

Cost of Living Comparisons: Valdosta, Georgia, and the Nation
Second Quarter 2009
August 15, 2009



Overview

In the second quarter of 2009, survey data suggest that the cost of living for “middle management” households in Georgia communities is about 9.1 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 90.9 cents. Valdosta, Georgia’s cost of living is slightly higher than the Georgia state average, with Valdosta residents required to spend about 92.6 cents for each dollar required to maintain the living standards of the average U.S. household. This is not a major change from last quarter. Among metropolitan areas, the cost to live in Marietta is the highest in Georgia, but is still below the national average.

In 2008, we saw that Atlanta was the most expensive city in the state in which to live. This pattern continues into 2009, as the data suggest that Marietta and Atlanta continue to be the most expensive Georgia cities to participate in the cost of living survey.

The principal reason for the relatively lower living cost in Georgia remains the relatively lower prices in the state’s housing sector, which combines information on recent sales of new houses, local apartment rents, and local home mortgage rates. Recent news headlines by the National Association of Realtors (NAR) on August 12, 2009 proclaim that median home prices fell a record 15.6 percent during the second quarter compared to the same quarter in 2008. But, compared to the first quarter of 2009, median home prices increased 4 percent, up to \$174,100 from \$167,300. Homebuyers continue to respond to increased home affordability (lower interest rates) and often discounted prices of foreclosure properties and short sales. As a result, some areas like Cape Coral, FL recorded a 52.8 percent decline in median home prices from the first quarter to the second quarter of 2009, whereas others areas like Davenport, IA experienced a 30.6 percent increase in existing median sales prices compared to the first quarter of 2009. But, we should continue to see decreases in sales prices in some metropolitan areas as long as foreclosure properties remain a relatively large percentage of all home sales.

Cost of Living Comparisons: Valdosta, Georgia, and the Nation
 Second Quarter 2009
 August 15, 2009

Results for the Nation

Table 1 shows the ten most and least expensive urban areas in the second quarter of 2009. Not surprisingly, we see that the “usual suspects” are among the top ten most expensive urban areas, including New York, Honolulu, San Francisco, and down to Nassau County, NY. 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 top ten least expensive urban areas that participated in the cost of living index survey. Douglas, GA tops the list this quarter as the least expensive area in the nation. This placement is driven by the low Housing index followed by Miscellaneous Goods and Services and Health Care.

**Table 1. The Ten Most and Least Expensive Urban Areas
 in the ACCRA Cost of Living Index (COLI)
 Second Quarter 2009
 National Average for 320 Urban Areas = 100**

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	New York (Manhattan) NY	217.5	1	Douglas GA	83.4
2	New York (Brooklyn) NY	176.4	2	Pryor Creek OK	83.8
3	Honolulu HI	164.9	3	Springfield IL	84.3
4	San Francisco CA	162.7	4	Pueblo CO	84.5
5	New York (Queens) NY	157.7	5	Broken Arrow OK	84.9
6	San Jose CA	156.1	6	Martinsville-Henry County VA	85.5
7	Truckee CA	148.4	7	Fort Smith AR	85.6
8	Stamford CT	147.6	8	Harlingen TX	85.8
9	Orange County CA	147.3	9	Garden City KS	86.0
10	Nassau County NY	144.6	10	Joplin MO	86.1

Then, in honor of the current health care debates going on in Congress and the Obama Administration, C2ER reports the most and least expensive places for health care. C2ER collects data on 5 separate items to represent the health care component of the index. Table 2 shows the five most and least expensive places for health care.

Table 2. The Five Most and Least Expensive Places for Health Care
Second Quarter 2009
Average for 320 Urban Areas = 100

Most Expensive			Least Expensive		
Ranking	Urban Areas	Index	Ranking	Urban Areas	Index
1	Fairbanks AK	144.0	1	Dothan AL	79.9
2	Juneau AK	140.3	2	Cedar City UT	81.7
3	New York (Manhattan) NY	130.4	3	Hastings NE	82.0
4	Kodiak AK	129.1	4	Hot Springs AR	83.7
5	Anchorage AK	125.3	5	Joplin MO	84.5

Results for the Atlanta Metropolitan Statistical Area

How does Atlanta compare to the U.S. average? Table 3 shows that the Atlanta Metropolitan area is about 6.8 percent less costly than the average urban area that participated in the second quarter 2009 survey. Comparing Georgia urban areas with the most expensive urban areas listed in Table 1, we see that the Georgia composite indexes are much lower than the most expensive urban areas. This suggests that Atlanta and the rest of Georgia remain well positioned to accommodate new migrants to the area if the correct mix of jobs is present there.

Results for the Valdosta Metropolitan Statistical Area

Locally, new migrants are being attracted to the Valdosta area. As of today, the Triple Crown Hometowns retiree attraction initiative has attracted more than 250 retiree households to Lowndes County. Coupled with the thousands of new jobs attracted to the county through the efforts of the Valdosta-Lowndes County Industrial Authority, certainly this area is experiencing an influx of new residents (although at a much slower pace recently). In addition to new job creation and retiree household attraction, certainly there are other causes of new migration to this area. The most visible cause might be the high cost of insurance and relatively high tax rates in nearby states, although measures are being considered to lessen the impact of insurance costs on Florida residents. Regardless, Florida has been classified by a recent United Van Lines migration study as an “outbound” state, suggesting that more households are moving out of Florida instead of into Florida. In that same report, Georgia was classified as an “inbound” state.

As Table 3 indicates, Valdosta’s cost of living is approximately 7.4 percent below the national average. But, how does Valdosta’s cost of living compare with other Georgia cities? Table 3 suggests that Valdosta has a cost of living that is slightly higher than the average of all Georgia cities included in the survey. Note, however, that cities like Rome, which historically have relatively lower costs of living, did not participate in this survey. Valdosta’s cost of living, regardless, remains relatively low principally because of relatively low prices in housing and utilities.

Cost of Living Comparisons: Valdosta, Georgia, and the Nation
 Second Quarter 2009
 August 15, 2009

For Valdosta, the housing index of 86.5 suggests that housing costs are 13.5 percent less than the average house price for all urban areas in this survey (\$299,014). The housing index is low for Valdosta partly due to the slowdown in demand for newly constructed homes in Lowndes County. However, building permit data suggest that increased demand for home construction relative to the construction activity of the last few quarters may be right around the corner.

Notice, too, that the NAR reports the U.S. median sales price of existing single-family homes in the second quarter of 2009 to be \$174,100, 15.6 percent lower than the second quarter 2008 median home price. What accounts for this decrease is “distressed sales”, which, according to the NAR, are pulling down the median price by about 20 percent. The difference in sales prices can be attributed to the difference in methodologies used by C2ER and the NAR. C2ER bases home prices on a standardized newly constructed home with 2,400 square feet (and other features) whereas the NAR uses the sales of all existing homes, no matter what the size or location. So, two different methodologies do result in two different estimates of home sales prices.

Table 3. Indices for Georgia Metropolitan Statistical Areas

	Composite Index	Grocery	Housing	Utilities	Transportation	Health Care
Albany	91.5	110.5	72.6	80.3	94.5	91.2
Americus	87.2	98.0	71.9	90.6	100.0	107.2
Atlanta	93.2	103.3	85.6	83.0	99.5	103.2
Marietta	93.9	96.0	85.0	89.0	93.3	104.4
Augusta	92.0	110.8	80.9	87.8	91.5	98.1
Douglas	83.4	96.6	63.8	105.9	88.6	87.4
Savannah	93.6	94.1	86.1	90.4	96.1	96.9
Valdosta	92.6	103.6	86.5	89.9	92.5	99.0
Average	90.9	101.6	79.1	89.6	94.5	98.4

Useful City Comparisons

The cost of living data tell us that the Composite Index for Austin, Texas is 96.6; for Valdosta, GA it is 92.6. Using this information, we can answer these questions:

1. What is the Valdosta salary that is equivalent to a Austin salary of \$50,000?
2. What is the Austin salary that is equivalent to a Valdosta salary of \$50,000?

If you earn \$50,000 per year in Austin, the salary in Valdosta required to maintain your Austin standard of living would be \$47,929. However, if you earn \$50,000 per year in Valdosta, you would need to earn \$52,159 in Austin to maintain the same standard of living. 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. Table 4 below shows how to calculate the equivalent salaries in these two cities. Note that the formula in Table 4 can be used to compare any of the indices presented here (i.e. health care, transportation, utilities, housing, and groceries) between cities of

Cost of Living Comparisons: Valdosta, Georgia, and the Nation
 Second Quarter 2009
 August 15, 2009

interest. This kind of information is very useful to households considering a move to a different part of the country.

Table 4. Cost Comparison for Valdosta, GA and Austin, TX

Austin, TX to Valdosta, GA			
	(92.6 * \$50,000)/96.6	=	\$ 47,929.61
Valdosta, GA to Austin, TX			
	(96.6 * \$50,000)/ 92.6	=	\$ 52,159.83

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 C2ER (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 second quarter of 2009, 320 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.

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.

For additional information, please contact:

Dr. Clifford A. Lipscomb
 Director, Center for Business and Economic Research
 Department of Marketing and Economics
 Langdale College of Business Administration
 Valdosta State University
 1500 N. Patterson Street
 Valdosta, GA 31698-0075
 Phone: 229-245-3774
 Fax: 229-245-2248
 E-mail: calipscomb@valdosta.edu