



VALDOSTA STATE UNIVERSITY

CENTER *for* BUSINESS & ECONOMIC RESEARCH

Overview

The second quarter of 2012 survey comparing relative costs of living for “middle management” households among U.S. metropolitan areas and cities shows that it costs 6.9 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 93.1 cents. Valdosta’s cost of living is higher than the Georgia state average, with Valdosta residents required to spend about 97.4 cents for each dollar required to maintain the living standards of the average U.S. household.

Among Georgia metropolitan areas and cities, Marietta has the highest cost of living, the Valdosta area ranked second, and Atlanta in third place this quarter. In the previous quarter, the highest three rankings were Marietta, Atlanta, and Valdosta. The primary reason for Valdosta’s ranking is price fluctuation in the housing sector. The housing sector includes information on recent sales of new homes, local apartment rents, and local home mortgage rates. The housing index for Valdosta has increased almost 6.3% from the first quarter of 2012. On the other hand, the housing index for Atlanta has decreased 5.8% from the first quarter of the same year.

The primary reason for the relatively lower living costs in Georgia is the relatively lower prices in the state’s housing sector: Georgia’s housing sector costs are 19.3% lower than the national average.

Overall Economy

Economic growth in the United States is still weak and sluggish in the second quarter. According to the estimates released by the Bureau of Economic Analysis (BEA), real gross domestic product (RGDP) increased at annual rate of 1.7% in the second quarter of 2012, after increasing 2.0% in the first quarter. Even though the unemployment rate decreased slightly, from 8.3% to 8.2%, the nation’s average monthly job creation was still below analysts' estimates of 100,000-125,000 jobs. It is quite likely that the unemployment rate will remain over 8% through 2012.

Cost of Living Comparisons: Valdosta, Georgia, and the Nation
Second Quarter 2012

Cost of Living Comparisons for the Nation

Table 1 shows the ten most and least expensive of the 300 urban areas participating in the in the second quarter study. As shown in Table 1, the after-tax cost for a professional/managerial standard of living ranged from more than twice the national average in New York (Manhattan), to just over 18 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, and San Francisco. Recall that the national average cost of living index equals 100, which means 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. As in previous quarters, several of the least expensive urban areas are located in Texas. For the second quarter of 2012, no metropolitan area from Georgia appears on either the ‘Least Expensive’ or ‘Most Expensive’ list. Overall, Valdosta ranks as the 113th most expensive metropolitan area (out of 300 areas participating in the study), with a composite index of 97.4. It should be noted that Valdosta’s ranking in the first quarter of 2012 was 174th out of 306 metro areas with a composite index of 95.9.

**Table1: The Ten Most and Least Expensive Urban Areas
in the Cost of Living Index (COLI)
Second Quarter 2012
National Average for 300 Urban Areas = 100**

Most Expensive			Least Expensive		
Ranking	Urban Areas	COLI	Ranking	Urban Areas	COLI
1	New York (Manhattan) NY	233.5	1	Harlingen TX	81.6
2	New York (Brooklyn) NY	183.4	2	Wichita Falls TX	84.7
3	Honolulu HI	170.8	3	McAllen TX	85.4
4	San Francisco CA	163.2	4	Muskogee OK	85.7
5	San Jose CA	156.5	5	Norman OK	86.0
6	New York (Queens) NY	151.4	6	Fayetteville AR	86.1
7	Stamford CT	146.7	7	Memphis TN	86.6
8	Washington DC	145.5	8	Ardmore OK	86.9
9	Framingham-Natick MA	143.0	9	Springfield IL	87.0
10	Orange County CA	142.5	10	San Marcos TX	87.0

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. One of the components in the index is groceries, and C2ER collects data on 26 separate items. These items range from ground beef to canned peach halves. With drought-related food price increases a big part of the national media attention, Table 2 shows the communities with the most and least expensive food costs as measured by the grocery

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item index number. Again, the average grocery index for all participating communities is 100. Therefore, the index of 162.4 in Honolulu, HI means their grocery index is 62.4 % more than the average of all communities. The five least expensive areas for groceries are all located in Texas. Out of the 300 participating areas, Valdosta ranks as the 66th most expensive areas to buy groceries, with an index of 105.1. Again, this is a significant change, as Valdosta’s ranking in the first quarter was 79th, with an index of 103.4.

**Table 2: The Five Most and Least Expensive Places for Grocery Items
Second Quarter 2012
Average for 300 Urban Areas = 100**

Most Expensive			Least Expensive		
Ranking	Urban Areas	Index	Ranking	Urban Areas	Index
1	Honolulu HI	162.4	1	San Antonio TX	81.9
2	Kodiak AK	150.9	2	Harlingen TX	82.3
3	New York (Manhattan) NY	149.8	3	Round Rock TX	82.9
4	Fairbanks AK	135.4	4	Temple TX	83.5
5	Juneau AK	133.2	5	Waco TX	83.5

Lipitor Prices, a Generic Impact?

Each quarter, C2ER collects price data from communities across the US for the Cost of Living Index. This quarter is the second quarter requiring data collectors to report generic as well as name-brand prices for Lipitor to see what impact, if any, generic pricing has. Below is a list of the five most and least expensive places to buy a 30-tablet Lipitor prescription.

**Table 3: The Five Most and Least Expensive Places for Lipitor
Second Quarter 2012
National Average for 300 Urban Areas = 175.42**

Most Expensive			Least Expensive		
Ranking	Urban Areas	Price	Ranking	Urban Areas	Price
1	Fitchburg-Leominster MA	\$213.99	1	Raleigh NC	\$115.08
2	Nassau County NY	211.38	2	Blacksburg VA	129.30
3	Bergen-Passaic NJ	209.99	3	Marion-McDowell County NC	131.96
4	Middlesex-Monmouth NJ	209.99	4	Yakima WA	133.04
5	Newark-Elizabeth NJ	209.74	5	Danville City VA	133.68

Results for the Valdosta Metropolitan Statistical Area

Table 4 suggests that Valdosta has a cost of living that is approximately 2.6% below the national average. Valdosta’s cost of living still 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.

For Valdosta, the housing index of 92.4 suggests that housing costs are 7.6% less than the national average house price (\$286,186) for the 300 areas participating this quarter. Compared to the other participating Georgia cities, Valdosta’s housing sector is

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the most expensive. Unfortunately, the Valdosta metro area also ranks highest among Georgia metro areas in utility and health care costs. On grocery and transportation costs, Valdosta is ranked third in the state.

According to the Georgia Department of Labor, the unemployment rate in the Valdosta area is 8.6 %, 0.4% above the national average. This is unchanged from the first to the second quarter. As mentioned previously, the economy remains weak, and the recovery is sluggish, slower than normal when coming out of a recession.

Table 4: Indices for Georgia Metropolitan Statistical Areas

	Composite Index	Grocery	Housing	Utilities	Transportation	Health Care
Albany	90.8	105.6	78.0	87.1	97.0	91.0
Atlanta	96.0	105.1	80.8	94.7	108.1	103.9
Marietta	98.2	99.1	91.8	97.3	103.9	98.6
Augusta	89.7	94.2	77.0	97.9	97.5	81.2
Savannah	90.0	96.9	72.5	104.3	98.1	87.4
Valdosta	97.4	104.8	92.4	107.6	98.7	104.9
Average	93.1	100.5	80.7	98.2	100.5	94.9

Random Comparisons

The cost of living data tells us that the Composite Index for Manhattan, NY is 233.5; while for Valdosta, GA it is 97.4. Using this information, we can answer the following questions:

1. What is the Valdosta salary that is equivalent to a Manhattan salary of \$50,000?
2. What is the Manhattan 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. As shown in the table below, an individual would only need about \$20,856.53 in Valdosta to maintain the same standard of living as someone making \$50,000 in Manhattan, NY. On the other hand someone having a salary of \$50,000 per year in Valdosta would need \$119,866.53 in Manhattan to maintain the same standard of living. Table 5 below shows how to calculate the equivalent salaries in these two cities. Note that the formula in Table 5 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 5: Cost Comparison for Valdosta, GA and Manhattan, NY

Manhattan, NY to Valdosta, GA		
$\$50,000 * (97.4 / 233.5)$	=	\$ 20,856.53
Valdosta, GA to Manhattan Metro, NY		
$\$50,000 * (233.5 / 97.4)$	=	\$ 119,866.53

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Table 6: Cost Comparison for Valdosta Metro, GA and Hattiesburg, MS

Hattiesburg, MS to Valdosta, GA			
	$\$50,000 * (97.4 / 95.9)$	=	\$ 50,782.06
Valdosta, GA to Hattiesburg, MS			
	$\$50,000 * (95.9 / 97.4)$	=	\$ 49,229.97

According to the information in table 6, an individual making \$50,000 per year in Hattiesburg, MS would need \$782.06 more in order to maintain the same standard of living in Valdosta. Conversely, an individual earning \$50,000 in Valdosta would need \$770.03 less in Hattiesburg.

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 second quarter of 2012, 300 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.)

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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