

ECONOMIC INSIGHTS

AUGUST 22, 2025



Dr. Marci Rossell
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*Leading Real Estate
Companies of the World®*

MARCI'S TOP FIVE ECONOMIC INSIGHTS FOR THE MONTH

1. **AGI Will Change the Workforce— But When?**

While today's AI tools are agentic, the next big leap in technology will be Artificial General Intelligence (AGI), a currently hypothetical stage in machine learning where it matches human thinking. However, the timeline of when AGI will be achieved is unclear; it could be two years or fifteen years, Dr. Rossell said. AGI would make the biggest difference in our economy because it would truly be able to replace junior-level professionals in fields like law, accounting, and consulting.

Dr. Rossell said AI may replace certain roles, but human preference, judgement, trust, and taste still matter. Relationships and human connection will remain important in industries like real estate, healthcare, and education.

2. **AI's Economic Impact Is Real, But Still Developing**

Up to this point, AI has mostly been a stock market and data center buildout phenomenon, Dr. Rossell said. The "Magnificent Seven" tech stocks—Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla—dominate the S&P 500, and data center construction accounts for half of recent U.S. GDP growth.

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But there's sometimes a time lag between stock market enthusiasm for infrastructure buildout and a technology's real-world application, Dr. Rossell said. Dr. Rossell drew comparisons to the dot-com era, when telecom stocks like Cisco were extremely popular. They were providing the infrastructure for the internet, but it took fifteen more years, from 1995 to 2010, before the promise of the internet was a reality.

Dr. Rossell said we're living in one of those stock market moments right now, where the companies responsible for the infrastructure of AI are seeing gains, but the timeframe for AI evolution remains uncertain. How AI is going to transform and make businesses more profitable is not apparent yet, Dr. Rossell said.

3. **The 2030s Will Be a Transition Decade**

The 2030s are likely to be a period of major transition as society adapts to AI's full potential. Dr. Rossell likened it to the Industrial Revolution—an era of disruption and reinvention. Jobs will be both created and destroyed, and legal, economic, and social frameworks will need to evolve. If managed well, the 2040s could usher in a new era of prosperity and innovation.

4. **Bottlenecks Could Slow AI's Adoption**

Despite the excitement, AI faces real constraints: limited chip production, rising electricity costs, and regulatory infrastructure lag. Data centers powering new AI technologies are driving up power prices—up 9% on average across the U.S. in just six months—as they compete with households for energy. These pressures, along with potential public backlash, could delay AI's broader rollout and integration, Dr. Rossell said.

5. **AI's Capital Demands Are Reshaping Long-Term Interest Rates**

Interest rates have been on a steady decline for decades, with many in the industry witnessing historically low mortgage rates over the past 30 to 40 years. However, the rise of AI—an extremely capital-intensive sector—is shifting that trend. As global investment pours into AI and other capital-heavy industries, the demand for funding increases, putting upward pressure on interest rates.

This shift suggests that the era of 3-5% mortgage rates may be behind us, Dr. Rossell said. Even in a recession, long-term rates are shaped by global capital markets, which are currently heavily invested in AI infrastructure. While the Federal Reserve can adjust short-term rates, the broader forces driving long-term rates are likely to keep them elevated.

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