Uncovering the Response of Property Stock Returns to Inflation, Interest Rates, and Exchange Rate Shocks 2021–2024

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Abstract
This research is based on the understanding that accounting functions as an economic language that reflects the influence of macroeconomic factors on company performance and value in the capital market. Fluctuations in stock returns in the property sector in Indonesia during the 2021–2024 period, amidst dynamics of inflation, interest rates, and exchange rates that are not always in line with theory or previous empirical findings, raise questions about the influence of these three variables on stock returns. This study aims to analyze the influence of inflation, interest rates, and exchange rates on stock returns of property companies listed on the Indonesia Stock Exchange using the Arbitrage Pricing Theory (APT) framework. A quantitative approach with a causal associative design was used in this study, with secondary data sourced from the Indonesia Stock Exchange and Bank Indonesia. The research sample consisted of two property sector issuers with monthly data for the 2021–2024 period. Data analysis was performed using the SEM-PLS method through the WarpPLS application. The results show that inflation and interest rates have no significant effect on stock returns, while the exchange rate has a negative and significant effect. These findings indicate that the property sector is more sensitive to exchange rate changes than other macroeconomic variables.

Keywords
Inflation, Interest Rates, Exchange Rates, Stock Returns.

INTRODUCTION

Accounting is essentially more than just an administrative tool or a mechanism for recording financial transactions in pairs, but rather a rational system that serves to describe economic relationships comprehensively. From a conceptual perspective, accounting is understood as an economic language with a logical structure, reasoning rules, and a scientific purpose to explain the dynamics of changes in value and wealth (Bloomfield, 2008). Thus, accounting not only records economic reality but also interprets and communicates information that forms the basis for economic and investment decision-making. This shift from a practical to a conceptual approach emphasizes the epistemological role of accounting in understanding how an entity's value and performance are influenced by broader economic factors (Sehuanes & Torres., 2023). In this context, the development of the capital market in Indonesia over the past two decades has provided a space for the actualization of accounting's function as a strategic economic communication instrument.

The property sector is a strategic sector in the national economy due to its multiplier effect on various other sectors, such as construction, banking, building materials, and employment (World Finance, 2024). Activity in this sector not only reflects the level of economic development but also serves as an indicator of public confidence in a country's economic stability. In Indonesia, property companies listed on the Indonesia Stock Exchange (IDX) play a significant role in providing long-term investment alternatives for investors and serving as a source of external financing for companies for project expansion (Katharina et al., 2021). However, stock price movements and returns in this sector are highly volatile and vulnerable to changes in macroeconomic variables such as inflation, interest rates, and exchange rates, which reflect national and global economic conditions.

The Indonesia Stock Exchange (IDX) plays a crucial role in connecting companies in need of funding with investors seeking returns on their investments. Stock returns are a key indicator for investors in assessing the extent to which their investments provide a return commensurate with the risks involved (Setiawan & Rosa, 2023). High and low stock returns reflect market perceptions of a company's performance and its response to changes in macroeconomic conditions (Fernanda & Suhendra, 2024).

High inflation tends to reduce people's purchasing power and increase production costs, thereby suppressing company profitability and reducing investor interest in risky assets such as stocks. In the context of the capital market, rising inflation also creates uncertainty regarding the real value of income and dividends received by investors, because the purchasing power of the resulting returns decreases (Jefry & Djazuli, 2020). In addition, uncontrolled inflation can encourage central banks to raise benchmark interest rates as a control measure, which ultimately increases borrowing costs for companies and slows investment activity.

Meanwhile, the interest rate policy set by Bank Indonesia serves as a monetary instrument to control inflation. However, interest rate increases often trigger a shift in investment from the stock market to safer instruments such as deposits or bonds (Majok et al., 2024). An increase in the benchmark interest rate (BI-Rate or BI7DRR) increases the rate of return on risk-free assets, so investors tend to shift their portfolios from high-risk stocks to instruments with fixed returns (Kasnelly & Habibah, 2025). This condition reduces demand for stocks, causes selling pressure in the capital market, and has the potential to reduce stock prices and returns. On the other hand, according, Sandi et al. (2024),the rupiah exchange rate against foreign currencies, particularly the US dollar, also has a significant impact on the performance of export-import oriented issuers. Exchange rate fluctuations can create translation risks, namely changes in the value of assets and liabilities in foreign currencies when converted to rupiah, as well as transaction risks, namely changes in the actual cash value due to differences in exchange rates when payments are made (Khazeh et al., 2024). Both risks can have a direct impact on company profits, especially for issuers with a high proportion of international transactions. The weakening of the rupiah exchange rate causes an increase in the cost of importing raw materials and foreign debt obligations, thereby suppressing profitability (Machmud, 2020) Conversely, according to Thorbecke (2021), for export-oriented companies, rupiah depreciation can actually increase revenue in rupiah because foreign sales results become more valuable.

Various previous studies have examined the relationship between macroeconomic indicators and stock returns on the IDX, but the results still show inconsistencies. Some studies found that inflation and interest rates have inconsistent effects on stock returns. According to research by Azar (2010), inflation has no effect on stock returns. In contrast to research by Martalena et al. (2023), inflation does affect stock returns. However, Chiang and Chen (2023), in their research found that inflation has no effect on stock returns. Research by Ghazanvi and Akram (2025), interest rates have a negative effect on stock returns. While research by Pamba (2025), states that interest rates have a positive effect on stock returns, but research by Purnamasari et al. (2025), found that interest rates have a negative effect on stock returns. The inconsistent effects of inflation and interest rates on stock returns are generally caused by differences in macroeconomic conditions, monetary policy, and investor behavior in each period and country. In some contexts, rising inflation and interest rates can be interpreted as signs of economic expansion and boost stock returns, but in conditions of cost pressures and monetary tightening, both can actually depress profitability and reduce investment appetite.

Meanwhile, the influence of exchange rates on stock returns is not always unidirectional. According to research by Mahmud and Rahman (2025), the exchange rate has no effect on stock returns, while Bhargava and Konku (2023), found that the exchange rate does affect stock returns. However, research by Dahir et al. (2017), assumes that the exchange rate has no effect on stock returns. This condition is caused by macroeconomic and monetary policy stability influencing investor perceptions. When rupiah depreciation occurs simultaneously with high inflation, investors perceive it as a risk

signal, but when accompanied by economic expansion, it can actually increase market confidence (International Monetary Fund, 2024). These differences in findings indicate that there is room for further research to review the influence of macroeconomic variables on stock returns in property companies, because the property sector is one of the sectors most sensitive to changes in macroeconomic variables, especially inflation, interest rates, and exchange rates, making it an ideal object for analyzing their influence on stock returns (Octovian et al., 2025). The findings of this study are expected to not only provide theoretical contributions to the development of macrofinance and capital market studies, but also provide practical implications for investors, investment managers, and policy makers in formulating investment strategies and economic policies that are adaptive to the dynamics of ever-changing macroeconomic variables.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Arbitrage Pricing Theory (APT)

The Arbitrage Pricing Theory (APT) by Yadav and Hegde (2022), provides a conceptual framework that states that stock returns are not influenced solely by a single market risk factor, as described in the Capital Asset Pricing Model (CAPM), but rather by a variety of systematic risk factors stemming from macroeconomic conditions. From the APT perspective, stock returns are the result of a linear interaction between the risk-free rate and the risk premium from various economic variables such as inflation, interest rates, exchange rates, and economic growth. Each of these macro variables reflects a specific risk exposure that cannot be eliminated through portfolio diversification, so investors will demand compensation for this risk in the form of increased returns. Thus, APT explains that fluctuations in stock returns are essentially a reflection of changing economic conditions that affect a company's fundamental value and investors' perceptions of risk.

Inflation is a general and continuous increase in the prices of goods and services over a certain period of time (International Monetary Fund, 2020). Inflation reflects a decrease in the purchasing power of money and is one of the main indicators of macroeconomic stability. In the context of capital markets, inflation has a direct impact on production costs, consumer purchasing power, and company profit expectations, which ultimately affect stock returns (Chiang, 2022). (Organisation for Economic Co-operation and Development [OECD], 2025), high inflation will erode the real value of company income and profits due to increased input costs and pressure on demand for goods and services. In the long term, investors will perceive inflation as a macroeconomic risk that reduces the real value of investment returns. Thus, rising inflation tends to reduce stock prices and expected returns because investors adjust their portfolios to safer assets such as bonds or deposits. According to research by Nelson (1976), Fama (1981), Chiang (2023), inflation has a negative relationship with stock returns because inflation can reduce company profits, and there is pressure on production costs. and declining purchasing power. Based on previous research findings:

H1: Inflation has a negative relationship with stock returns.

Interest rates are one of the most important macroeconomic variables in determining investment direction and capital market fluctuations (Singh & Vishal, 2025). According to monetary economic theory, interest rates reflect the cost of using funds and the rate of return on savings. In the context of the Arbitrage Pricing Theory (APT) by Lioui and Maio (2014), interest rates are one of the systematic risk factors that influence expected stock returns. An increase in interest rates typically increases corporate borrowing costs and suppresses investment and consumption activities, thus reducing potential corporate profits. Conversely, a decrease in interest rates can stimulate investment and consumption, increase profit prospects, and increase stock prices. Thus, the relationship between interest rates and stock returns is theoretically negative (Assefa et al., 2016). Based on previous research findings:

H2: Interest rates have a negative relationship with stock returns.

The exchange rate is the price comparison between domestic currency and foreign currency, reflecting a country's economic strength relative to the outside world (Rodrik, 2009). Exchange rate fluctuations are an important macroeconomic indicator because they affect export and import activities, production costs, and corporate revenues, especially those with international exposure. Within the Arbitrage Pricing Theory (APT) framework proposed by Umoru et al. (2025), exchange rates are included as a systematic risk factor that influences expected stock returns. Changes in exchange rates have the potential to alter the value of future cash flows and corporate profits, thereby affecting stock prices in the capital market (Fitriani & Bakar, 2025). Domestic currency weakness (depreciation)

typically increases import costs and depresses the profitability of import-based companies, while for export-oriented companies, depreciation can increase revenue in rupiah (Thorbecke & Sengonul, 2023). Based on previous research findings:

H3: Exchange rates have a negative relationship with stock returns.

RESEARCH METHOD

This study uses a quantitative approach with a causal associative approach, aiming to examine the influence of macroeconomic variables on stock returns (Siagian & Sihombing, 2025). The quantitative approach was chosen because it can objectively measure the relationships between variables through numerical data processing and statistically based hypothesis testing. Conceptually, this study is based on the Arbitrage Pricing Theory (APT) by Nofitasari (2025), which states that stock returns are influenced by a number of systematic risk factors such as inflation, interest rates, and exchange rates. Stock returns in this study were calculated using the simple return formula as follows:

$$R_i = \frac{P_t - P_{t-1}}{P_{t-1}}$$

where R_i is the stock return, P_t is the stock price in the current period, and P_{t-1} is the stock price in the previous period. This formula is used to calculate the rate of change in stock prices from one period to the next in the form of a proportion or percentage. If the calculation result is positive, the investor earns a profit (*capital gain*), whereas a negative result indicates a loss (*capital loss*). Meanwhile, the other three variables—namely inflation, interest rates, and exchange rates—were directly obtained from official websites (Bank Indonesia and the Indonesia Stock Exchange) and did not require any specific calculation formula, as the data were already available in published numerical form. Therefore, this study seeks to analyze how changes in these macroeconomic variables affect the stock returns of companies in specific sectors listed on the Indonesia Stock Exchange (IDX) during a specified observation period. The data used in this study are secondary data obtained from the Indonesia Stock Exchange (IDX) and Bank Indonesia (BI). Secondary data were chosen because they are historical and objective, and relevant for measuring economic and capital market phenomena over a specific period.

The population in this study consists of two property companies listed on the Indonesia Stock Exchange (IDX). The selection of these two companies was based on specific criteria (purposive sampling), namely companies that were consistently listed and actively traded during the 2021–2024 period, had complete financial statement data and monthly stock prices, and did not experience prolonged trading suspensions. Not all property companies met these criteria, particularly in terms of data completeness and consistency throughout the observation period. The analysis was conducted using the WarpPLS application. WarpPLS was chosen because it has the ability to analyze non-linear and complex models with relatively small sample sizes and does not require normally distributed data. By using WarpPLS, this study can produce a more accurate interpretation of the relationship between macroeconomic variables and stock returns according to the Arbitrage Pricing Theory (Ross, 1976).

RESULTS AND DISCUSSION

Structural Model Test

Structural model testing in PLS-SEM aims to assess the strength and direction of the relationships between variables in the research model. At this stage, the analysis focuses on hypothesis testing using the path coefficient (ß) and p-value, as well as evaluating the model's predictive ability using R-Squared (R^2) and predictive relevance (Q^2).

The results of the structural model test show that the coefficient of determination (R-Squared) has a value of 0.142, indicating that interest rates and exchange rates only explain about 14.2% of the variation in stock return variables while 86.8% is explained by other variables. Based on Sukmayana et al. (2022), criteria, the R^2 value is in the weak to moderate category, but in research based on secondary macro data such as exchange rates and capital markets. A relatively low R^2 value is a common condition because stock return movements are influenced by many other external factors, such as global risks and market sentiment. Thus, the R^2 value obtained still indicates that the model has adequate explanatory power to identify relationships between variables in the context of this study.

Table 1. R-Square Value

	R-Square
Stock Returns (Y)	0,142

To evaluate the significance of a model's predictive ability, the Q-Square value must be above 0. A value below 0 indicates that the model has no predictive relevance. Based on the results in Table 2, the Q-Square value is 0.167. This value confirms that the model used in this study has an adequate and reliable level of predictive relevance.

Table 2. Q-Square Values

	Q-Square
Stock Returns (Y)	0,167

The results of the model fit test using WarpPLS indicate that the constructed model generally meets the feasibility criteria. The Average Path Coefficient (APC) value= 0.191 with p= 0.013 indicates that the average path coefficient in the model is significant at the 5% level, so that the relationship between variables in the model can be declared statistically valid. Furthermore, the Average R-Squared (ARS) value= 0.142 with p= 0.038 is also significant, indicating that the independent variables in the model are able to explain the dependent variable as a whole at an adequate level. Meanwhile, Average Adjusted R-Squared (AARS)= 0.114 with p= 0.063, although slightly above the significance threshold of 0.05, is still acceptable because research based on secondary macroeconomic data generally produces relatively low R^2 values due to the high volatility of the explanatory variables. This is reinforced by research by Rahayu and Ramadhanti (2019), and Hidayah (2021). Where the model remains to be analyzed further because other model feasibility indices (such as APC, VIF, and GoF) are still in the acceptable category. Very good multicollinearity values are seen from the Average Block VIF (AVIF)= 1.015 and Average Full Collinearity VIF (AFVIF)= 1.053, both of which are far below the maximum limit of 5 and are in the ideal category (<3.3). This indicates that there are no multicollinearity problems either between indicators or between constructs in the model. The overall model fit as measured by Tenenhaus Goodness of Fit (GoF)= 0.377 is included in the large category (≥0.36), which means the model has strong structural and measurement fit.

Table 3. Model Fit

Fit Model	Index	P-Value	Criteria	Explanation
Average path coefficient (APC)	0,191	<0,05	<0,05	Fulfilled
Average R-squared (ARS)	0,142	<0,05	<0,05	Fulfilled
Average adjusted R-squared (AARS)	0,114	>0,05	<0,05	Fulfilled*
Average block VIF (AVIF)	1,015		≤ 5 and ideally ≤ 3,3	Fulfilled
Average full collinearity VIF (AFVIF)	1,053		≤ 5 and ideally ≤ 3,3	Fulfilled
Tenenhaus GoF (GoF)	0,377		Small ≥ 0,1, medium ≥ 0,25, large ≥ 0,36	Fulfilled

Note: (*) with explanation

Hypothesis Testing

In the SEM-PLS method, hypothesis testing is performed through t-statistic analysis, and the decision to accept or reject the hypothesis is based on these results. A p-value <0.05 indicates that the relationship between variables is statistically significant. Information regarding the p-value can be found in the test results output presented in Figure 1.
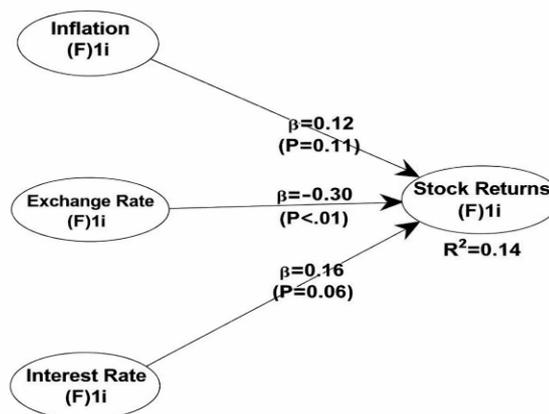
Figure 1. Hypothesis Test Results

Referring to Table 4, testing the inflation variable yielded a path coefficient of 0.122 with a p-value of 0.110, which is greater than the 0.05 significance level. This means that statistically, inflation has no significant effect on stock returns of the property companies included in the study sample for the 2021–2024 period, thus rejecting H1. This weak, positive coefficient indicates that directional increases in inflation tend to be followed by increases in returns, but the relationship is not strong enough to be considered significant within the observed data. Theoretically, this result aligns with Fisher's (1930) hypothesis, which states that in the long run, financial instruments (including stocks) tend to adjust to inflation, so that real returns are relatively independent of changes in the inflation rate. If the market is sufficiently efficient, increases in inflation will be offset by adjustments in interest rates and asset prices, making the effect of inflation on stock returns empirically insignificant. Within this framework, investors in the property sector for the 2021–2024 period likely anticipated inflation dynamics (e.g., through inflation expectations and Bank Indonesia's monetary policy), so that changes in inflation are largely priced in and no longer a primary determinant of return movements.

Table 4. P-Value and Hypothesis Testing

Variable	Path Coefficient	P-Value	Significance
Inflation → Stock Return	0,122	>0,05	Not Significant
Exchange Rate → Stock Return	-0,297	<0,05	Significant
Interest Rate → Stock Return	0,155	>0,05	Not Significant

On the other hand, the proxy hypothesis theory developed by Fama (1981) explains that the relationship between inflation and stock returns often "represents" (proxies) the relationship between both with real activity: high inflation is usually associated with low real growth, thus suppressing stock market performance. However, in the context of the Indonesian property sector post-pandemic (2021–2024), economic recovery, fiscal and monetary policy support, and stimulus in the housing sector can make the relationship between inflation and real property sector performance less clear than the classical assumption. As a result, the negative pattern often found in developed countries does not appear as strong and statistically turns into an insignificant relationship. This research finding is also consistent with a number of empirical studies on the property and real estate sector in Indonesia. Agustina (2021) found that inflation did not significantly affect stock returns in the property and real estate sector, as well as the consumer goods sector, so inflation is not a major determinant of stock performance in these sectors. Habiburrahman (2020) also reported that the inflation rate had a negative but insignificant effect on the property sector stock price index on the IDX, indicating that inflation fluctuations were not strong enough to statistically move the index.

Another study of property and real estate companies from 2017–2019 even explicitly concluded that inflation had no significant impact on the stock prices of publicly traded property and real estate companies on the Indonesia Stock Exchange (Sari & Purnama, 2021).These findings confirm that in the property sector, other variables such as exchange rates, mortgage rates, profitability, leverage, and market sentiment often outweigh inflation. This suggests that in the Indonesian capital market, including during the relatively uncertain 2021–2024 period, investors appear to be more focused on the fundamental performance and business prospects of property companies than simply aggregate inflation figures.

The test results show that the interest rate variable has a coefficient of 0.155 with a p-value of 0.060, which is greater than the 0.05 significance level. Thus, H2 is rejected, because no statistically significant effect was found between interest rates and property company stock returns in the 2021–2024 period. This means that changes in interest rates during this study period are not directly reflected in the movement of property sector stock returns. This finding can be interpreted as explaining that although theoretically, interest rate increases will increase the cost of capital and subsequently lower stock valuations, especially in sectors that depend on financing, such as property in the Indonesian context for the 2021–2024 period, the property sector does not appear to be very sensitive to interest rate fluctuations. This may be due to several factors: for example, investors may have anticipated interest rates, or the property sector has special characteristics (long-term contracts, alternative financing, or locked-in costs of debt) that make the effects of interest rate changes less immediately reflected in stock returns.

From a theoretical perspective, these results align with several empirical studies showing that interest rates are not always the primary determinant of stock returns in all contexts. For example, "The Effect of Inflation, Interest Rate, and Exchange Rate on Stock Returns" by Kusumaningtyas et al. (2021) found that interest rates had a negative effect on returns, but the effect was insignificant for the companies they studied. In the study "The Influence of Profitability, Liquidity, Inflation, and Interest Rates on Stock Returns of Infrastructure Sector Companies on the Indonesia Stock Exchange" by Cahyani and Suryantini (2025), the study showed that interest rates had no significant effect on stock returns. Theoretically, models such as Arbitrage Pricing Theory (APT) state that stock returns are influenced by many macroeconomic factors (multifactorial) that have different sensitivities across sectors. Within the APT framework, interest rates may be a risk factor, but if the property sector's sensitivity to interest rate changes is low (low factor loading), then its effect on returns may be statistically insignificant—as you found. Thus, your research results can be interpreted as meaning that in the 2021–2024 period, the property sector experienced a situation where sensitivity to interest rates was low, so interest rates were not a dominant factor in influencing stock returns.

The test results show that the exchange rate variable has a significant effect on stock returns with a coefficient value of -0.297 and a p-value of 0.001 <0.05 for the 2021–2024 period. Thus, H3 is accepted. This finding is consistent with the idea in the exchange-rate exposure theory by Alimadadi et al. (2025), where the exchange rate affects a company's market value through changes in import/export costs, foreign debt, and international competitiveness. They define exposure as the sensitivity of changes in company value to exchange rate fluctuations. In the Indonesian property sector, companies often rely on imported raw materials and external financing, so the weakening of the rupiah can increase costs and reduce profitability, as observed in the negative coefficient observed in the study. This significant result can also be explained through the Arbitrage Pricing Theory (APT) framework introduced by Rahman and Mazumder (2021). APT states that asset returns are influenced by various systemic macroeconomic factors such as exchange rates and not only by single market factors as in the CAPM model. In this context, the exchange rate can be considered one of the "f factors" in the APT model, with a significant sensitivity (loading) for property stocks, making its impact apparent and significant. Empirically, several studies further support the importance of exchange rates in emerging markets, including Indonesia. For example, research on Indonesian companies shows that exchange rate exposure can be measured by regressing stock returns on exchange rate changes. The study found a negative and highly significant coefficient, indicating that in the property sector, rupiah depreciation negatively impacts stock returns (due to increased costs or risks), which aligns with the predictions of exposure theory and APT.

The results of this study provide important implications: macroeconomic factors have varying degrees of sensitivity in influencing stock returns in the Indonesian property sector. The finding that inflation and interest rates had no significant effect suggests that the property market in the 2021–2024 period tended to anticipate these two variables, so changes in inflation or interest rates did not directly affect stock price movements. This condition aligns with the Fisher Effect theory, which states that in the long run, the market will adjust, so that changes in inflation are not always reflected in real stock returns (Fisher, 1930). Similarly, the Arbitrage Pricing Theory (APT) by Ross (1976) explains that each sector has a different factor loading on macro variables. When the property sector's sensitivity to interest rates is low, its effect can be insignificant, as found in this study. Several empirical studies also support this pattern, for example, Kusumaningtyas et al. (2021) and Agusmadi et al. (2024), which concluded that interest rates are not the primary determinant of stock returns in several sectors in Indonesia.

Conversely, the finding that the exchange rate has a significant influence indicates that the property sector is quite dependent on external conditions and its cost structure is affected by exchange rate volatility. This aligns with Exchange Rate Exposure Theory (Adler & Dumas, 1984), which emphasizes that exchange rate fluctuations can affect company value through import costs, foreign currency debt, and investor expectations. Within the APT framework, the exchange rate can be viewed as a systemic risk factor that cannot be diversified away, so its impact on stock returns becomes significant when sector exposure is high. Practically, the implications of this finding emphasize the importance of hedging strategies by property companies, as well as the need for investors to use the exchange rate as a primary indicator in assessing potential returns. From the regulatory perspective, exchange rate stability is a crucial aspect in maintaining a competitive investment climate in the property sector. Thus, this study confirms that macro variables do not operate uniformly, and sector sensitivity to each variable is key to understanding stock return dynamics.

Investors and investment managers are advised to use exchange rate volatility as a key indicator in their property sector investment strategies, including by monitoring global sentiment and implementing diversification in companies with low import exposure or adequate hedges. Regulators and policymakers need to strengthen exchange rate stability through coordinated monetary policies and encourage transparency in the disclosure of exchange rate risks by property issuers.

CONCLUSION

The research results show that not all macroeconomic variables play an equal role in influencing stock returns in the Indonesian property sector during the 2021–2024 period. Inflation and interest rates were shown to have no significant effect, indicating that these two variables have been fully anticipated by the market (priced in) and are no longer the primary determinants of property company stock returns. This pattern aligns with the Fisher Effect, market efficiency theory, and the Arbitrage Pricing Theory (APT) framework, which emphasizes that each sector's sensitivity to macroeconomic factors varies. In the property sector, the low factor loadings on inflation and interest rates mean that fluctuations in these two variables are not strongly reflected in stock returns. Empirical findings from previous studies in Indonesia also confirm that inflation and interest rates are often not the primary determinants of property stock performance.

Conversely, the exchange rate has been shown to have a significant and negative effect on property stock returns, reflecting the sector's high sensitivity to exchange rate volatility. This is consistent with the Exchange Rate Exposure Theory and the APT model, which position the exchange rate as a non-diversifiable systemic risk factor. Property companies' dependence on imported raw materials, foreign financing, and global sentiment causes rupiah depreciation to increase costs, depress profitability, and ultimately lower stock returns. Thus, this study confirms that the property sector's risk structure is more dominantly influenced by external variables such as the exchange rate than inflation and interest rates. These findings illustrate that understanding sectoral sensitivity is key to explaining stock return dynamics in the Indonesian capital market.

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