



VALDOSTA STATE UNIVERSITY

CENTER *for* BUSINESS & ECONOMIC RESEARCH

Overview

In the second quarter of 2010, survey data suggest that the cost of living for “middle management” households in Georgia communities is about 8.2 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 91.8 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 quarter.

Among metropolitan areas, the cost to live in the Atlanta-Sandy Springs-Marietta metropolitan area (which covers several counties in North Georgia) is the highest in Georgia; but it is still below the national average. (According to survey results, Valdosta is the second most expensive metropolitan area within the state of Georgia.)

Despite rising health care costs, the principal reason for the relatively lower living cost 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.

The most significant event regarding the housing market in the second quarter was the April 30 deadline of the home buyer tax credit program. Thanks to the program home sales started out strong in the second quarter, however, we already see some signs that sales activity decreased significantly again after the deadline. (The final verdict of the full impact of the home buyer tax credit program is still out since those who entered a binding contract by April 30 and close before September 30 may still be eligible for the tax credit). Even though mortgage rates are still favorable to buying, The National Association of Realtors (NAR) Chief Economist, Lawrence Yun said that “economic uncertainty is still clouding the buying opportunity.” In line with this, The Conference Board, an independent private economic research organization, reported that after several consecutive months of increase, the Consumer Confidence Index, an index constructed by a random survey of 5000 households, declined sharply again in June. As the unemployment rate stayed above 9% throughout the second quarter of 2010, consumers started to grow even more pessimistic about the short-term outlook of the economy again.

The Bureau of Economic Analysis estimated that in the second quarter of 2010 real GDP was 1.6% higher than a year earlier. This meant that growth slowed down considerably from the relatively strong annual growth rate of 3.7% in the first quarter.

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Results for the Nation

Table 1 shows the ten most and least expensive urban areas in the first quarter of 2010. Not surprisingly, there is very little change in the top ten most expensive urban areas compared 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 top ten least expensive urban areas that participated in the cost of living index survey. Unlike in previous quarters, in the second quarter of 2010 no metropolitan area from Georgia appears on the ‘Least Expensive’ list.

**Table 1. The Ten Most and Least Expensive Urban Areas
 in the ACCRA Cost of Living Index (COLI)
 Second Quarter 2010
 National Average for 314 Urban Areas = 100**

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	New York (Manhattan)	209.7	1	Harlingen TX	81.8
2	New York (Brooklyn)	177.7	2	Pryor Creek OK	84.4
3	Honolulu HI	166.7	3	Salina KS	84.6
4	San Francisco CA	162.5	4	Springfield IL	85.6
5	New York (Queens)	155.8	5	McAllen TX	85.9
6	San Jose CA	153.5	6	Wichita Falls TX	85.9
7	Stamford CT	146.5	7	Brownsville TX	86.0
8	Orange County CA	144.8	8	Johnson City TN	86.0
9	Nassau County NY	144.8	9	Cookeville TN	86.2
10	Truckee-Nevada County CA	143.9	10	Pueblo CO	86.4

Potato Prices

Each quarter, C2ER collects more than 90,000 prices from communities across the U.S. for the Cost of Living Index. According to the data surveyed, there is wide regional variation in potato prices. This is reflected in Table 2, which lists the most and least expensive places to buy potatoes. Important for our area, in the second quarter of 2010, Valdosta was the second most expensive urban area to buy potatoes with Bradenton, Florida being the most expensive. While the urban average was \$2.80, a five-pound bag of potatoes cost \$5.99 in Valdosta.

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Table 2. The Five Most and Least Expensive Places to Buy a Five-Pound Bag of Potatoes by Average Price

Second Quarter 2010

Average for 314 Urban Areas = \$2.80

Most Expensive			Least Expensive		
Ranking	Urban Areas	Price	Ranking	Urban Areas	Price
1	Bradenton FL	\$6.04	1	Los Alamos NM	\$1.50
2	Valdosta GA	\$5.99	2	Cedar City UT	\$1.52
3	Honolulu HI	\$5.95	3	Davenport-Moline-Rock Is IA-IL	\$1.54
4	New York (Manhattan) NY	\$5.09	4	Kansas City MO-KS	\$1.54
5	Pittsburgh PA	\$4.09	5	Vancouver WA	\$1.56

Results for the Valdosta Metropolitan Statistical Area

Table 3 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 relatively low principally because of relatively low prices in housing and utilities.

For Valdosta, the housing index of 88.1 suggests that housing costs are 11.9 percent less than the average house price for all urban areas in this survey (\$294,974). (A new CBER report, due out in September, discusses the local property markets in great detail.) Right now the real estate market is slow but if mortgage rates stay at current historically low levels we expect an increase in activity in the local real estate market (just like for the rest of the nation) once labor market conditions improve.

Table 3. Indices for Georgia Metropolitan Statistical Areas

	Composite Index	Grocery	Housing	Utilities	Transportation	Health Care
Albany	88.9	106.5	74.8	81.0	96.3	87.0
Americus	89.1	104.0	75.5	85.8	97.5	100.7
Atlanta	96.0	96.3	89.9	84.8	97.4	104.0
Augusta	92.2	103.3	80.6	90.4	92.2	102.1
Douglas	88.1	103.7	67.7	96.3	91.2	92.1
Savannah	93.1	94.0	85.1	90.8	97.0	100.5
Valdosta	95.0	114.8	88.1	88.0	96.8	105.9
Average	91.8	103.2	80.2	88.2	95.5	98.9

Random Comparisons

The cost of living data tell us that the Composite Index for Fresno, CA is 118.5; for Valdosta, GA it is 95. Using this information, we can answer these questions:

1. What is the Valdosta salary that is equivalent to a Fresno salary of \$50,000?
2. What is the Fresno 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 \$40,084 in Valdosta to maintain the same standard of living as someone

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making \$50,000 in Fresno, CA. On the other hand someone having a salary of \$50,000 per year in Valdosta would need \$62,368 in Fresno to maintain the same standard of living. 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 interest. This kind of information is very useful to households considering a move to a different urban area.

Table 4. Cost Comparison for Valdosta, GA and Fresno, CA

Fresno, CA to Valdosta, GA
$\$50,000 * (95/118.5) = \$40,084.39$
Valdosta, GA to Fresno, CA
$\$50,000 * (118.5/95) = \$62,368.42$

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 2010, 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 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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