

Predictors of Company Value in the Property and Real Estate Sector on the Indonesian Stock Exchange for the Period 2022–2024

Felicia Sanjaya Sjim, Halim Putera Siswanto*

Universitas Tarumanagara, Indonesia

Email: feliciasanjaya17@gmail.com, halims@fe.untar.ac.id*

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Abstract

The property and real estate sector plays a strategic role in the Indonesian economy; however, it faces challenges related to capital intensity, market volatility, and fluctuating firm valuations, as reflected in the instability of Price-to-Book Value (PBV) in recent years. These conditions highlight the importance of understanding the key financial factors that influence firm value, particularly leverage, profitability, and firm size, which are often used by investors to assess company performance and risk. This research examines the influence of leverage, profitability, and firm size on firm value among property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The study applies a quantitative approach using secondary data derived from annual financial reports and employs a purposive sampling technique, yielding 39 firms and 117 observations. Data analysis is conducted using multiple linear regression to identify the effects of independent variables on firm value. The results indicate that leverage has a significant negative effect, profitability has no significant effect, and firm size has a significant negative effect on firm value. These findings suggest that the market responds more cautiously to higher debt levels and larger firm size, while profitability has yet to become the most determining factor in investor assessments during the observation period.

INTRODUCTION

A company's value is an important indicator that reflects its success in creating well-being for shareholders and, at the same time, serves as a measure of how the market assesses its future prospects (Al Amosh, 2025; Konieczny et al., 2023; Lessa et al., 2025; Mele et al., 2023; Pérez Estébanez & Sevillano Martín, 2025; Rajindra, 2024). Company value is becoming increasingly crucial in the property and real estate sectors, as these industries are capital-intensive, carry high risk, and are strongly influenced by macroeconomic dynamics and capital market conditions. Companies in this sector are required to manage their funding structures, operational efficiency, and growth strategies effectively in order to maintain investor confidence and increase firm value (Kurniawati & Setiawan, 2021).

The property and real estate sector plays a strategic role in the Indonesian economy as demand for housing and commercial space continues to rise (Astuti, 2023; Choliso & Lestari, 2026; Rahmawati et al., 2025; Rahmawati & Rukmana, 2022; Subagyo et al., 2023; Yurisafira et al., 2023). Population growth, urbanization, and increasing demand for long-term property investments make this sector highly relevant, despite intense competition and substantial funding requirements. In recent years, property companies have tended to be undervalued, as indicated by relatively low Price-to-Book Value (PBV) ratios. Figure 1

presents data for 2022–2024, showing significant fluctuations in PBV: at the beginning of the period, values were relatively high, but they later declined and briefly remained below 1 for several months in 2024 before recovering toward the end of the year. This undervaluation condition indicates that the market has not fully appreciated the performance of the property sector, even though long-term demand remains strong (IDX and processed by Researcher, 2025).

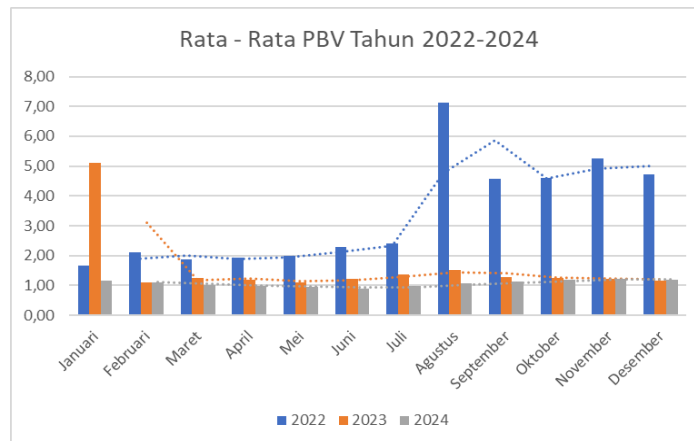


Figure 1. Average PBV in Real Estate and Property Companies 2022-2024
Source: IDX, processed by Researcher (2025)

The phenomenon of undervaluation is closely related to a company’s internal factors, especially its funding structure, profitability, and operational scale. Leverage reflects the extent of a company’s dependence on debt financing, which, on the one hand, can increase expansion opportunities but, on the other hand, adds financial risk. Profitability indicates a company’s ability to generate profits and serves as an important signal for investors regarding the effectiveness of its operations. Company size is often viewed as a reflection of stability and operational capacity; however, in the large-scale property sector, it is not always directly proportional to efficiency, especially during periods of weakening market cycles. These three factors are believed to have a direct influence on how the market determines a company’s value, particularly through the price-to-book value (PBV) indicator, which is a key concern for investors.

Although the influence of leverage, profitability, and company size on firm value has been extensively researched, prior findings remain inconclusive. Several studies by Kurniawati and Setiawan (2021) found a significant influence of leverage on firm value, while other studies (Darmawan et al., 2020) reported the opposite. This inconsistency also appears in the variables of profitability and company size, where some studies show positive, negative, or insignificant relationships. For example, Ramadhiani et al. (2024) found that profitability had a positive and significant effect on firm value, whereas Wijaya et al. (2021) reported contrary results. Regarding firm size, Wijayaningsih and Yulianto (2021) found a negative effect on firm value, while Diantimala et al. (2021) concluded that firm size did not have a significant effect. The variation in these findings indicates the presence of a research gap that needs to be addressed, particularly in the property and real estate sector, which has

distinct characteristics compared to other industries, such as high capital dependency and sensitivity to interest rate changes.

The 2022–2024 period was selected because it reflects the trajectory of the property sector from the post-pandemic recovery phase, through the pressure of interest rate hikes in 2023, to the stabilization process in 2024, when valuations remained relatively low. These dynamics provide a relevant context for reassessing how leverage, profitability, and firm size affect firm value during a period of uncertainty and structural change within the sector. Thus, examining these three variables is important for developing a more comprehensive understanding of the determinants of firm value in property and real estate companies in Indonesia.

This study aims to analyze the effect of leverage, profitability, and firm size on firm value in property and real estate companies listed on the Indonesia Stock Exchange during the 2022–2024 period. Specifically, this research seeks to identify the direction and significance of each variable in influencing firm value and to provide empirical evidence regarding the determinants of firm valuation in a dynamic economic environment. The contributions of this study are both theoretical and practical. Theoretically, it contributes to the development of financial management and corporate valuation literature by providing updated empirical evidence in the property and real estate sector, particularly under post-pandemic economic conditions. Practically, the findings are expected to offer insights for investors in making more informed investment decisions, especially in evaluating risk factors such as leverage and firm size. Additionally, this research may serve as a reference for company management in optimizing capital structure, improving operational efficiency, and formulating strategies to enhance firm value in the capital market.

METHOD

This study employed a quantitative research design using numerical data analysis to examine the influence of leverage, profitability, and firm size on firm value in the property and real estate sector. The population in this study included all property and real estate companies listed on the IDX during the 2022–2024 period. A population is defined as a complete set of units that share similar characteristics and serve as the basis for generalizing research results, based on the view of Sekaran and Bougie (2016). Based on this definition, this study determined all companies in the sector as the population because they were consistent with the variables analyzed.

Sampling was conducted using a purposive sampling method, which is a technique that applies specific criteria so that only companies meeting the requirements are included in the study. The sample selection criteria were as follows:

- 1) Property and real estate companies that were consistently listed on the IDX from 2022 to 2024.
- 2) Companies that regularly published their annual financial statements during the 2022–2024 period.
- 3) Companies that provided complete data related to the research variables, namely leverage (debt ratio), profitability, firm size, and firm value.
- 4) Companies that did not incur losses throughout the observation period.

Based on these criteria, this study obtained 39 companies as the sample. This number was consistent with the recommended sample size for quantitative research, which ranges from 30 to 500 units (Sekaran & Bougie, 2016). Data were analyzed using panel data regression, and processing was conducted using EViews 12. The research variables were measured using several indicators, as described below:

Table 1. Operationalization of Research Variables

No.	Variable	Indicators/Formulas	Units
1	<i>Leverage (X₁)</i>	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	Racing
2	<i>Profitability (X₂)</i>	$\frac{\text{Laba Bersih}}{\text{Total Aset}}$	Racing
3	<i>Company Size (X₃)</i>	Logaritma Natural(Total Aset)	Racing
4	<i>Company Value (Y)</i>	$\frac{\text{Harga Saham}}{\text{Book Value}}$	Racing

Source: Developed by the researcher based on financial management theory

RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 2. Descriptive Statistics

Statistic	PBV	DER	ROA	Firm Size
Mean	1.389678	0.687693	0.039366	28.97697
Median	0.732196	0.506186	0.026467	29.08259
Maximum	13.36939	4.231157	0.188966	31.96206
Minimum	0.141199	0.002286	0.000474	24.38909
Std. Dev.	1.878886	0.624924	0.039601	1.638570

Source: Data processed using EViews 12 (2025)

The results of the descriptive statistical analysis in Table 2 above show that the company's value has a fairly wide range, from 0.141199 to 13.36939, with an average value of 1.389678 and a standard deviation of 1.878886 as an indication of the dissemination of the data. In the leverage variable, the DER value was recorded between 0.002286 and 4.231157, with an average value of 0.687693 and a standard deviation of 0.624924 which illustrates the variation in the company's debt level. The profitability variable measured using ROA yielded values between 0.000474 and 0.188966, with an average value of 0.039366 and a standard deviation of 0.039601. Meanwhile, the size of the company calculated through the logarithm of total assets ranges from 24.38909 to 31.96206. This variable has an average value of 28.97697 and a standard deviation of 1.638570, which reflects the degree of spread of company size within the study sample.

Panel Data Model Selection

The determination of the model in this study was carried out by applying the Chow Test and the Hausman Test to ensure the approach that is most suitable for the characteristics of the data (Widarjono, 2017).

Chow Test

Table 3. Chow Test

Effect Test	Statistics	d.f.	Prob.
Cross-section F	13.775298	(38,73)	0.0000
Cross-section Chi-Square	241.563824	38	0.0000

Source: Data processed using EViews 12 (2025)

The results of data processing with *EViews* 12 show a probability value of 0.0000, which is below the significance limit of 0.05. For this reason, the most suitable model for this study is the *Fixed Effect Model (FEM)*.

Hausman Test

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistics	Chi-Sq. D.F.	Prob.
Cross-section random	9,003815	3	0,292

Source: Data processed with *EViews* 12 (2025)

The results of data processing through *EViews* 12 produced a probability value below 0.05. Thus, *the Fixed Effect Model (FEM)* is the most appropriate model to implement.

Classic Assumption Test

This study first evaluates the fulfillment of all classical assumptions. This step is necessary so that the quality of the data can be ensured and the estimation results obtained from the regression model will have an adequate level of reliability (Ghozali, 2018).

Normality Test

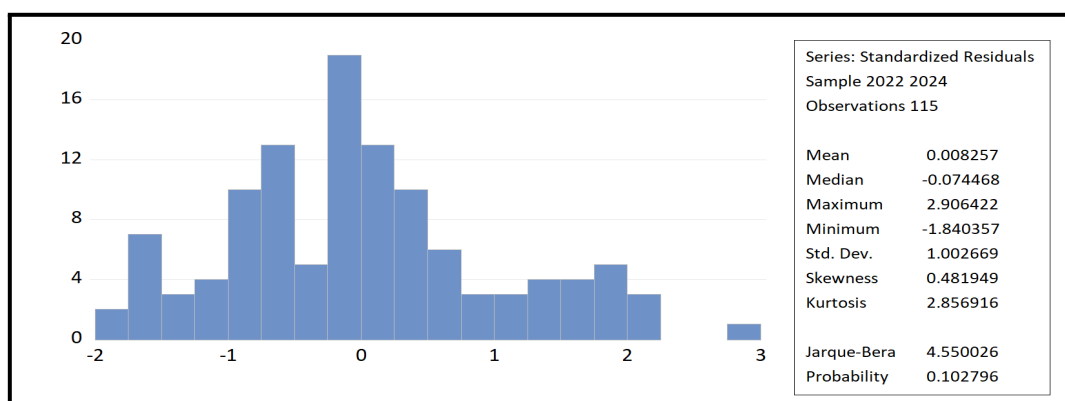


Table 2. Normality Test

Source: Data processed with *EViews* 12 (2025)

The test results in Table 2 show that the *value of Jarque Bera* reaches 0.102796. This value is above the significance level of 5%, so that the data distribution pattern can be stated to meet the assumption of data normality.

Multicollinearity Test

Table 6. Multicollinearity Test

Variable	DER	ROA	Firm Size
DER	1.000000	-0.062097	0.346532
ROA	-0.062097	1.000000	0.242871
Firm Size	0.346532	0.242871	1.000000

Source: Data processed using EViews 12 (2025)

Based on the analysis of the data contained in Table 6, all the coefficients of the relationship between the variables are recorded below the number 0.8. These findings indicate that the model does not experience multicollinearity issues.

Heteroscedasticity Test

Table 7. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.726728	5.508511	1.402689	0.1635
DER	0.042278	0.058908	0.717691	0.4745
ROA	-0.011004	0.038352	-0.286923	0.7747
Firm Size	-2.077101	1.624570	-1.278554	0.2037

Source: Data processed using EViews 12 (2025)

In the output table above, all independent variables have a profitability value above the significance limit of 0.05. This condition indicates that the existing regression model does not contain symptoms of heteroskedasticity, so the variance of the existing error can be considered homogeneous.

Autocorrelation Test

Table 8. Autocorrelation Test

Indicator	Value	Indicator	Value
R-squared	0.976111	Mean dependent var	-0.577146
Adjusted R-squared	0.962694	S.D dependent var	2.306171
S.E of Regression	0.4063356	Sum squared resid	12.05417
F-statistic	72.75185	Durbin-Watson stat	2.389124
Prob (F-statistic)	0.000000		

Source: Data processed using EViews 12 (2025)

In Table 8, the *Durbin Watson (DW)* value obtained is 2.389124, so it can be said that this research model does not contain autocorrelation issues.

Multiple Regression Analysis Results

To assess how *leverage (DER)*, profitability (*ROA*), and company size measured through *total* asset logs affect the company's value (*PBV*), multiple linear regression models are used.

Table 9. Multiple Linear Regression

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	21.03785	7.452460	2.822941	0.0061
DER	-0.168304	0.059855	-2.811838	0.0063
ROA	0.021530	0.023238	0.926517	0.3572
Firm Size	-6.342269	2.218025	-2.859422	0.0055

Effects Specification			
Indicator	Value	Indicator	Value
R-squared	0.976111	Mean dependent var	-0.577146
Adjusted R-squared	0.962694	S.D dependent var	2.306171
S.E of Regression	0.4063356	Sum squared resid	12.05417
F-statistic	72.75185	Durbin-Watson stat	2.389124
Prob (F-statistic)	0.000000		

Source: Data processed using EViews 12 (2025)

Based on the results of the multiple linear regression test, the double linear equation can be seen as follows: $PBV = 21.03785 - 0.168304 \text{ DER} + 0.021530 \text{ ROA} - 6.342269 \text{ FIRMSIZE}$

Based on the regression equation model, the conclusions that can be drawn are:

- When the leverage, profitability, and company size are zero, the PBV value is at 21.03785.
- An increase in DER by 1 unit, and other variables are considered constant, causing the PBV to decrease by 0.168304. And vice versa, a decrease in DER by 1 unit also has an impact on a decrease in PBV of the same amount.
- An increase in ROA by 1 unit, and other variables considered fixed, can increase the PBV by 0.021530. And vice versa, if the ROA decreases by 1 unit, then the PBV will also decrease by 0.021530.
- If the log total assets increase by 1 unit, and other variables are considered fixed, the PBV will decrease by 6.342269. And conversely, a decrease in the log of total assets by 1 unit will reduce the PBV by the same amount.

T-Test Results

Partial tests are useful to assess how much each independent variable contributes to the bound variable. If the probability value < 0.05 , then the independent variable has a significant influence on the dependent variable. In Table 9 above, the results of the partial test are obtained as follows:

- The results of data processing showed a DER coefficient of -0.168304. This value shows that any increase in the DER tends to lower the PBV. A probability value of 0.0063, which is below the 5% significance level, confirms that the influence is significant. Thus, the DER variable has a negative and significant effect on PBV.
- The results of data processing showed a ROA coefficient of 0.021530 which indicates a tendency for a positive influence of ROA on PBV. However, the probability value of 0.3572 is well above the 5% threshold, so the effect is not significant. Thus, the ROA variable does not have a positive and significant effect on PBV.
- The results of data processing showed that the Firm Size coefficient of -6.342269 indicates a negative relationship direction. A probability value of 0.0055 (which is below the significance level of 5%) shows that the influence is significant. Thus, the company size variable has a negative and significant effect on PBV.

F-Test Results

Simultaneous tests are used to assess whether all independent variables, namely DER, ROA, and Firm Size collectively have the ability to explain or predict the dependent variable, namely PBV. If the value of Prob (F-statistics) < 0.05 , then the free variable can predict the bound variable (Ghozali, 2018). In Table 9 above, the probability value (F-statistics) is 0.000000, which means it is smaller than the significance limit of 0.05. Thus, it can be interpreted that the DER, ROA, and Firm Size variables can simultaneously predict PBV variables.

Determination Coefficient Test Results (R²)

The determination coefficient test is carried out to assess how effective the independent variable is in explaining the variation in its dependent variable. In this study, the value of the determination coefficient was measured using Adjusted R². The closer this value is to 1, the better the independent variable will be in explaining the changes in its dependent variables (Ghozali, 2018). In Table 9 above, the Adjusted R² value obtained is 0.962694. This shows that 96.26% of the variation in PBV variables can be explained by the variables DER, ROA, and company size. Meanwhile, 3.74% of the variation in PBV variables was influenced by other variables not included in this study.

The Effect of Leverage on Company Value

The results show that leverage has a coefficient of -0.168304 with a probability value of 0.0063, so it has a significant negative effect on the company's value. This condition confirms that an increase in debt will be able to reduce the value of the company, because it is considered to increase financial risk and increase the cost burden. This perception of risk encourages investors to rate high-leverage companies less positively. These findings are in line with the Trade-Off Theory which states that excess debt can increase the potential for bankruptcy and depress the value of the company. The results of this study support the findings by Darmawan et al. (2020), but are different from Diantimala et al. (2021) who stated that debt does not affect the value of the company.

The Effect of Profitability on Company Value

Profitability shows a positive coefficient of 0.021530, but a probability value of 0.3572, higher than the significance limit of 0.05, so its effect on the company's value is insignificant. These findings explain that profitability has not been able to influence the value of the company in the context of this empirical research. Investors do not seem to make profitability levels the main predictor in valuing a company. Other factors such as leverage, company size, or growth prospects seem to play a greater role in shaping market perception. These results are in line with the findings by Wicaksono & Mispiyanti (2020) and Fernanda et al. (2025), but in contrast to Ramadhiani et al. (2024) who found the influence of profitability on company value.

The Effect of Company Size on Company Value

The results of data analysis in this study show that the size of the company has a negative coefficient of -6.342269 with a probability value of 0.0055, so that it has a negative and significant effect on the company's value. These findings indicate that the larger the scale of a company, the lower the market valuation of it. In the perspective of signalling theory, large size is not always seen as a positive signal because large companies are more susceptible to operational complexity, inefficiencies, and higher agency costs. This condition can cause an

unfavorable perception in the eyes of investors and have an impact on decreasing the company's value. The results of this study are in line with Wijayaningsih & Yulianto (2021), but contradict the findings of Ramadhiani et al. (2024) who stated that the size of the company does not affect the value of the company.

CONCLUSION

A study of 39 property and real estate companies listed on the IDX during 2022–2024 found that leverage and firm size had negative and significant effects on firm value, indicating that higher debt levels and larger scale were perceived by investors as increasing financial risk and potential inefficiencies, while profitability had no significant effect, suggesting that profit-generating ability was not the primary consideration in this sector. Overall, the findings indicate that the market places greater emphasis on risk and the effectiveness of asset management than on profitability when valuing real estate companies. Based on these results, future research is recommended to incorporate additional variables such as dividend policy, liquidity, business growth, and ownership structure, as well as to expand the scope across different sectors or longer time periods to obtain more comprehensive and stable findings. Additionally, companies should manage debt and assets more prudently to avoid negative investor perceptions, and investors can use these insights to better evaluate potential risks before making investment decisions.

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