

ECONOMIC INSIGHTS

SEPTEMBER 19, 2025



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MARCI'S TOP FIVE ECONOMIC INSIGHTS FOR THE MONTH

1. **The Fed's First Rate Cut in Nine Months Reflects Job Market Concerns**

The Federal Reserve cut rates by 25 basis points for the first time in nine months, aiming to move toward a more neutral policy stance. The decision was driven by signs of labor market weakness rather than inflation concerns, as inflation has eased but remains above the 2% target.

Markets anticipate one to two additional cuts this year, but these would likely occur if job growth continues to slow, Dr. Rossell said. While lower rates may benefit housing and investment, they could also indicate underlying economic softness rather than robust growth.

2. **Stock Market Gains Concentrated in AI Sector**

The stock market is up about 10% this year, outperforming the historical average despite early volatility from tariff uncertainty. Tariffs jumped from 2% to 15%, but investors appear to believe these measures may not hold up legally, easing fears of long-term disruption, Dr. Rossell said.

While the overall performance looks healthy, most of the gains are concentrated in ten AI-driven technology stocks, creating a "two-speed economy" where AI thrives while other sectors remain flat. Heavy investment in AI infrastructure, especially data centers, is also keeping long-term interest rates elevated even as the Fed cuts short-term rates.

This webinar was recorded on September 19, 2025. Please note that economic conditions and related information may have changed since the date of recording.

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3. **Housing Market Shows Regional and Price-Point Divergence**

The U.S. housing market is showing highly regional and price-tier variability rather than a uniform trend. Luxury markets in the Northeast and Midwest are strong, while high-end sales in the South and West have softened. In contrast, affordable segments in the South and West are performing well, with some Western markets seeing notable growth. These differences highlight that housing dynamics are influenced by more than just interest rates, Dr. Rossell said. Factors like local economic conditions and post-COVID migration shifts play a major role.

4. **Wealth Effect and Post-COVID Shifts Shape Housing Demand**

Much of today's housing market variability reflects the tail end of pandemic-driven relocations, as regions that saw big inflows during COVID now experience outflows, Dr. Rossell said. Additionally, stock market gains are boosting luxury housing demand through the wealth effect, where rising asset values encourage higher spending. Overall, the housing market remains complex and segmented, driven by regional dynamics, demographic shifts, and broader economic forces beyond borrowing costs.

5. **Global Growth Outlook Brightens Despite Tariff Uncertainty**

The global economy is proving resilient, with the International Monetary Fund projecting 3% growth for the year, a pace that once took a century to achieve before the Industrial Revolution, Dr. Rossell said.

A weaker U.S. dollar—down about 10% as the Fed shifts to rate cuts—is fueling this optimism. Lower U.S. rates are redirecting capital to emerging markets like Brazil, Argentina, Indonesia, the Philippines, Vietnam, and Thailand, reversing the strain caused by a strong dollar. Rather than a global crisis, this is a rebalancing that could support growth in developing economies while easing financial pressures worldwide, Dr. Rossell said.

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