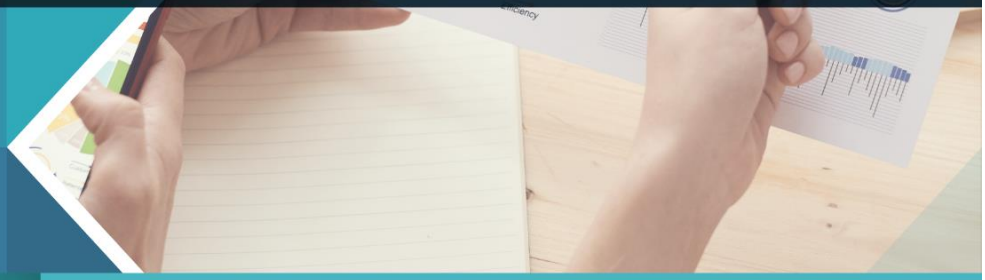
مركز الاستشارات والبحوث والتطوير
بأكاديمية السادات للعلوم الإدارية

مجلة البحوث الإدارية

Journal of Administrative Research

علمية - متخصصة - مُحكمة - دورية ربع سنوية



عدد أكتوبر 2025

للسنة
الثالثة والأربعين

Volume 43 | Issue 4 | Oct. 2025

jso.journals.ekb.eg

ISSN : 1110-225X

Journal of Administrative Research

Issued by:

Consulting, Research, and Development Center (CRDC) – Sadat Academy for Administrative Sciences

Profitability and Leverage of Egyptian Listed Real Estate Companies in Response to Interest Rates

Sadat Academy for Management Sciences

INTERNATIONAL BUSINESS MANAGEMENT

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2025

Abstract:

The study looks into how interest rate changes affect profitability and leverage in Egypt's real estate market, a field that depends heavily on large investments and long-term borrowing. Using sector-level data and statistical analysis, the results show that profitability moves when companies react to higher borrowing costs by changing prices or improving the efficiency of their operations. Leverage, however, stays almost the same, since long-term debt agreements limit quick adjustments. This pattern indicates that in industries with heavy capital use, the structure of debt and equity can remain steady even if daily operations are pressured by monetary shifts. For policy decisions, the focus may be better placed on helping firms adapt their operations rather than expecting changes in debt structure to handle financial shocks. Comparing these results with other sectors and emerging markets could show whether this is a unique feature of Egypt's market or something shared by similar economies.

1. Introduction:

It's always the interest rates that determine how companies manage their money. This becomes a major issue over time for many people, especially in finance and economics research. Rising interest rates make borrowing expensive. Things like investments, spending, and expansion within a company are all affected by this factor. These rates may influence not only local decisions but also global trends or domestic policy moves, as seen in countries like Egypt. These changes are highly significant for real estate firms that depend a lot on borrowing.

The tendency in Egypt's real estate sector is to finance projects primarily using long-term loans. However, increases in interest make it harder to manage financing with such loans. Therefore, companies may earn lower profits or even delay some projects or reduce spending. Since the real estate sector is an important part of Egypt's economy, this effect doesn't just impact individual

companies—it extends to the market as a whole. It is often the case that companies find it difficult to balance between profits and good debt management, especially when interest rates are unstable.

The strange thing is, despite how obvious the impact seems, there is not much detailed research about this issue in Egypt. Most papers focus on broader sectors or look at countries with different economic conditions. This leaves the question of how interest rate changes affect the performance of Egyptian real estate firms.

This research, therefore, aims to look into that. This research tries to figure out whether yearly changes in interest rates actually make a difference in how much profit these companies earn or how much debt they end up using. The focus is on real estate firms that were listed on the Egyptian Exchange between 2011 and 2023. The point is to get a clearer view of how decisions about interest rates might play out inside real businesses working in Egypt.

2. Literature Review:

2.1 Interest Rates

Interest rates have consistently been viewed as one of the most influential monetary policy tools affecting firm behavior. They play a direct role in shaping borrowing costs, which in turn influences companies' capital structure decisions and operational planning (Alam & Uddin, 2023; Goyal, Kumar, & Verma, 2022). This connection becomes more critical in sectors that require long-term financing, such as real estate, where even minor shifts in rates can disrupt financial strategies (Fang, Jin, & Zhang, 2023; Ling, Ooi, & Xu, 2022).

In emerging economies, interest rate movements are often volatile and respond to both domestic monetary pressures and external global conditions like capital flows and inflation shocks. Such volatility introduces uncertainty that impairs firms' financial predictability and hinders long-term investment planning (Awartani, Maghyereh, & Tziogkidis, 2022; Ibrahim & Sare, 2021). For real

estate firms, these risks are amplified due to the sector's dependency on structured debt and multi-phase project financing (Ling et al., 2022; Phan, Mühlbacher, & Tran, 2024).

In addition to increasing financing costs, interest rates also act as macroeconomic signals that shape market sentiment and influence expectations in credit markets. Empirical evidence shows that when interest rates rise, firms often witness reduced profitability, largely because interest payments absorb a greater share of their income, with the pressure more intense in highly leveraged companies, especially in developing markets (Boubaker, Gounopoulos, & Nguyen, 2022; Hasan, Khan, & Rizvi, 2023). Although many studies have explored how interest rates affect firm-level performance in advanced economies, there remains a shortage of focused research in developing countries and in sector-specific contexts such as listed real estate markets (Chen, Huang, & Wang, 2021; Phan et al., 2024). This underscores the need for more applied research that explores how monetary policy—via interest rates—shapes corporate financial decisions under uncertainty (Alam & Uddin, 2023; Goyal et al., 2022).

2.2 Profitability

According to recent literature, profitability can be viewed as the firm's ability to transform resources into measurable financial returns, commonly operationalized by Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin—each capturing a distinct facet of efficiency and value creation (Khan, Shah, & Abbas, 2022; Lee & Wang, 2021). In capital-intensive sectors such as real estate, where projects require substantial upfront investment and long gestation periods, these measures are especially informative for assessing long-term financial viability (Ling, Ooi, & Xu, 2022; Phan, Mühlbacher, & Tran, 2024).

In emerging economies, profitability is highly sensitive to macroeconomic fluctuations: shifts in interest rates, exchange rate instability, and inflationary pressures can rapidly reshape firms'

earnings profiles (Awartani, Maghyereh, & Tziogkidis, 2022; Ibrahim & Sare, 2021). This sensitivity is particularly pronounced in real estate businesses that rely on debt-financed, large-scale projects and operate with extended cash conversion cycles, which delay revenue realization and heighten exposure to volatility—often compressing margins during unstable periods (Fang, Jin, & Zhang, 2023; Hasan, Khan, & Rizvi, 2023). Under such conditions, profit margins can erode quickly, especially when firms face limited pricing flexibility or operate with low asset turnover (Boubaker, Gounopoulos, & Nguyen, 2022).

Evidence indicates that both internal and external drivers shape profitability—firm size, leverage, liquidity, growth opportunities, and industry dynamics among the most cited determinants (Kouki, 2021; Moussa & Farag, 2021). For real estate markets, rising interest rates tend to lift financing costs while cooling property demand, a combination that reduces earnings and interest coverage (Ling et al., 2022; Phan et al., 2024). While mature economies are relatively well studied, sector-specific evidence for emerging markets remains thinner, underscoring the value of integrating macro-financial indicators—particularly interest-rate dynamics—into profitability analyses of listed real estate firms (Chen, Huang, & Wang, 2021; Goyal, Kumar, & Verma, 2022).

2.3 Leverage

According to contemporary capital structure research, leverage enters the firm's financing mix as debt used to fund assets and operations. Common indicators include the debt-to-equity ratio, total debt ratio, and the equity multiplier, each offering a distinct perspective on the balance between borrowed funds and shareholders' equity. When operating returns exceed the cost of debt, leverage can amplify returns on equity; however, excessive reliance on debt raises financial risk, especially in turbulent markets (Kayo & Kimura, 2021; Lee & Wang, 2021). In capital-intensive industries such as real estate—characterized by large upfront investments and long project timelines—leverage is a central element of financing strategies (Ling, Ooi, & Xu, 2022; Phan, Mühlbacher, & Tran, 2024).

In emerging economies, leverage is strongly influenced by macroeconomic conditions—including interest rate dynamics, inflation, exchange rate risk, and credit market tightness—that shape borrowing costs and debt capacity (Awartani, Maghyereh, & Tziogkidis, 2022; Chen, Huang, & Wang, 2021). For real estate firms, heavy reliance on debt to finance large-scale developments can accelerate expansion in favorable conditions but heighten distress when borrowing costs rise or housing demand weakens, compressing cash flows and tightening interest coverage (Fang, Jin, & Zhang, 2023; Hasan, Khan, & Rizvi, 2023).

Empirical evidence indicates that leverage reflects both firm-specific determinants—profitability, asset tangibility, growth opportunities, liquidity—and external factors such as monetary policy and regulation. Studies on emerging markets document that tighter monetary policy and higher policy rates are associated with slower capital structure adjustment and higher refinancing risk, with pronounced effects in property-related sectors (Goyal, Kumar, & Verma, 2022; Kouki, 2021; Ling et al., 2022). When demand declines while financing costs increase, highly leveraged real estate firms face simultaneous revenue shortfalls and rising interest expenses, undermining profitability and, in extreme cases, raising insolvency risk (Boubaker, Gounopoulos, & Nguyen, 2022; Phan et al., 2024). Despite a broad literature for advanced economies, sector-specific evidence for listed real estate firms in emerging markets remains relatively limited, motivating further work that explicitly links macro-financial volatility to capital structure choices in these settings (Chen et al., 2021; Goyal et al., 2022).

2.4 Interest Rates, Profitability, and Leverage

Interest rates, profitability, and leverage interact under corporate finance, which vary due to the change in borrowing costs that affects a firm's earning capacity and its capital structure decisions (Qin, 2022; Fairfield, Taillard, & Yoon, 2022). The higher interest rates impose the entity with additional cost of servicing the debt which directly shortens its profit margin especially on sectors

like real estate that lay a lot of reliance on long-term financing (Guidi & Ugolini, 2022; Dossche, Lewis, & Vyncke, 2023). The effects, furthermore, multiply with highly leveraged companies in that a greater portion of the operating income is switched to servicing interest obligations (Oino & Ukaegbu, 2022; Demirgüç-Kunt, Martínez Pería, & Tressel, 2023). On a profitability standpoint, increasing interest rates may simply hinder investment incentives and also discourage consumer demand thus till then, sales grow slowly and thus returns on assets and equity (Aysan, Disli, & Duygun, 2022; Lee, Shin, & Song, 2023). This makes real estate companies most vulnerable since there is typically a decline in property transactions as mortgage rates increase, resulting in cash inflows and overall profitability taking a hit (Davis, Quintin, & Van Nieuwerburgh, 2021; Duca, Muellbauer, & Murphy, 2021). Narrower margins during monetary tightening periods can be made worse by limited pricing flexibility and a high fixed cost base (Hossain & Nguyen, 2022; Sufi & Vissing-Jørgensen, 2023). As regards leverage, changes in interest rates affect both the attractiveness of, and the potential for, debt financing: high rates usually discourage new borrowing or raise the cost of existing debt and often compromise expansion plans while increasing the risk of financial distress (Fairfield et al., 2022; Manaa & Roša, 2022). Such context often happens in emerging economies like Egypt whose credit markets have shown higher sensitivity to changes in monetary policy. Consequently, this affects big real estate projects in terms of delayed completion times and decreased expected returns (El-Sayed & Hamed, 2022; Naguib, 2023). Empirical evidence suggests that the simultaneous effect of interest rates on profitability and leverage is greater in highly volatile macroeconomic environments, whereby external shocks simultaneously weaken earnings performance and increase the burden of finance (Sharma & Thaker, 2023; Chen, Choi, & Zhao, 2023). Despite the radical body of research in developed markets, there goes much less sector-specific analysis for Egypt's real estate industry, indicating further importance of holistic

studies with respect to the variables matched together in informing the corporate decision as well as policy formulation (Abdelhady, 2024; El-Sayed & Hamed, 2022).

The reviewed literature highlights three key aspects:

- Interest rates substantially influence decisions on capital structure, shaping both profitability and leverage, with a pronounced effect on the real estate sector in capital-intensive and economically volatile environments (Fairfield, Taillard, & Yoon, 2022; Guidi & Ugolini, 2022).
- In developing economies, fluctuations in interest rates and inflation place downward pressure on profit margins, particularly for highly leveraged firms in the real estate market (Aysan, Disli, & Duygun, 2022; Sharma & Thaker, 2023).
- The level of leverage stems from a blend of internal company characteristics and external market forces, where excessive borrowing in unstable markets increases the likelihood of financial distress and limits operational flexibility (Manaa & Roša, 2022; Demirgüç Kunt, Martínez Pería, & Tressel, 2023).

3. Research Gap

Interest rates, profitability, and leverage have been the subject of extensive research conducted primarily in developed economies (Fairfield, Taillard, & Yoon, 2022; Sufi & Vissing-Jørgensen, 2023); however, such empirical evidence is scant in the context of emerging markets, and this is particularly true for the real estate sector in Egypt (El-Sayed & Hamed, 2022; Abdelhady, 2024). Earlier studies often tend to investigate these parameters on their own without examining their combined interaction under the present volatile macroeconomic conditions (Sharma & Thaker, 2023; Chen, Choi, & Zhao, 2023). In addition, very few have integrated firm-specific characteristics such as asset structure and profitability with macroeconomic determinants such as interest rate changes and

inflation with a goal of explaining capital structure-adjustment and profitability-results in capital-intensive sectors (Manaa & Roša, 2022; Oino & Ukaegbu, 2022). This gap inhibits a thorough understanding of how monetary policy instruments, mainly interest rates, simultaneously shape profitability and leverage in sectors predominantly relying on long-term financing (Guidi & Ugolini, 2022; Dossche, Lewis, & Vyncke, 2023).

3.1 Research Questions

1. To what extent do interest rate fluctuations influence profitability and leverage in Egypt's real estate sector?

2. What is the relationship between interest rate changes and the profitability of real estate companies in Egypt?

3. In what ways do changes in interest rates impact leverage levels in Egypt's real estate market?

3.2 Research Objectives

1. To assess the impact of interest rates on profitability and leverage in Egypt's real estate sector.

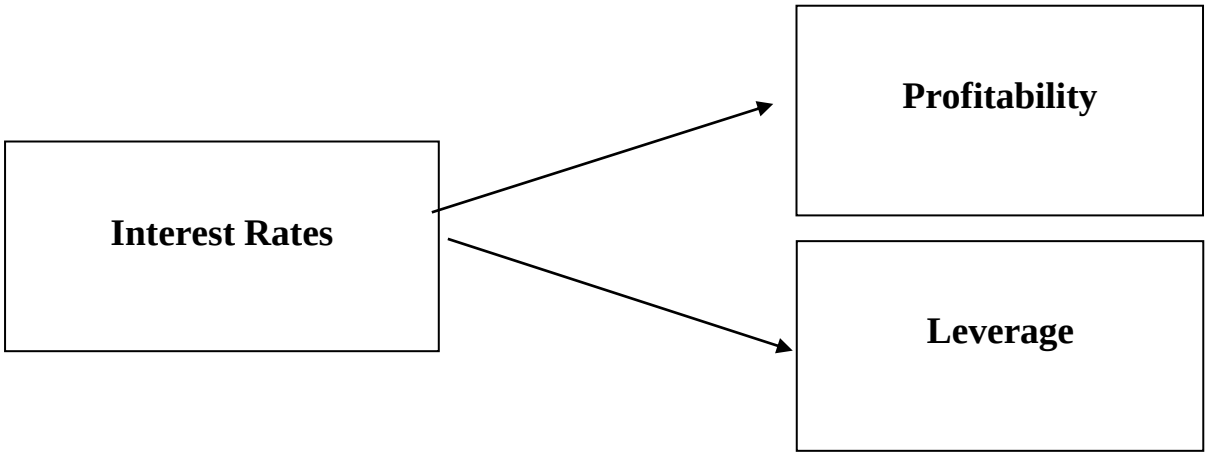
2. To examine the relationship between interest rate changes and the profitability of real estate companies in Egypt.

3. To analyze the effect of interest rate changes on leverage in Egypt's real estate market.

3.3 Conceptual Framework:

The conceptual framework illustrates the interrelationship among the study variables. Interest rates serve as the independent variable, exerting a direct influence on both profitability and leverage within Egypt's real estate sector. Profitability and leverage function as the dependent variables,

reflecting two key dimensions of financial performance and capital structure. The diagram shows that an increase in interest rates is expected to lower a firm's earning capacity while raising its debt burden, a dynamic that is particularly critical in this capital-intensive industry.



3.4 Hypothesis

H1: Increases in interest rates are associated with a decline in the profitability of real estate companies in Egypt.

H2: Higher interest rates contribute to elevated leverage levels among real estate firms in Egypt.

H3: Variations in interest rates influence the balance between profitability and leverage in Egypt's real estate sector.

4. Data and Methodology:

This study adopts a quantitative research design based on panel data from 27 real estate companies listed on the Egyptian Exchange (EGX) over the period 2011–2023. The data were obtained from the Egyptian Exchange Information Dissemination (EGID) database and cross-verified with the

companies' audited annual reports to ensure accuracy and compliance with International Financial Reporting Standards (IFRS).

The analysis examines the effect of interest rates on profitability and leverage within the Egyptian real estate sector, considering the capital-intensive nature of the industry and its sensitivity to macroeconomic changes.

- Independent Variable: Interest Rates, representing the lending rate as reported by the Central Bank of Egypt.
- Dependent Variables: Profitability, measured using Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin.

  Leverage, measured using the Debt-to-Equity Ratio and Total Debt Ratio.

Data analysis was conducted using SPSS software. Descriptive statistics were generated to summarize the variables, followed by correlation analysis to examine initial relationships. Regression analysis was then employed to test the study's hypotheses, ensuring robustness and statistical validity of the results.

5. Statistical Analysis:

Table (1): Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
INT	13	.094	.183	.13385	.031177
PROFIT	13	.021	.053	.03415	.011327
LEV	13	.495	.530	.51677	.010207
Valid N (listwise)	13				

Table (1) presents the descriptive statistics related to the three principal study variables-interest rates (INT), profitability (PROFIT), and leverage (LEV)-for all legitimate observations in the dataset. Such statistics provide an insight into the central tendencies and dispersion of these indicators within the Egyptian real estate sector for the stated time period.

Interest Rates (INT): The observations fall between a minimum of 0.094 and a maximum of 0.183. The overall mean is 0.1339 with a standard deviation of almost 0.0312, which constitutes about 23.3% of the mean. Such moderate relative variation aptly reflects a kind of periodic adjustment in the lending costs during the study period.

Profitability (PROFIT): Averaging around 0.0342, the profitability measure suggests that, on average, firms generate a return of 3.42% relative to their asset base. The range is from 0.021 to 0.053 while the standard deviation is 0.0113-equivalent to roughly 33% of the mean-indicating notable differences in operational performance among firm types.

Leverage (LEV): The leverage ratio remains stable and varies between 0.495 and 0.530, with a mean value of 0.5168. The standard deviation of 0.0102 reflects only about 1.97% of the mean and indicates the tendency of the sector to maintain a debt-equity structure consistently over time.

From an overall perspective, the descriptive statistics reveal moderate fluctuation in interest rates and profitability while leverage was perceived to exhibit astounding stability across the entire sample.

Table (2): Correlations

		INT	PROFIT	LEV
INT	Pearson Correlation	1	.603*	.344
	Sig. (2-tailed)		.029	.250
	N	13	13	13
PROFIT	Pearson Correlation	.603*	1	.205
	Sig. (2-tailed)	.029		.502
	N	13	13	13
LEV	Pearson Correlation	.344	.205	1
	Sig. (2-tailed)	.250	.502	
	N	13	13	13

*. Correlation is significant at the 0.05 level (2-tailed).

Table (2) indicates the Pearson correlation coefficients for the three major research variables: interest rates (INT), profitability (PROFIT), and leverage (LEV), based on all valid observations in the data set.

The correlation between interest rates and profit has an actual positive incidence (r = 0.603) and at a significant level of 5 percent (p = 0.029) indicating that higher interest rates are associated with higher profitability levels for the sampled firms during this time.

The relationship between the interest rates and the leverage is positive. It is very weak (r = 0.344) and proves statistically insignificant (p = 0.250), signifying the lack of any significant linear relation between the cost of lending and capital structure ratios.

Profitability has a very weak positive correlation with leverage (r = 0.205), and this too is not statistically significant (p = 0.502), denoting almost no linear dependence in the performance of operations and debt-equity structure of the whole sample.

In summation, it may be resolved that only the relationship of interest rates and the profitability has reached the threshold limit line of impact at statistical significance, whereas others remain weak and none significant.

Table (3): Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	INT	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

a. Dependent Variable: PROFIT

Table (4): Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.603[a]	.363	.305	.009440

a. Predictors: (Constant), INT

Table (5): ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	1	.001	6.277	.029[b]
	Residual	.001	11	.000		
	Total	.002	12			

a. Dependent Variable: PROFIT

b. Predictors: (Constant), INT

Table (6): Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.005	.012		.404	.694
	INT	.219	.087	.603	2.505	.029

a. Dependent Variable: PROFIT

Table (7): Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	INT[b]	.	Enter

a. Dependent Variable: LEV

b. All requested variables entered.

Table (8): Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.344[a]	.118	.038	.010012

a. Predictors: (Constant), INT

Table (9): ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	1.474	.250[b]
	Residual	.001	11	.000		
	Total	.001	12			

a. Dependent Variable: LEV

b. Predictors: (Constant), INT

Table (10): Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.502	.013		39.458	.000
	INT	.113	.093	.344	1.214	.250

a. Dependent Variable: LEV

The regression analysis results are summarized in Tables (3) to (10) for both the examined models. In the first model with profitability (PROFIT) as the dependent variable, stepwise selection identified interest rates (INT) as the only predictor satisfying inclusion criteria. The model accounted for approximately 36.3% of the variability in profitability (R^2 = 0.363); the adjusted R^2 value was 0.305, with a standard error of 0.00944. The ANOVA test proved the model to be statistically significant (F = 6.277, p = 0.029), therefore establishing interest rates' relationship with profitability as meaningful. The coefficient table shows that INT has a positive and significant influence on profitability (B=0.219,

β=0.603, t=2.505, p=0.029), suggesting that the higher the lending rates, the greater the level of profitability achieved by the firms in our sample.

For the second model in which leverage (LEV) was the dependent variable, the analysis entered the method with INT as the predictor. The results indicate that the model's explanatory power is quite weak (R^2=0.118; adjusted R^2 =0.038), with a standard error of 0.01001. The ANOVA results indicate that the model is insignificant (F=1.474, p=0.250) and hence, a strong linear relationship between interest rates and leverage does not appear to hold for the sample. The coefficients table agrees with this interpretation, as the effect of INT on leverage is positive but not statistically significant (B=0.113, β=0.344, t=1.214, p=0.250). Overall, these results imply that while interest rates have significant effects on profitability, the effects on leverage are rather negligible and statistically insignificant in the present database.

5.1 Interpretation:

The findings of this research reveal a clear and measurable association between interest rates and the profitability of Egypt's real estate sector, an outcome consistent with evidence from emerging markets showing that interest rate changes are associated with shifts in corporate profitability and margins as firms adjust pricing and operations (Demir, Ersan, & Zaremba, 2022; Chen & Mertens, 2021). The results suggest that when borrowing costs increase, firms in this industry may still enhance their profit levels, either by transferring part of these costs to property buyers or by refining operational processes to achieve greater efficiency—mechanisms consistent with monetary-policy pass-through to markups and firms' operational adjustments (Chen & Mertens, 2021). However, research on housing-related sectors cautions that in markets with fragile property

demand, cost pass-through may be constrained under monetary tightening, dampening profitability responses (Jordà, Schularick, & Taylor, 2022; Glaeser, Gottlieb, & Gyourko, 2021).

When it comes to leverage, the statistical evidence points to no significant relationship between interest rates and debt-to-equity ratios. This aligns with findings that corporate capital structures display considerable stability over time, and that longer debt maturities dampen the transmission of short-term rate fluctuations to leverage—features typical of capital-intensive industries like real estate (DeAngelo & Roll, 2022; Almeida, Campello, Chang, & Hackbarth, 2021). In comparison, sectors with more adaptable financing frameworks tend to exhibit stronger leverage responses to monetary policy shocks than sectors reliant on long-term funding (Schmid & Yaron, 2023; Acharya, Du, & Schmieding, 2022). Overall, these findings align with the broader literature: interest-rate changes may affect real estate profitability, but not necessarily leverage, reflecting a financial structure that is relatively resistant to monetary fluctuations where long-term debt contracts prevail.

5.2 Discussion:

The empirical results confirm that interest rates exert a statistically significant influence on profitability while having a negligible effect on leverage, thereby supporting the first research hypothesis and aligning with recent evidence that monetary policy shocks transmit to firms' prices and margins—via cost pass-through and operational adjustments—especially in capital-intensive settings (Chen & Mertens, 2021; Demir, Ersan, & Zaremba, 2022). This indicates that, despite higher borrowing costs, firms can safeguard or even enhance profit margins through pricing realignments and efficiency gains. However, research on housing-related sectors cautions that when property demand is fragile, cost pass-through is constrained under tightening, which can dampen or reverse profitability responses (Jordà, Schularick, & Taylor, 2022; Glaeser, Gottlieb, & Gyourko, 2021).

The lack of a significant relationship between interest rates and leverage supports the second research hypothesis and is consistent with evidence that corporate capital structures display considerable stability over time, while longer debt maturities dampen the transmission of short-term rate changes to leverage—features typical of capital-intensive sectors such as real estate (DeAngelo & Roll, 2022; Almeida, Campello, Chang, & Hackbarth, 2021). This outcome also accords with findings that sectors with more adaptable financing architectures exhibit stronger leverage responses to monetary policy shocks, whereas sectors reliant on long-term funding tend to maintain stable debt ratios despite lending-rate fluctuations (Schmid & Yaron, 2023; Acharya, Du, & Schmieding, 2022). In the Egyptian real estate context, the prevalence of long-term debt contracts appears to be a key factor behind this muted responsiveness.

Taken together, the present analysis contributes to corporate finance research by illustrating that interest rate variations can exert differing influences across performance dimensions—producing measurable effects on profitability while leaving leverage largely stable in capital-intensive, long-debt-maturity environments. For policy, this suggests that monetary tightening or easing may not materially reshape capital structures in such sectors in the short run, but can meaningfully alter operational outcomes and margins. Future research could extend this framework to other sectors and emerging markets to assess whether similar patterns arise under different macro-financial environments and institutional financing arrangements.

6. Conclusion:

In examining Egypt's real estate sector, the results show a clear divide in how interest rate movements influence the two financial dimensions studied. Profitability reacts noticeably, as firms either adjust prices or streamline operations to counter the extra cost of borrowing. Leverage, however, stays almost untouched, a sign that the industry's dependence on extended-term debt

contracts provides insulation from quick monetary shifts. This separation highlights that, in asset-heavy markets, capital structures can remain stable even when operating performance is under pressure. From a policy perspective, focusing on how firms adjust their daily operations may offer stronger protection against financial disruptions than depending solely on changes in debt structure. Looking at similar cases in different sectors and countries could show whether this stability is specific to Egypt or part of a wider pattern in economies with comparable structures.

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