) NY	228.3	1	Harlingen TX	82.8
2	New York (Brooklyn) NY	183.1	2	Memphis TN	83.7
3	San Francisco CA	166.5	3	McAllen TX	83.8
4	Honolulu HI	165.8	4	Fayetteville AR	84.6
5	San Jose CA	154.3	5	Ardmore OK	85.2
6	Stamford CT	147.4	6	Temple TX	85.7
7	New York (Queens) NY	145.9	7	Ashland OH	86.0
8	Orange County CA	144.7	8	Conway AR	86.2
9	Washington DC	144.6	9	Pueblo CO	86.2
10	Juneau AK	140.5	10	Pryor Creek OK	86.3

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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 156.8 in Honolulu, HI means their grocery index is 56.8 % more than the average of all communities. The five least expensive areas for groceries are located in Texas. Out of 306 urban areas surveyed, Valdosta, GA ranks as the 79th 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) First Quarter 2012
Average for 306 Urban Areas = 100

Most Expensive			Least Expensive		
Ranking	Urban Areas	Index	Ranking	Urban Areas	Index
1	Honolulu HI	156.8	1	San Antonio TX	81.0
2	Kodiak AK	149.7	2	Waco TX	81.7
3	New York (Manhattan) NY	147.7	3	Corpus Christi TX	81.8
4	Juneau AK	133.8	4	Temple TX	81.9
5	Anchorage AK	130.7	5	Harlingen TX	83.4

Within the grocery component of the index, the price of T-bone steak shows relatively wide regional variations in the first quarter of 2012. Table 3 presents the five most and least expensive places to buy a steak among 306 urban areas. The most expensive urban place to purchase T-bone steak is Minneapolis MN, average price of \$15.49 per pound, while the least expensive urban area is Honolulu HI, with an average price of \$6.24. The average price per pound of a t-bone steak for all the 306 surveyed urban areas is \$9.44. (The average price in Valdosta, GA is \$9.98, 54 cents higher than the national average).

Table3: The Five Most and Least Expensive Places for T-Bone Steak First Quarter 2012
National Average for 306 Urban Areas = 9.44

Most Expensive			Least Expensive		
Ranking	Urban Areas	Avg. Price	Ranking	Urban Areas	Avg. Price
1	Minneapolis MN	15.49	1	Honolulu HI	6.24
2	New York (Manhattan) NY	14.99	2	Dalton GA	6.49
3	St. Paul MN	13.02	3	Harlingen TX	7.26
4	Stamford CT	12.32	4	Dodge City KS	7.28
5	New York (Brooklyn) NY	12.19	5	Salina KS	7.28

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Results for the Valdosta Metropolitan Statistical Area

Table 4 suggests that Valdosta has a cost of living that is approximately 4.1 percent below the national average. Valdosta’s cost of living remains low relative to the national average principally because of relatively low prices in housing. However, 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.

For Valdosta, the housing index of 86.9 suggests that housing costs are 13.1 percent less than the national average house price (283,529) 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. Although according to labor force statistics released by the Georgia Department of Labor, unemployment rate in Valdosta area in March 2012 is 8.3 % which is only 0.1% above the national average unemployment rate of 8.2% for the same month. The March 2012 rate is lower than the March 2011 unemployment rate of 8.9%. Current mortgage rates are still at historically low levels hovering around 4% for a 30-year, conventional, fixed-rate mortgage.

As mentioned previously, the economy is turning for the better, just at a slower than normal pace out of a recession.

Table 4: Indices for Georgia Metropolitan Statistical Areas

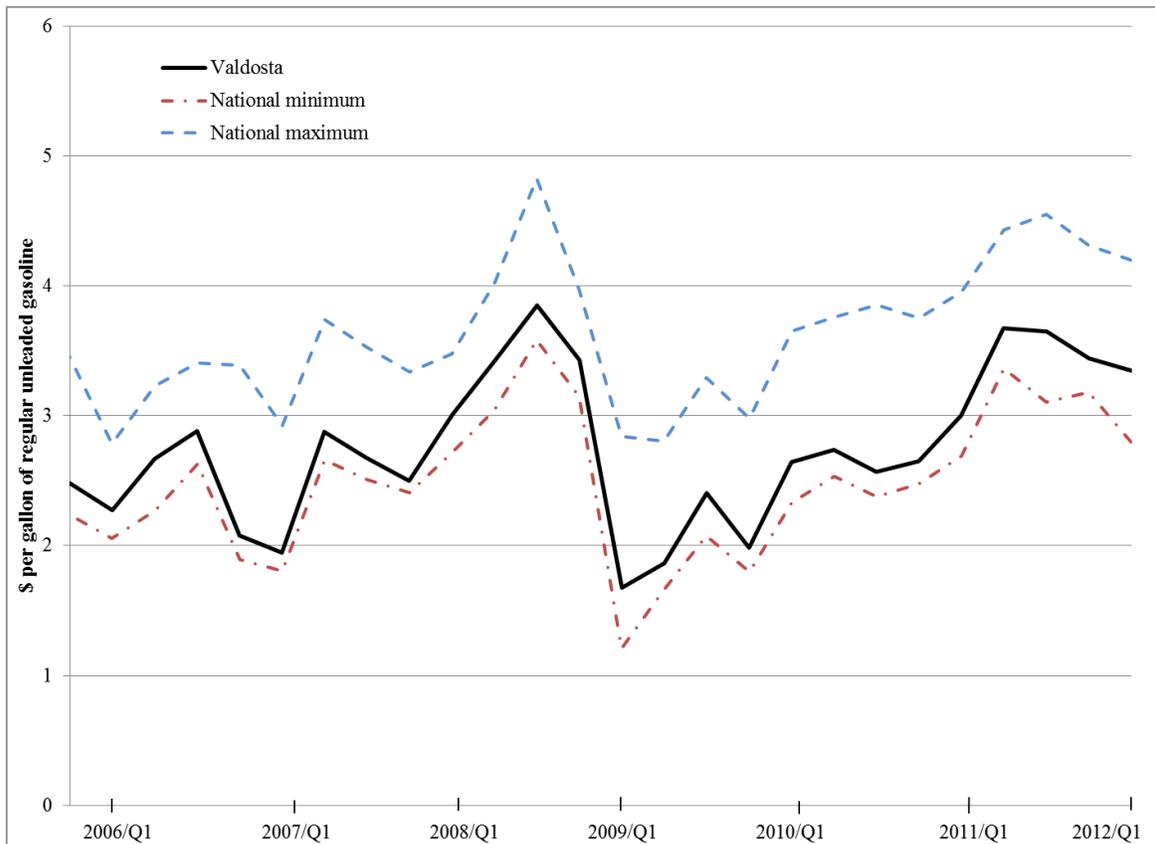
	Composite Index	Grocery	Housing	Utilities	Transportation	Health Care
Albany	91.7	108.7	79.2	86.5	97.6	92.4
Atlanta	98.1	107.9	85.8	96.1	109.1	99.4
Marietta	98.4	97.3	93.7	95.4	104.7	101
Augusta	92.7	95.5	75.9	96.4	108.5	90.2
Douglas	90.3	103.9	73.1	104.1	92.3	87.3
Savannah	90.0	97.8	70.7	106.6	97.2	94.4
Valdosta	95.9	103.4	86.9	105.2	99.5	109.6
Average	93.9	102.1	80.8	98.6	101.3	96.3

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 less demand arising from weak economic conditions in the U.S. and around world, current gas prices are, again, approaching the recent peak reached during the 2008 hurricane season. Valdosta average gas prices, \$3.344 per gallon consistently stay within the minimum-maximum range [\$2.794-\$4.200 per gallon], quite a bit closer to the minimum average price than the maximum average.

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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 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 first quarter of 2012, 306 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.)

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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.

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